



TOWARDS YOU

ANNUAL REPORT **2025**

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DEAR LADIES AND GENTLEMEN, CLIENTS, BUSINESS PARTNERS, COLLEAGUES,

The year 2025 was, in many respects, an excellent year for ČSOB Pojišťovna, a. s., člen holdingu ČSOB (hereinafter referred to as „ČSOB Pojišťovna“ or „the Company“). Whether in terms of written premiums, profit, or market share, we achieved impressive results. We were also delighted to once again receive numerous prestigious awards from both clients and industry experts. In 2025, we also continued to face persistent inflation, which had a significant impact on the prices of virtually all commodities and services, insurance included.

Allow me to begin with some key figures. Even after 2025, ČSOB Pojišťovna remains the 4th largest insurance company in the Czech Republic, serving more than 1.5 million clients. Several years ago, we embarked on a growth strategy, and since then we have consistently grown faster than the market. While the insurance market grew by 7.2% year-on-year in written premiums in 2025, we grew by 12.4%. This momentum led to a historic milestone in market share, which we successfully increased by 0.4% to a final 9.5%. We are therefore well on our way to achieving our ambition to surpass a 10% market share by 2027.

Another success for ČSOB Pojišťovna in 2025 was the level of profit achieved. The company's net profit after tax, according to international accounting standards, reached CZK 2.9 billion in 2025. Our excellent commercial results are also reflected in the volume of written premiums: in 2025 we approached the threshold of CZK 19 billion - specifically CZK 14.6 billion in non-life insurance and CZK 4.3 billion in life insurance, all according to the CAP methodology.

Our outstanding business and financial results were further strengthened by a series of awards, such as Insurance Achievement of the Year (1st place), Client Friendliest Non-Life Insurer (1st place), Best Non-Life Insurer (2nd place), Client Friendliest Life Insurer (2nd place), and Best Life Insurer (3rd place). Together with the growing customer satisfaction reflected in NPS results, this confirms that the changes we are implementing within our company are moving in the right direction.

Putting the client at the center is not just a phrase for us - it reflects how our employees approach their daily tasks. What truly sets us apart is the fact that our employees and sales representatives strive to understand clients and their needs with heart, rather than through technocratic metrics. We believe insurance should be about people, and technology should support the human side of the business. We also place great emphasis on ensuring that the experience with our insurance is as positive as possible, as it influences the perception of other products within our financial group.

I would also like to highlight the statistics on claims settlement and payouts. In 2025, ČSOB Pojišťovna handled and paid out nearly 350,000 claims - from car accidents, fires, and floods to health related risks and surrender values. In total, we paid out approximately CZK 12 billion in 2025.

At ČSOB Pojišťovna, we have long placed a strong focus on responsible and ecological behavior. We continue to reduce our carbon footprint and prioritize environmental sustainability in our planning. Our goal is to eliminate paper use as much as possible and gradually digitize all processes. We care not only about ecology but also about helping those in need around us. In 2025, we organized around twenty different charitable activities. I am very proud that our company has such an exceptional team of people who not only participate in these activities but also actively organize many of them.

At the end of 2025, we also announced plans to build a new headquarters in Pardubice, where the company has been based since its founding more than thirty years ago. A modern headquarters will be built at the Prokopka site, meeting the strictest environmental standards. Key criteria for the new building include sensitive integration into the surroundings, support for biodiversity, transportation accessibility, and services for residents. Construction is expected to take three to four years.

In conclusion, on behalf of the entire Board of Directors, I would like to sincerely thank all our colleagues, sales representatives, and business partners for their work, support, and energy, which enable us to care for our clients and achieve excellent results. I would also like to extend my heartfelt thanks to our clients. We greatly appreciate your trust, which inspires and motivates us to continue improving our products and services..



Jiří Střelický

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

FINANCIAL DATA

2025 ■ 2024 ■

total assets (mCZK)	43 812 42 750
share capital (mCZK)	2 796 2 796
equity (mCZK)	9 445 8 109
financial assets (mCZK)	35 027 36 997
profit / loss after tax (mCZK)	2 919 2 654
profit / loss before tax (mCZK)	3 529 3 203

RATIOS

ROAA (%)	6,7 6,2
ROAE (%)	30,9 32,7
combined ratio NonLife (%)	85,2 85,0

INDUSTRY INDICATORS

written premium (mCZK)	20 263 17 739
– Life insurance (mCZK)	5 681 4 913
– Non-Life insurance (mCZK)	14 582 12 826
gross claims payments (mCZK)	12 028 12 216
net balance of insurance liabilities (mCZK)	29 870 29 713
new business (pcs)	886 223 738 466
number of claims settled (pcs)	347 493 338 470
market share within ČAP (% of written premium)	9,5 9,1

OTHER DATA

FTE	839 795
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COMPANY NOTE

THE BOARD OF DIRECTORS (AS AT 31 DECEMBER 2025)

Chairman	Jiří Střelický
Vice-chairman	Stanislav Uma
Members	Tomáš Lain
	Marek Cach
	Tomáš Hotový

No changes occurred in the composition of the Board of Directors during the year 2025.

THE SUPERVISORY BOARD (AS AT 31 DECEMBER 2025)

Chairman	Aleš Blažek
Members	Nik Bernard R Vincke
	Přemysl Dolan

During the year 2025, the following changes occurred in the composition of the Supervisory Board:

Termination of the position of the Supervisory Board member Isabel Boogers as of June 27, 2025, due to resignation from the office.

Election of Nik Bernard R Vincke as a member of the Supervisory Board as of September 19, 2025.

MANAGEMENT OF THE COMPANY (AS AT 31 DECEMBER 2025)

Jiří Střelický	Chairman of the Board of Directors responsible for the Chief Executive Officer Unit
Stanislav Uma	Vice-chairman of the Board of Directors responsible to the Internal Distribution Division and Claims Handling
Tomáš Lain	Member of the Board of Directors responsible for the Finance Division
Marek Cach	Member of the Board of Directors responsible for the Life and Non-Life Insurance Division and Brokers
Tomáš Hotový	Member of the Board of Directors responsible for the Bankinsurance Division and Client Services

No changes occurred in the composition of the Management of the Company during the year 2025.

COMPANY PROFILE

ČSOB Pojišťovna, a. s., člen holdingu ČSOB (hereinafter referred to as ČSOB Pojišťovna), is a universal insurance company that provides comprehensive insurance services to individuals, sole proprietors, small and medium-sized enterprises, as well as large corporations.

ČSOB Pojišťovna is committed to offering all its clients high-quality European-standard services in both life and non-life insurance. The company benefits from the stable backing of the ČSOB Group and its strong international shareholder, KBC, which enables its clients to secure comprehensive financial solutions under favourable conditions.

ESTABLISHMENT AND SHAREHOLDER STRUCTURE

ČSOB Pojišťovna was founded on April 17, 1992, and has been operating under its current name since January 6, 2003, following the acquisition of the universal insurance company ČSOB Pojišťovna, a.s., and the subsequent renaming from IPB Pojišťovna, a.s. This transformation created a strong insurance entity, which, with a registered capital of CZK 2.8 billion and equity of CZK 9.4 billion (as of December 31, 2025), ranks among the most well-capitalized insurance companies in the Czech market.

ČSOB Pojišťovna operates with the stable support and proven expertise of its majority shareholder, the Belgian Insurance company KBC Verzekeringen NV, which is part of the multinational KBC Group.

In 2025, ČSOB Pojišťovna recorded written premiums totaling CZK 20.3 billion, placing it among the largest insurance companies in the Czech Republic. According to data from the Czech Insurance Association, its market share based on written premiums stood at 9.5% at the end of 2025.

INSURANCE OFFERINGS

IN 2025, ČSOB POJIŠŤOVNA OPERATED IN THE FOLLOWING INSURANCE SECTORS / GROUPS:

LIFE INSURANCE

- Insurance covering death, survival, or a combination of both
- Pension insurance
- Capital life insurance
- Investment life insurance
- Accident and health insurance as a supplement to the above
- Children's life insurance
- Specialized insurance for women and men
- Accident, illness, and treatment insurance
- Loan and guarantee insurance
- Mortgage insurance

NON-LIFE INSURANCE

- Motor vehicle insurance
- Fire and property damage insurance
- Aviation, inland waterway, and marine insurance, as well as cargo insurance
- Liability insurance (including motor vehicle liability insurance)
- Insurance for financial losses
- Business risk insurance
- Agricultural insurance
- Legal protection insurance
- Internet risk insurance
- Cyber risk insurance

INSURANCE SALES AND CUSTOMER SERVICE

In 2025, approximately 800 employees and around 1,400 exclusive insurance agents of ČSOB Pojišťovna worked to ensure maximum customer satisfaction. The company operated through 12 regional headquarters and nearly 200 business offices across the Czech Republic. ČSOB Pojišťovna's life and non-life insurance products were also available through the sales network of the ČSOB Group.

MEMBERSHIP IN PROFESSIONAL ASSOCIATIONS

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

COMPANY INFORMATION

COMPANY NAME:

ČSOB Pojišťovna, a. s., člen holdingu ČSOB

Registered in the Commercial Register maintained by the Regional Court in Hradec Králové, Section B, File 567

COMPANY ID (IČ): 45534306

TAX ID (DIČ): CZ45534306, VAT ID: CZ699000761

HEADQUARTERS: Pardubice, Zelené předměstí, Masarykovo náměstí 1458, Postal Code 530 02

PHONE.: +420 467 007 111

FAX: +420 467 007 444

CUSTOMER SERVICE: +420 466 100 777

WEBSITE: www.csobpoj.cz

E-MAIL: info@csobpoj.cz



REPORT OF THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES AND THE STATE OF ASSETS FOR THE YEAR 2025

ČSOB Pojišťovna, a.s., člen holdingu ČSOB (hereinafter referred to as the „Company“), recorded written premiums amounting to **CZK 20,263 million** in 2025.

According to the ranking of the Czech Insurance Association, the Company grew faster than the market and was the fastest growing among the TOP 5 major insurance companies. Its market share increased by **0.4%** year-on-year to **9.5%**, maintaining its overall 4th position in the market. Growth was achieved in a sustainable manner, particularly in the Company's target areas across the entire ČSOB Group.

Total gross non-life written premiums amounted to **CZK 14,582 million**, reflecting a year-on-year increase of 14%. The fastest growth was recorded in retail vehicle insurance, fleet vehicle insurance, industrial insurance, and travel insurance. Growth was driven both by new business and the ongoing increase in insured sums for existing policies in response to inflation trends.

In regularly paid life insurance, the Company recorded **CZK 4,152 million** in written premiums, marking a year-on-year increase of **7%**.

For single-premium life insurance products, the Company recorded **CZK 1,529 million** in written premiums, representing a **48%** year-on-year increase.

The Company's net profit after tax for 2025, according to International Financial Reporting Standards (IFRS), amounted to **CZK 2,919 million**, primarily due to the growth in premiums, strong financial performance, and strict cost control. In year-on-year comparison, last year's floods had a negative impact on financial results, but this was largely offset by quality reinsurance.

The Company continues to adhere to a predominantly conservative investment strategy. New investments were primarily allocated to Czech government bonds and bank deposits.

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

ČSOB Pojišťovna, a.s., člen holdingu ČSOB, remained a well-capitalized company in 2025, maintaining a prudent approach to managing its assets and liabilities.

Board of Directors

ČSOB Pojišťovna, a. s., člen holdingu ČSOB

ABOUT COMPANY

CORPORATE SOCIAL RESPONSIBILITY – 15 YEARS OF HELPING

We want to take care of our clients and offer them the best services and products. At the same time, we are aware of our corporate social responsibility. Corporate social responsibility at ČSOB Pojišťovna, just like for other members of the ČSOB Group, is one of the fundamental pillars of our corporate philosophy and an integral part of our business.

We recognize our role in society. We act responsibly and with sustainable benefits for future generations. Corporate social responsibility is one of the cornerstones of our long-term strategy.

We focus primarily on four pillars:

- Responsible Business
- Philanthropy
- Cybersecurity
- Volunteering

VOLUNTEERING IN 2025

Corporate Social Responsibility – 15 Years of Helping

- II. SPA Siblings Weekend
- Recruiting Heroes – Bone Marrow Donors
- Spring at Kosatec
- Ecology
- Trip with Tyflocentrum to Velké Losiny
- Jubilee Philanthropy Exchange
- School Athletic Para Cup
- Improving the sheltered workplace Café Robinson
- Angel Crafting at the Pestalozzi Centre
- Beekeeping on the Insurance Company Roof
- Suits look good with shovels – St. Francis forest kindergarten
- Early care centre – Producing tools to support child development
- Summer day camp with the Insurance company
- Paddleboards at the Confluence
- Relief fund
- XVII. Bakery for Kubík
- Custom food collection – Regional charity Pardubice
- Advent wreaths for the Mobile hospice
- St. Nicholas party in Kalyna
- Joint blood donation

VOLUNTEERING - GALLERY



ČSOB POJIŠŤOVNA TO BUILD NEW HEADQUARTERS IN PARDUBICE

ČSOB Pojišťovna, a. s., člen holdingu ČSOB, has decided to build its new headquarters in the Prokopka area of Pardubice, which will meet the strictest environmental requirements. The key criteria of the building will include sensitive integration of the new structure into its surroundings, support for biodiversity, transport accessibility, and services for citizens. The construction could be carried out within a three- to four-year timeframe.

"Pardubice is our home, and we want to continue successfully developing our business here. The new ČSOB Pojišťovna headquarters will create conditions for further acceleration of what is already the fastest-growing insurance company in the Czech Republic among leading market players. This construction is fully in line with the CSOB Group's philosophy focused on environmental protection and sustainability," commented Jiří Střelický, Chairman of the Board and CEO of ČSOB Pojišťovna.

Award-Winning CSOB Buildings

The new headquarters of ČSOB Pojišťovna will be efficient and environmentally friendly. It will build upon the values and principles applied in the award-winning and already operational buildings of the CSOB Group and elevate them to a new level. The CSOB Campus in Prague and the regional headquarters in Hradec Králové have received the highest possible LEED Platinum environmental building rating and the Environmental Project of the Year award. They are heated and cooled using energy from deep boreholes, their lighting is controlled by an intelligent system, and green roofs improve the climate. The CSOB Group places great emphasis on sensitive integration into the environment, supporting local biodiversity, and creating new services for citizens. The decision to build the new ČSOB Pojišťovna headquarters was preceded by thorough and careful analyses of the medium- and long-term needs of both the insurance company and the entire CSOB Group. These analyses considered construction costs, current work organization requirements, working methods and styles, as well as demands on equipment and workplace layout and capacity. An important part of the project will also be the use of the Prokopka area for residential housing.

Prokopka Awaits a New Life

The name Prokopka has become associated in Pardubice with the now-abandoned area where, since 1871, a factory for the production of milling machines founded by Josef Prokop was located. It became one of the largest manufacturers of milling machinery in Central Europe. Later, the company operated under the name Továrny mlýnských strojů (Milling Machine Factories). *"We want to bring architecturally high-quality surroundings to Pardubice, creating a dignified place not only for employees, partners, and clients but also for citizens. We are therefore preparing a comprehensive development project for the entire Prokopka site, with the goal of cultivating the area as a whole and supporting its long-term sustainable and coordinated growth,"* added Jiří Střelický.



NON-FINANCIAL INFORMATION

In 2025, the Company had expenses of 60,369 thousand CZK in the area of development (in 2024 it spent CZK 48,667 thousand). Most of these expenses were related to investments in the development of large information technology projects.

The Company does not have an organizational unit abroad and has not acquired any of its own shares.

In the area of environmental protection and labour-legal relations, the Company proceeds in accordance with applicable legislation.

Sustainability Report - Exception for Subsidiaries

The Company is exempted from the obligation to publish a sustainability report or a consolidated sustainability report, as the information is included in the consolidated sustainability report of its ultimate parent company, KBC Group NV, with registered office at Havenlaan 2, 1080 Brussels, Kingdom of Belgium.

KBC Group's consolidated sustainability report, including its assurance opinion relating to it, is the part of KBC Group's 2025 Annual Report and is available at www.kbc.com/en/investor-relations/reports/annual-reports.



FINANCIAL PART

REPORT OF THE SUPERVISORY BOARD OF ČSOB POJIŠŤOVNA, A. S., MEMBER OF ČSOB HOLDING, TO THE GENERAL MEETING OF ČSOB POJIŠŤOVNA, A. S., MEMBER OF ČSOB HOLDING (HEREINAFTER ALSO REFERRED TO AS „ČSOB POJIŠŤOVNA“ OR „THE COMPANY“)

In accordance with its work plan, the Supervisory Board held a total of four meetings in 2025 to deal with matters within its competence under the applicable law and the Articles of Association of ČSOB Pojišťovna, a.s. The Supervisory Board also took three written decisions in a correspondent format, i.e. per rollam.

The Supervisory Board of ČSOB Pojišťovna, a. s. oversees the exercise of the powers of the Board of Directors and the administration of the Company's business. During 2025, it had 3 members and it operated in the following composition:

- Aleš Blažek, Chairman of the Supervisory Board
- Isabel Boogers, Member of the Supervisory Board / Nik Bernard R Vincke, Member of the Supervisory Board
- Přemysl Dolan, Member of the Supervisory Board

During the year 2025, the following change occurred in the composition of the Supervisory Board:

Termination of the position of Supervisory Board member Isabel Boogers as of 27.6.2025 based on resignation from the position and election of Nik Bernard R Vincke as a member of the Supervisory Board as of 19.9.2025.

Meetings of the Supervisory Board were regularly attended by members of the Board of Directors who presented the materials submitted by the Board of Directors, as well as by invited guests, most often the Compliance Officer, the Actuarial Function Holder, the Risk Manager Function Holder and the Head of the Audit Department.

The documents for meetings of the Supervisory Board were prepared and sent in advance so that the Supervisory Board members had sufficient time to study them. As in the case of the Board of Directors, the Secretary assists with the preparation of the Supervisory Board meetings and the taking of the meeting minutes.

At its meetings, the Supervisory Board dealt in particular with the following issues that constitute the Company's priorities:

- Supervision of the Company's management activities and efficiency
- Overview of the main development activities and projects
- Regular evaluation of the Company's business results, trends in the fulfilment of its business and financial plans and decisions that should lead to strengthen dynamics of sales
- Regular readouts of the growth strategy fulfilment
- Commented market comparison with main competitors in the Czech Republic
- Discussion of the 2026-2028 Strategic Plan
- Commented profitability and premium sufficiency for life and non-life products
- Monitoring changes in the Company's organisational structure, replacements in managerial positions and results of employee surveys

- Information from the meeting of the Audit Committee, which supervises the efficiency of the Company's internal control system, accounting and auditing of the Company's financial statements
- In particular, the Compliance Officer, the Actuarial Function Holder, the Head of the Audit Department and the Risk Management Function Holder reported regularly on the main risks, risk signals, the current risk profile compared to the Company's risk appetite, on capital position, interaction with the regulator; the reliability and adequacy of the calculation of insurance and reinsurance assets and liabilities; compliance findings and the status of implementation of compliance plans and compliance findings; main conclusions and materiality of audit reports and the status of implementation of audit recommendations
- In addition, they reported on any other documents submitted by Compliance, Risk Management or Internal Audit for consideration by the Audit Committee and a brief summary thereof
- Discussion of the 2025 Project Portfolio
- Proposal for appointment of the Actuarial Function Holder and Risk Management Function Holder
- Regular status review of the transformation program in the area of non-life insurance (NNL)

The Supervisory Board took note of the Company's 2025 financial results and the external auditor's opinion on the financial results.

The Supervisory Board proposes that the General Meeting of Shareholders to approve the Company's economic results and financial statements for the year 2025 and accept the Board of Directors' proposal for the profit allocation.

Aleš Blažek

Chairman of the Supervisory Board



KPMG Česká republika Audit, s.r.o.

Pobřežní 1a
186 00 Prague 8
Czech Republic
+420 222 123 111
www.kpmg.cz

*This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.*

Independent Auditor's Report

to the Shareholders of ČSOB Pojišťovna, a. s., člen holdingu ČSOB

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ČSOB Pojišťovna, a. s., člen holdingu ČSOB ("the Company"), prepared in accordance with IFRS Accounting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

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, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic that are relevant to audits of the financial statements of public interest entities in the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra



Measurement of liabilities for remaining coverage in life segment

As at 31 December 2025, liabilities for remaining coverage in life segment amount to MCZK 19 415 (2024: MCZK 20 360).

Refer to additional information disclosed in Note 2.4.2., 3.1.1. and 4.4. of the Company's financial statements.

The key audit matter

The liabilities for remaining coverage for life insurance contracts represent a significant element of insurance contract liabilities in the Company's statement of financial position.

In measuring the liabilities for remaining coverage ("LRC") the Company's management is required to estimate the present value of future cash flows (PVFCFs), risk adjustment for non-financial risk (RA) and contractual service margin (CSM). Estimating the PVFCFs requires application of professional judgment as well as complex and subjective assumptions, including those with a long-term horizon, with the complexity increased in the current volatile economic conditions. Those assumptions are used as inputs into the cash flow models applying actuarial methods. PVFCFs and further data and assumptions are then used to calculate the RA and CSM.

Relatively minor changes in management's assumptions can have a significant effect on the recognized amount of the LRC. The key assumptions include those related to costs, lapse rates, contract boundaries, claim ratios, mortality/morbidity rates, coverage units and discount rates.

Due to the above factors, we determined measurement of the LRC to be associated with a significant risk of material misstatement. As such, we considered measurement of the LRC to be our key audit matter which required our increased attention in the audit.

How the matter was addressed in our audit

Our procedures in the area, performed, where applicable, with the assistance of our own actuarial and information technology (IT) audit specialists, included the following, among others:

- **Models and methodologies:** with specific consideration of the assessed effects of the current economic conditions, we critically assessed the methods and models applied in measuring the amounts of the LRC against the relevant requirements of the financial reporting standards and market practice. We also tested the design, implementation and, where relevant, operating effectiveness of selected system (IT-based) and manual controls over measurement of the liabilities for remaining coverage, including those over determination of actuarial assumptions. We tested, on a sample basis, the relevance and reliability of key data used in making the LRC estimates, which included, among other things, underlying policy data, data used for estimation of future cash flows and actual cash flow data in the period.
- **Key assumptions and independent challenge:** comparing the key assumptions applied therein, such as costs, lapse rates, mortality/morbidity rates, coverage units and discount rates, to the Company's experience studies and market data, and analyzing the development of the assumptions over time;
- **Calculations:** we analytically assessed significant year-to-year variations in the amounts of LRC. On a sample of contracts we recalculated projected cash flows using those data and assumptions;
- **Disclosures:** we assessed the appropriateness of the Company's disclosures regarding LRC against the requirements of the relevant financial reporting standards.



Measurement of liabilities for incurred claims

As at 31 December 2025, liabilities for incurred claims amount to MCZK 7 234 (2024: MCZK 7 386).

Refer to additional information disclosed in Note 2.4.2., 3.1.1. and 4.4. of the Company's financial statements.

The key audit matter

Liabilities for incurred claims ("LIC") constitute a significant element of insurance contract liabilities in the Company's statement of financial position. In measuring the amounts of LIC, management was required, among other things, to establish future fulfilment cash flows for claims that occurred by 31 December 2025 (including claims that have been incurred but not yet reported).

The measurement is complex, as it requires judgment and involves selection and application of methods and models and making complex assumptions. A number of acceptable actuarial methods may be used, and in many cases standard actuarial methods need adjustments specific to the circumstances and such adjustments also require the application of significant judgment.

Also, relatively minor changes in management's assumptions can have a material effect on the recognized amounts of LIC, with the key assumptions including those in respect of the claims development factors and discount rates.

Due to the above factors, satisfying ourselves regarding measurement of the liabilities for incurred claims required our increased attention in the audit and we determined the area to be our key audit matter.

How the matter was addressed in our audit

Our procedures in the area, performed, where applicable, with the assistance of our own actuarial and IT audit specialists, included the following, among others:

- Models and methodologies: we critically assessed the methods and models applied in measuring the amounts of the LIC against the relevant requirements of the financial reporting standards and market practice. We also tested the design, implementation and, where relevant, operating effectiveness of selected system (IT-based) and manual controls over measurement of the liabilities for incurred claims, including those over determination of actuarial assumptions.
- Data: we traced the input data for the calculation of LIC to the underlying databases of incurred and paid claims, whose relevance and reliability we independently assessed, among other things, through inspection of evidence such as loss adjustor reports, independent expert reports, bank statements with payments for particular claims or other relevant documentation.
- Key assumptions and independent challenge: we challenged the key assumptions applied therein, as follows:
 - o development factors – assessing whether they were properly extracted from the Company's experience studies;
 - o discount rates - by reference to risk free rates obtained from publicly available external sources.
- Calculations: we analytically assessed significant year-to-year variations in the amounts of LIC, the development of claims ratio and also made relevant inquiries of the Company's actuarial experts and employees of the claims handling department. We also carried out our own independent recalculations of key elements of the LIC;
- Disclosures: we assessed the appropriateness of the Company's disclosures regarding the LIC against the requirements of the relevant financial reporting standards.



Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

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 obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters 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 applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

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

In preparing the financial statements, the statutory body 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 statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process. The Audit Committee is responsible for monitoring the Company's financial reporting 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 above 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 above regulations, we exercise professional judgment and maintain professional skepticism 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 statutory body.
- Conclude on the appropriateness of the statutory body's 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 28 April 2025 and our uninterrupted engagement has lasted for 1 year.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 17 March 2026 in



accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company with any other services.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of ČSOB Pojišťovna, a. s., člen holdingu ČSOB as at 31 December 2025, based on which this independent auditor's report has been prepared.

Prague
31 March 2026

KPMG Česká republika Audit, s.r.o.
Registration number 71

Signed by

Jindřich Vašina
Partner
Registration number 2059



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SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

(CZK'000)	Note	2025	2024
Intangible assets	4.1	1,076,437	709,751
Property, plant and equipment	4.2	368,193	362,659
Other assets	4.3	679,641	755,292
Insurance contract assets	4.4	720,618	573,343
Reinsurance contract assets	4.5	1,079,646	1,734,436
Investments in subsidiaries	4.6	304,000	279,000
Net deferred tax assets	4.9	953,098	865,809
Financial assets	4.7	35,026,614	36,997,307
At amortised cost		8,724,208	8,600,830
At fair value through other comprehensive income		19,410,444	20,242,395
At fair value through profit or loss		6,444,829	7,675,622
Hedging derivatives with positive fair value		447,133	478,460
Cash and cash equivalents	4.7	3,604,039	472,527
TOTAL ASSETS		43,812,286	42,750,124

(CZK'000)	Note	2025	2024
Share capital	4.8	2,796,248	2,796,248
Share premium		3,600	3,600
Other funds and revaluation differences		100,657	150,958
Retained earnings		6,544,949	5,157,713
TOTAL EQUITY		9,445,454	8,108,519
Insurance contract liabilities	4.4	32,061,963	32,560,279
Reinsurance contract liabilities	4.5	1,089	613
Net current tax liability	4.10	272,124	210,604
Other liabilities	4.11	1,709,633	1,565,604
Liabilities from lease contracts	4.10	310,378	301,737
Financial liabilities	4.7	11,645	2,768
TOTAL LIABILITIES		34,366,832	34,641,605
TOTAL LIABILITIES AND EQUITY		43,812,286	42,750,124

The accompanying notes on pages 29 - 121 are an integral part of the financial statements.

SEPARATE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

(CZK'000)	Note	2025	2024
Insurance service result	4.12	3,191,586	2,838,695
<i>Insurance revenue</i>		16,715,540	14,711,664
<i>Insurance service expenses from insurance contracts issued</i>		(12,916,756)	(13,340,809)
<i>Ceded reinsurance result</i>	4.5	(607,198)	1,467,840
Investment return		1,714,000	1,918,151
<i>Net interest income calculated using EIR</i>	4.13	1,191,501	1,254,369
<i>Net (un)realised gains / (losses) from financial assets at fair value through profit or loss</i>	4.14	508,068	639,051
<i>Net impairment loss on financial assets</i>		150	(83)
<i>Net gains / (losses) from financial assets at fair value through other comprehensive income</i>	4.15	7,539	13,065
<i>Other gains / (losses)</i>		6,742	11,749
Insurance finance income / (expense)		(1,138,699)	(1,315,076)
<i>Finance income / (expense) from insurance contracts issued</i>	4.4.9	(1,197,918)	(1,369,032)
<i>Finance income / (expense) from reinsurance contracts held</i>	4.5	59,219	53,956
Other income	4.16	229,621	367,409
Other expense	4.17	(467,220)	(606,304)
PROFIT BEFORE TAX		3,529,288	3,202,875
Income tax expense	4.19	(610,317)	(548,537)
PROFIT AFTER TAX		2,918,971	2,654,338

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

(CZK'000)	Note	2025	2024
PROFIT AFTER TAX		2,918,971	2,654,338
Items that can be subsequently reclassified into profit or loss			
Net change in revaluation of debt instruments		(245,965)	(410,619)
Net finance income / (expense) from insurance contracts issued		192,142	558,520
Net finance income / (expense) from reinsurance contracts held		3,522	(1,162)
OTHER COMPREHENSIVE INCOME	4.19	(50,301)	146,739
TOTAL COMPREHENSIVE INCOME		2,868,670	2,801,077

These financial statements were approved by the Board of Directors and signed on its behalf by:



Jiří Střelický
Chairman of the Board of Directors



Tomáš Lain
Member of the Board of Directors

Date: 10 March 2026

The accompanying notes on pages 29 - 121 are an integral part of the financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

2025 (CZK'000)	Share capital	Share premium	Net change in revaluation of debt instruments	Finance income / (expense) from insurance contracts issued	Finance income / (expense) from reinsurance contracts held	Other funds	Total funds and revaluation differences	Retained earnings	Total equity
As at 1 January 2025	2,796,248	3,600	(726,012)	480,098	(13,374)	410,246	150,958	5,157,713	8,108,519
Profit for the year	-	-	-	-	-	-	-	2,918,971	2,918,971
Other comprehensive income	-	-	(245,965)	192,142	3,522	-	(50,301)	-	(50,301)
Total comprehensive income	-	-	(245,965)	192,142	3,522	-	(50,301)	2,918,971	2,868,670
Dividends paid	-	-	-	-	-	-	-	(1,531,735)	(1,531,735)
Total transactions with owners	-	-	-	-	-	-	-	(1,531,735)	(1,531,735)
As at 31 December 2025	2,796,248	3,600	(971,977)	672,240	(9,852)	410,246	100,958	6,544,949	9,445,454

2024 (CZK'000)	Share capital	Share premium	Net change in revaluation of debt instruments	Finance income / (expense) from insurance contracts issued	Finance income / (expense) from reinsurance contracts held	Other funds	Total funds and revaluation differences	Retained earnings	Total equity
As at 1 January 2024	2,796,248	3,600	(315,393)	(78,422)	(12,212)	410,246	4,219	4,867,527	7,671,594
Profit for the year	-	-	-	-	-	-	-	2,654,338	2,654,338
Other comprehensive income	-	-	(410,619)	558,520	(1,162)	-	146,739	-	146,739
Total comprehensive income	-	-	(410,619)	558,520	(1,162)	-	146,739	2,654,338	2,801,077
Dividends paid	-	-	-	-	-	-	-	(2,364,152)	(2,364,152)
Total transactions with owners	-	-	-	-	-	-	-	(2,364,152)	(2,364,152)
As at 31 December 2024	2,796,248	3,600	(726,012)	480,098	(13,374)	410,246	150,958	5,157,713	8,108,519

The accompanying notes on pages 29 - 121 are an integral part of the financial statements.

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

CZK000	Note	2025	2024
Profit before taxation		3,529,288	3,202,874
adjustments for:			
Change in insurance contract liabilities		(2,600,866)	(1,824)
Change in reinsurance contract assets		771,469	(473,518)
Depreciation and amortisation	4.1, 4.2	182,690	183,624
Net realized gain / loss from sales property and equipment	4.16	(1,739)	(1,515)
Impairment on financial investments	4.7	(150)	83
Net unrealized gain / loss from FVTPL		(509,113)	(639,336)
Net realized gain / loss from FVOCI and AC		(7,539)	(13,065)
Net interest income	4.13	(1,191,501)	(1,254,369)
Impairment on other assets		(11,099)	(5,227)
Other		66,490	21,485
Net change in financial assets at fair value through profit or loss		48,968	117 971
Net change in securities measured at amortised cost		26,508	18 881
Net change in securities at fair value through other comprehensive income		(122,782)	(56 233)
Net change in hedging derivatives		42,972	29 320
Net change in other assets		102,082	(188 808)
Net change in cash flows of the reinsurer's share on premium and claims payments	4.5.2.	(111,746)	(524 139)
Net change in cash flows from premiums, claim payments, other expenses and acquisition of insurance contracts	4.4.2., 4.4.3.	2,345,428	301 581
Net change in other liabilities		(144,745)	(40 901)
Interest received		1,197,395	1,197,395
(Purchase) disposal of financial assets		(406,977)	(4,951,611)
Maturity of financial assets		2,571,336	4,672,070
Net income tax (paid) received		(622,715)	(403,089)
NET CASH FLOW FROM OPERATING ACTIVITIES		5,153,654	1,191,649
(Purchase) of property, equipment and intangible assets		(423,942)	(394,021)
Disposal of property, equipment and intangible assets		1,827	2,291
NET CASH FLOW FROM INVESTING ACTIVITIES		(422,115)	(391,730)
Dividends paid (-)	4.8	(1,531,735)	(2,364,152)
Payment of lease liabilities	4.10	(68,292)	(65,658)
NET CASH FLOW FROM FINANCING ACTIVITIES		(1,600,027)	(2,429,810)
Net increase / (decrease) in cash and cash equivalents		3,131,512	(1,629,891)
Cash and cash equivalents as at 1 January		472,527	2,102,418
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	4.7.2	3,604,039	472,527

The accompanying notes on pages 29 - 121 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

The shareholders of the Company as at 31 December 2025:

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 2025:

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 2025:

Members of the Board of Directors

Chairman	Jiří Střelický, Prague 6, Za Strahovem 432/28, postal code 169 00
Vice-chairman	Stanislav Uma, Prague 9, Újezd nad Lesy, Holšická 2869, postal code 190 16
Members	Tomáš Lain, Prague 9, Satalice, Dany Medřické 599/14, postal code 190 15
	Marek Cach, Pardubice, Pardubičky, Za Kopečkem 499, postal code 530 03
	Tomáš Hotový, Velké Popovice, Václavská 216, postal code 251 69

There were no changes in the composition of the Company's Board of Directors during 2025.

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
Members	Přemysl Dolan, Němčice 106, postal code 533 52
	Nik Bernard R Vincke, Hungary, Budapest, Homokóra utca 10

During 2025, the following changes occurred in the composition of the Supervisory Board:

Isabel Boogers ended her mandate on the Supervisory Board of the Company as of June 27, 2025.

Nik Bernard R Vincke member of the Supervisory Board of the Company with effect from September 19, 2025.

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

2. ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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 NV, 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 Group NV with its registered seat in Brussels, the Kingdom of Belgium. The financial statements of the two consolidating entities KBC Verzekeringen NV and KBC Group NV 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 on the website of the ultimate parent company. Therefore, in compliance with IFRS 10, section 4 (a) requirements, the Company does not prepare consolidated financial statements.

Statement of compliance

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

2.2. Changes in accounting policies

Effective after 1 January 2025

The adopted accounting policies are consistent with those applied in the annual report for the year ended 31 December 2024, except for the adoption of the following IFRS accounting standards, amendments and interpretations. The adoption of other IFRS accounting standards (other than IFRS 17), amendments (other than amendments to IFRS 17 and IAS 1 Disclosure of Accounting Policies) and interpretations had no material impact unless otherwise stated.

Amendment to IAS 1 Non-current Liabilities with Covenants. The amendment clarifies that a liability is classified as non-current when an entity has a right to defer settlement for at least 12 months after the reporting date.

Amendment to IFRS 16 Lease Liability in a Sale and Leaseback. The amendment specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction.

Amendments to IAS 7 and IFRS 7. The amendment introduces new disclosure requirements about supplier finance arrangements, in which finance providers pay amounts the entity owes to its suppliers.

Amendment to IAS 21 Lack of Exchangeability is effective on or after 1 January 2025. Limited-scope amendment.

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

Effective after 1 January 2026

The following IFRS Accounting Standards were issued but not yet effective in 2025. The Company will apply these standards when they become mandatory.

Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments is effective on or after 1 January 2026. The amendments improve the guidance on assessing whether contractual cash flow characteristics of financial assets meet conditions of basic lending arrangements. The amendments clarify accounting for the settlement of financial liabilities through electronic payment systems. The Company investigates possible impact.

Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-depending Electricity is effective on or after 1 January 2026. Amendment with limited scope.

Annual Improvements to IFRS Accounting Standards, Volume 11. The amendments are effective on or after 1 January 2026.

IFRS 18 Presentation and Disclosure in Financial Statements is effective on or after 1 January 2027. Replaces IAS 1 Presentation of Financial Statements. The standard provides comprehensive guidelines on how entities should present and disclose information in their financial statements. This standard assumes retrospective application; it means that results for 2026 will be probably recalculated based on this standard. The Company investigates the impact.

IFRS 19 Subsidiaries without Public Accountability: Disclosures is effective on or after 1 January 2027. The standard provides tailored disclosure requirements for subsidiaries that do not have public accountability. The Company does not expect that the standard will have significant impact.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency is effective on or after 1 January 2027. Amendment with limited scope.

2.3. Significant accounting estimates and judgements

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

2.3.1. Financial instruments fair value

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

For more details see Note 4.7.

2.3.2. Impairment losses on financial instruments

Calculation of Expected Credit Loss (ECL) requires significant judgments in various aspects, for example, but not solely, the financial situation of the debtors / issuers and their possibility to repay, and future macroeconomic information. The Company

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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 4.7.

2.3.3. Valuation of insurance contract liabilities

All insurance and reinsurance contracts concluded by the Company are within the scope of IFRS 17.

Insurance contract liabilities consist of two components, namely the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

The Company uses two measurement models for the valuation of life insurance liabilities for remaining coverage: the Building Block Approach (BBA; also called as GMM - General Measurement Model) and Variable Fee Approach (VFA). Life insurance liabilities for incurred claims are evaluated using the BBA model.

Both of these models work with four blocks - an actuarial estimate of expected future cash flows, discounting to reflect the time value of money, a risk adjustment for non-financial risks and, in the case of liabilities for remaining coverage, a contractual service margin (CSM). The variable fee approach (VFA) modifies the basic model for contracts with discretionary participation features (DPF) by including the remuneration that the Company expects to receive for managing the underlying assets in the contractual service margin.

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

The Premium Allocation Approach (PAA) measurement model is used to evaluate the liability for remaining coverage of non-life insurance contracts and for ceded reinsurance. Non - Life insurance and reinsurance liabilities for incurred claims are evaluated using the BBA model.

PAA is optional simplified measurement model. At initial recognition, the carrying amount of the liability is determined as premiums received net of acquisition costs.

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

Predictive models of future cash flows are naturally associated with uncertainty regarding the amount and timing of cash flows. The risk adjustment for non-financial risks is the compensation the entity needs to bear the uncertainty of the amount and the timing of cashflows arising from nonfinancial risks. It is a buffer on top of the best estimate of future cashflows. It is determined as the difference between the best estimate of future cash flows and the value-at-risk (VaR) at the relevant materiality level. The materiality level is set at 75% for life and 90% for non-life insurance contracts.

Several other accounting estimates and judgements are applied in the preparation of the financial statements, including the aggregation of insurance contracts; portfolio definitions; contract boundaries; units of insurance coverage; the choice of a valuation model (BBA, VFA, PAA).

Their detailed description is given in Note. 2.4.2 Insurance contracts.

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

2.4. Significant accounting policies

2.4.1. 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.

2.4.2. Insurance contracts

Generally, all contracts sold by the Company are within the scope of IFRS 17.

An insurance contract is an insurance contract within the meaning of IFRS 17 if the contract transfers significant insurance risk from the insured to the insurer. Materiality is assessed based on the existence of a scenario (having commercial substance) in which the insurer must pay additional amounts to the insured. These additional amounts are non-negligible compared to the insurance payout that would have been provided if the insured event had not occurred.

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

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

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

IFRS 17 presents profit and loss by sources of profit and loss. It separates the insurance result, consisting of the insurance revenues and the insurance service, and the financial result. The financial result is contributed to by the interest income from investing available funds and the interest expense reflecting the time value of money.

Cash flows are discounted based on current market rates, where the Company has chosen to disaggregate the discounting impact between other comprehensive income (OCI) and the income statement with a view to stabilize results.

2.4.2.1. Level of aggregation of insurance contracts

A valuation according to IFRS 17 is performed at an aggregate level. Insurance contracts are aggregated into groups according to the nature of the contracts, the year of recognition and the profitability expected upon the initial recognition of the contract.

- FRS17 portfolio is a set of contracts subject to similar risks and managed together;
- one group of contracts may include contracts negotiated in one year only (annual cohort);
- according to expected profitability, each portfolio is divided into at least 3 groups of contracts - a group of contracts that are unprofitable at initial recognition; a group of contracts that are initially not significantly likely to become unprofitable during their lifetime; a group of other contracts, i.e. profitable contracts with a low probability of turning into a loss.

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

IFRS 17 portfolios

Life portfolios

Measured using BBA

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

Measured using VFA

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

Non-life and reinsurance portfolios

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

Annual cohorts

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

Aggregation according to the expected profitability

For contracts valued using the general model (BBA) or the variable fee method (VFA), the profitability of a group of contracts is assessed based on the value of the insurance contractual service margin under different risk adjustment scenarios at initial recognition:

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

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

- if the contractual service margin is positive at a risk adjustment calculated at the 75% of the quantile and negative at risk adjustment calculated at the 90% of the quantile, we speak of a group of remaining contracts.

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

2.4.2.2. Recognition and derecognition

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

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

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

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

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

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

2.4.2.3. Valuation

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

IFRS 17 introduces uniform valuation models for insurance liabilities. The 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').

All contracts in a single IFRS 17 portfolio are measured using the same valuation model.

2.4.2.3.1. Valuation of liabilities for remaining coverage by the BBA method

The BBA model works with four blocks:

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

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

Actuarial estimated expected future cash flows

Under the first building block, an explicit estimation of future cash flows must be performed. This requires projecting future cash flows separately from determining discount rates and calculating the risk adjustment.

Although IFRS 17 is principle-based, it sets out detailed requirements regarding which cash flows are included or excluded from the measurement of insurance contract liabilities. The estimate include only cash flows in scope of the measurement of the liability for remaining coverage are those that relate directly to the fulfilment of the portfolio of existing contracts and that fall within the contractual boundary.

A deterministic approach is applied for the projection of the future non-life cash flows. For life products, a stochastic modelling of profit sharing is applied,

In all insurance contracts where some investment components exist, the investment component cannot be arranged separately. The projection of the contract is done as a whole, the investment and risk component together. The company concludes only insurance contract with (if any) non-distinct investment components.

Liabilities from remaining coverage are adjusted on the statement of financial position, by including commission payables and premium receivables to achieve a fair presentation according to premiums received and commissions paid.

Discounting - the time value of money and financial risks

Under IFRS 17, insurance liabilities are measured at the current market rate (meaning the rate observed at the reporting date), which causes 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 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 discount curve assumes the currency of the respective cash flows (i.e. CZK). The starting point is market observable prices. The last liquid tenor on the Czech market is assumed to be 20 years. Ultimate forward rate is taken from rates published by EIOPA. There are two approaches to construct the curve - bottom-up and top-down.

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

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

Risk adjustment

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

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Contractual service margin

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

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 considering, for each contract, the total payments a policyholder receives under a contract and the expected period of cover. The CSM amount included in the income statement is the number of coverage units allocated to the current period for the insurance cover provided in the current period.

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

The Company applies 'multivariate' coverage units for contracts under which multiple services are provided, (insurance cover and investment return services), when each type of service is evaluated separately and then appropriately weighted. 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 reassessed at the end of every reporting period.

Loss component

In case that the absorption capacity of the contractual insurance margin is exhausted, a loss component, charged to loss, becomes part of the insurance contract liabilities. When facts and circumstances indicate onerous contracts, under IFRS 17 the respective expected losses concerned are recognised immediately to profit or loss.

2.4.2.3.2. Valuation of liabilities for remaining coverage by the VFA method

The VFA method adopts most of BBA features described above. It is characterised by the fact that the contractual service margin includes the remuneration that the Company expects to receive for managing the underlying assets. The CSM is adjusted to reflect the changes in the variable fee, which includes some changes in discount rates and other financial variables. The variable fee represents the future profits in the insurance contracts with direct participation features. In contrast to the general valuation model, in the subsequent valuation, all changes in fulfilment cash flows are absorbed by the contractual service margin up to the point of exhaustion of its absorption capacity (i.e. before the service margin reaches zero). Once the absorption capacity of the CSM is exhausted, a loss component is recognised in profit or loss.

The Company applies the variable fee approach (VFA) for contracts whose cash flows depend significantly on the performance of the underlying assets; it is a method applied on a mandatory basis if the defined conditions of IFRS 17 are met. These contracts are single-paid and part of the regular-paid unit-linked products in the Company.

2.4.2.3.3. Valuation of liabilities for remaining coverage by the PAA method

Under certain conditions, entities may (but are not required to) opt for simplification by applying the premium allocation approach (PAA). Compliance with the relevant conditions is mostly determined by the duration of the contracts up to one year. For contracts with the duration of more than one year, it is necessary to prove that the PAA is a suitable approximation of the BBA.

The Company uses the Premium Allocation Approach (PAA) for the valuation of non-life insurance assets and liabilities and reinsurance assets and liabilities. The amount of the liability for remaining coverage (LRC) includes premiums paid and cash flows

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arising from acquisition costs, which are amortised to profit or loss on a pro rata basis. In doing so, the Company assumes written premiums and acquisition costs and ensures the transition to a cash flow basis by adjusting the value for unpaid premiums receivable and unpaid commissions payable.

The Company periodically assesses the appropriateness of applying the method for contracts with a duration of more than one year (at least annually). The assessment consists of a comparison of the valuation of liabilities using the premium allocation approach (PAA) and the building block approach (BBA). Based on the comparison of the calculations, the Company has determined that the valuation of the liabilities using the simplified method does not lead to materially different results compared to the valuation of the liability using the standard method, and thus the premium allocation method can be used even for contracts with a duration of more than one year.

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

2.4.2.3.4. Valuation of liabilities for incurred claims

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

2.4.2.4. Subsequent valuation

2.4.2.4.1. Liabilities for remaining coverage measured by the BBA or VFA method

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

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

Parameters may vary for different product types. See sensitivity analysis in Note 3.1.

The Company yearly updates assumptions and estimates related to expected cash flows, resulting in a change in the residual value of the remaining insurance coverage liability.

The starting point is liabilities from the end of the previous accounting period increased by liabilities from new insurance contracts and accrued interest valued at the discount rates determined during initial recognition. Then there are main liability movements:

- corrections based on experience;
- related to future services provided (absorbed by the contractual service margin);
- relating to services provided in the current or prior period (shown in the current period's profit or loss);
- arising from a change in the portfolio of insurance contracts (absorbed by the contractual service margin);
- the effects of changes in calculation assumptions unrelated to financial risks on fulfilment cash flows (absorbed by the contractual service margin);
- the effects of changes in calculation assumptions related to financial risks on fulfilment cash flows (absorbed by the contractual service margin);
- release of contractual service margin into the profit or loss of the current period.

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

2.4.2.4.2. Liabilities for remaining coverage measured by the PAA method

The valuation of the PAA LRC is similar to UPR calculations reflecting premiums and acquisition cashflows. Pro rata temporis allocation to profit or loss - earned premiums to insurance revenues and amortised acquisition costs to insurance service expenses.

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

2.4.2.4.3. Liabilities from incurred claims

The determination of the value of the liability for remaining coverage is determined by estimation of future cash flows mainly based on own historical experience.

The main components are expected

- claim payments;
- internal and external claim settlement expenses;
- the number of claims and their amount;
- the interest rate environment.

The Company measures liabilities from incurred claims using the BBA method. Main changes in the liabilities from incurred claims are:

- changes in fulfilment cash flows as a result of increases or decreases in expected claims, expenses, etc (recognised in profit and loss of the current period - insurance service expenses);
- changes due to movements in discount rates (recognised in Other comprehensive income).

2.4.2.5. Insurance revenue

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

- for contracts valued at PAA, earned premiums (accrued written premiums for the period) are included in revenue;
- for contracts valued using BBA and VFA, the income consists of the claims and expenses expected for the period (expected claim payments and other costs of insurance services), the release of the risk adjustment for the period (change in the risk adjustment for non-financial risk), the release of the contractual service margin for the period (contractual service margin) and the acquisition costs, including commissions, allocated to the period (allocated insurance acquisition expenses or commissions).

2.4.2.6. Insurance service expenses

The insurance service expenses include:

- claims incurred (claim payments, changes in fulfilment cash flows relating to current period);
- incurred costs other than claims (e.g. administrative expenses);
- amortised insurance acquisition expenses and commissions;
- changes in fulfilment cash flow relating to future services (losses from onerous contracts and their reversals);
- changes in fulfilment cash flows that relate to past services (changes in the valuation of liabilities for incurred claims relating to claims incurred in prior periods).

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

2.4.2.7. Others

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

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

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

2.4.2.8. Reinsurance

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

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

Most of the insurance portfolio is reinsured non-proportionally (i.e. the reinsurers cover 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).

2.4.2.9. Method of the transition to IFRS 17

As of 1 January 2022, the Company adopted the following approach to identifying and measuring groups of life insurance contracts upon transition to IFRS 17. The fair value approach was applied to life insurance contracts that concluded before 2019. These contracts are included in the following portfolios: Non-linked Traditional Insurance, Group Risk Insurance, Unit-linked – Regular Premium BBA, Unit-linked – Single Premium VFA, and Unit-linked – Regular Premium VFA. For life insurance contracts concluded in 2019 and later, the Full Retrospective Approach was applied.

The Company applied the Full Retrospective Approach to all contracts and assets related to cash flows from non-life insurance contracts and reinsurance.

The impact of the transition to IFRS 17 as of 31 December 2022 is detailed in the Company's 2023 Annual Report. The total impact on equity (after tax) due to the transition to IFRS 17 amounts to CZK 1,998,100 thousand, of which the impact on revaluation differences is CZK 1,125,906 thousand, and the impact on retained earnings is CZK 872,194 thousand.

2.4.3. 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 the acquisition cost less accumulated amortisation and impairment losses.

Software is categorized by acquisition as either external, i.e., purchased, or internal, i.e., developed through the Company's own activities, which includes not only genuinely internally developed software, but also significantly customized external software tailored to specific needs, including purchased software licenses.

Software - Core System is a key software application, internally developed, through which the Insurance Company implements its strategic objectives.

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

Development costs that are directly attributable to a specific software application within the Company's assets are recognized as intangible assets when it is probable that the future economic benefits will exceed these costs. Capitalized costs include personnel costs of the software development team, including a relevant portion of related overhead. All other software costs, such as maintenance, are immediately expensed as operational expenses.

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

Software	5 years
Other intangible assets	5 years

No core system is being amortised; the current core system is fully amortised, and the new one is being currently developed.

Intangible assets with finite lives

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

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

Impairment testing of intangible assets is described in chapter 2.4.6 Impairment of non-financial assets.

2.4.4. Property, plant and equipment

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

Land is not depreciated.

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

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

Buildings:

Own buildings	30 years
Technical installation (pipeline, water supply, sewerage)	20 years
Rented premises	10 years

IT assets:

Hardware	3 years
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Other:

Motor vehicles	5 years
Other	3-10 years

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

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

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

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

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

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

2.4.6. Impairment of non-financial assets

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

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

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

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

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

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

2.4.7. Financial instruments

2.4.7.1. Recognition and derecognition

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognised from the statement of financial position when the contractual rights to the cash flows from the financial asset expire or are transferred and the transfer qualifies for derecognition. A transfer requires that the Company either transfers the contractual rights to receive the asset's cash flows; or retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. When the Company transfers a financial asset, it assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all

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the risks and rewards have been neither retained nor transferred, the Company assesses whether it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Company has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

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

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

2.4.7.2. 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 measured at fair value through profit or loss, any directly attributable incremental costs of acquisition.

2.4.7.3. Classification and valuation

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

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

2.4.7.3.1. Financial assets at amortised cost (AC)

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

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

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

The effective interest method is a method of calculating the net book value of a financial asset or a financial liability and the allocation of interest income or interest expense over the same 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 the acquisition and any fees that are an integral part of the effective interest rate. The interest income is included in Net interest income. The losses arising from the impairment of such investments are recognised in the statement of income in Impairment losses.

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2.4.7.3.2. 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 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;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.4.7.3.3. Business model

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

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

2.4.7.3.4. 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;

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- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

2.4.7.3.5. Reclassification

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

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

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

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

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

2.4.7.3.7. Hedging

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

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

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

Cash flow hedges

Such derivative hedging instruments are initially recognised at fair value on the date on which the derivative contract is entered into. The effective portion of the gain or loss on the hedging instrument is recognised in the other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement (net (un)realised gains (losses) from financial instruments at fair value through profit or loss), possibly interest income / expense when the hedged transaction affects the income statement. The exchange rate component of the fair value measurement is always recognised in the income statement. If a cash flow hedge is terminated or the hedge designation removed the related remaining amounts in equity are reclassified into the income statement in the same period during which the hedged item

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affects income. If the hedged anticipated transaction is no longer expected to occur the related remaining amounts in equity are recognised immediately in the income statement.

Fair value hedges

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

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

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

2.4.7.3.8. Determination of fair value

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

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

2.4.7.3.9. General model of expected credit losses

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

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

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

No expected credit losses are calculated for equity instruments.

If the credit risk has increased significantly since initial recognition, provision equal to lifetime expected credit losses is created for financial assets classified in the above categories. 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.

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

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

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

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

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

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

Uncollectible receivables and other financial asset are written off after all the necessary procedures for collecting the asset have been completed and the amount of the loss has been determined. The loss from de-accounting because of written-off process of financial assets and other receivables is recorded as an expense.

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

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

2.4.7.3.10. Significant increase in credit risk since initial recognition

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

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

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2.4.7.3.11. ECL calculation

The ECL is calculated as a multiple of:

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

The ECL is measured in a way that reflects:

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

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

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

2.4.8. Taxes

2.4.8.1. 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.

2.4.8.2. Deferred income tax

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

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

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

2.4.9. 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.

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2.4.10. 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.

2.4.11. Retained earnings / accumulated losses, funds and revaluation differences

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

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

Revaluation differences for unrealised gains and losses include gains or losses arising from changes in the fair value on financial assets FVOCI and cash flow hedges and the impact of the movement of interest rates on assets and liabilities from insurance and reinsurance contracts.

2.4.12. Other liabilities

Other liabilities are recognised at the date of the accounting record. They include current insurance contract liabilities from unmatched payments. Also, liabilities from realised guarantees of the Czech Insurers' Bureau are recognised as other liabilities as well.

2.4.13. Lease

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

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

The Company as a lessee

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

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

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

Leases for an indefinite period 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 considering options, is limited to 10 years.

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

2.4.14. Revenue recognition

2.4.14.1. Income / (expense) from insurance contracts issued and reinsurance contracts held

For a more detailed description see Note 2.4 Significant accounting policies, point 2.4.2 Insurance contracts.

2.4.14.2. Interest income

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

2.4.14.3. Dividend income

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

2.4.14.4. Net (un)realised gains / (losses) from financial instruments at fair value through profit or loss

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

2.4.15. Expense recognition

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

2.4.16. Related Parties

The Company's related parties are as follows:

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

Other related parties as defined in IAS 24 are not relevant for the Company. In Notes 4.3, 4.11, 4.12, 4.16, 4.17, 4.18, 6 the following balances and transactions with related party are disclosed:

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

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- 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.

2.4.17. Subsequent events

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

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

3. RISK MANAGEMENT

Company's risk management framework

The main objective of the Company's risk management is maintaining financial stability and creating value for the clients, shareholders and other stakeholders. Key management recognises the critical importance of having effective risk management systems in place and established a Risk Management Department to serve this purpose. Its main goal is to propose, maintain and assess the performance of the risk management system in the Company. The risk management system can be understood as a set of policies and procedures developed for managing specific risk types. Its implementation ensures a due process of risk identification, assessment of their significance and proposal of measures for their mitigation to an acceptable level including regular monitoring and reporting of the risks identified to senior management. An integral part of the basic risk management system is also the process of own risk and solvency assessment (i.e. ORSA process). 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 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 Solvency II. The Company does not utilise neither 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.

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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 line 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 for example economic shocks or natural disasters.

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

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

Asset liability management (ALM) framework

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

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

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

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

3.1. Insurance risk

The main risk the Company faces due to its underwriting activities is that the actual claims and benefit payments or the timing thereof, differ from the Company's expectations. This is influenced by the frequency of claims, the severity of claims, the actual indemnity paid and the 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 decreased by the careful selection and implementation of underwriting strategy, as well as the use of reinsurance arrangements as a risk-mitigation technique.

The Company conclude most of the obligatory reinsurance contracts with KBC Group Re, which is further reinsured (retrocession) and, as in case of 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 to one reinsurer that exceeds 15% of total assets from incurred claims at the reporting date, except for KBC Group Re.

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3.1.1. Life insurance contracts (including investment contracts with DPF)

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

- classic endowment policies;
- universal life type of contracts;
- unit-linked type of contracts;
- risk contracts (especially group business).

The vast majority of all life insurance contracts listed above are classified as insurance contracts. Investment contracts with DPF comprise about 0.8% of the portfolio (the share of written premiums is higher due to high deposits of extraordinary premiums into these products (11.6% in 2025)) and investment contracts without DPF 0.09% of the portfolio (0.84% of premiums written).

In addition to insurance contracts and investment contracts with DPF, investment contracts without DPF are included in the life portfolio for marginality reasons. The materiality of investment contracts is regularly monitored.

The table in Section 3.1 shows the concentration (in terms of premiums) of life insurance contracts.

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

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

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

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

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and the level of indemnity payments. This is mainly achieved by digitalized underwriting process of life insurance contracts, usage of medical documentation and for the policies with higher sum insured by using medical screening in order to ensure that the scope of insurance, including pricing, reflects current health conditions of the insured. Risk assessment before risk is underwritten (including technical changes) is underpinned by regular review of actual claims' experience and product pricing, as well as through established processes of medical documentation assessment. Within claims settlement process of complex cases of permanent consequences examination by contracted physicians could be used. The risk of insurance fraud is managed by individual investigation of the claims including health questionnaire assessment. In case of suspicious cases information could be exchanged with other insurance companies and databases SVIPO ČKP (system for exchange of information regarding suspicion circumstances within life insurance). Underwriting limits are in place to ensure appropriate risk underwriting based on client's needs and Company's selection criteria. For quality management and error rates in claims payments there are set self-audit and revision limits and quarterly checks within the claims settlement process.

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

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

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

2025

Sum at risk	Sum at risk (CZK'000)	Sum at risk (%)
0 – 499,999	38,282,057	11.26%
500,000 – 999,999	33,697,578	9.92%
1,000,000 – 1,999,999	64,653,524	19.02%
2,000,000 – 3,999,999	83,441,448	24.55%
4,000,000 and more	119,770,756	35.24%
TOTAL	339,845,363	100.00%

2024

Sum at risk	Sum at risk (CZK'000)	Sum at risk (%)
0 – 499,999	40,171,140	13.59%
500,000 – 999,999	34,368,379	11.63%
1,000,000 – 1,999,999	64,251,275	21.74%
2,000,000 – 3,999,999	76,643,491	25.93%
4,000,000 and more	80,089,042	27.10%
TOTAL	295,523,327	100.00%

3.1.1.1. Assumptions

3.1.1.1.1. Macroeconomic assumptions

Discount rate:

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

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

Inflation:

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

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

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Investment return:

The investment return is assumed based on 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 considering the future expected cash flows purchased on par if positive. If the CF is negative, it is primarily covered by the current account, in case of current account drawdown it is borrowed at the 1M swap rate.

Investment margin:

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

3.1.1.1.2. Demographic assumptions

Mortality, injury and morbidity:

Expected mortality and morbidity developments are based on the Company's historical experience. The ratio between Company's historical experience and rates used in premium calculation or current population mortality rates (in the case of mortality) is regularly updated and applied in the projection.

Assumptions generally vary by age, gender, time since the insurance contract was concluded (policy year), type of risk and type of contract. We use real data from the last 10 years to determine the loss percentage and under-mortality percentage.

Lapses:

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

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

3.1.1.1.3. Other assumptions

Expenses:

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

Expenses are modeled using unit costs (cost in CZK per contract and risk rider) split by distribution channels (internal, external, ČSOB, ČSOBS and Česká pošta).

Types of risks are divided into the following groups according to their cost intensity: daily allowance, hospitalization, risk of death, risk of permanent consequences, risk of accidental death, gender risk and risk of critical illnesses. For each of these risk groups (and then separately for the main contract), a separate unit annual cost is determined, which is increased in the projections by cost inflation.

Costs are further divided into directly attributable costs, which are included in the projections, and non-attributable costs. The ratio of these two groups is updated annually in the cost analysis based on historical experience, taking into account future developments.

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Partial withdrawals:

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

The values vary by product group (product) and by type of reserve (regular premium, extraordinary premium). Withdrawals from extraordinary insurance premiums are generally higher (approx. 0 - 3% depending on the type of product) than withdrawals from regular insurance premiums (approx. 0 - 1% depending on the type of product).

3.1.1.2. Sensitivity

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

A list of scenarios, including a quantification of their impact, is provided in the table below. In terms of the impact on discounted cash flows, the sensitivity to lapses and to a change in the discount curve is most significant. In terms of the impact on profit before tax, the sensitivity to expenses is most pronounced.

2025 (CZK'000)	Discounted fulfilment cash flows	Contractual service margin	Impact on profit before tax	Impact on equity
BBA	7,909,895	6,572,533	-	-
Assumption:				
Mortality: +1%	18,831	(17,169)	(1,652)	(10)
Mortality: (1)%	(18,835)	17,175	1,648	12
Morbidity: +1%	59,961	(61,058)	(1,876)	2,973
Morbidity: (1)%	(59,970)	61,068	1,875	(2,973)
Expenses: +5%	137,338	(125,485)	(21,245)	9,392
Expenses: (5)%	(137,338)	127,079	19,651	(9,392)
Lapse: +10%	257,443	(208,756)	(1,630)	(47,057)
Lapse: (10)%	(273,582)	223,543	(599)	50,638
Discount curve: +0.30%	(338,700)	(22,440)	(3,697)	364,837
Discount curve: (0.30)%	359,788	21,565	3,560	(384,913)
VFA	4,215,044	1,443,772	-	-
Assumption:				
Mortality: +1%	1,309	(1,364)	55	-
Mortality: (1)%	(1,310)	1,365	(55)	-
Morbidity: +1%	5,485	(5,766)	281	-
Morbidity: (1)%	(5,486)	5,764	(279)	-
Expenses: +5%	16,046	(14,691)	(1,355)	-
Expenses: (5)%	(16,046)	14,691	1,355	-
Lapse: +10%	80,463	(79,136)	(1,327)	-
Lapse: (10)%	(87,239)	85,926	1,313	-
Discount curve: +0.30%	14,646	(14,994)	145	202
Discount curve: (0.30)%	(15,064)	15,424	(155)	(205)

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2024 (CZK'000)	Discounted fulfilment cash flows	Contractual service margin	Impact on profit before tax	Impact on equity
BBA	7,977,090	6,105,407	-	-
Assumption:				
Mortality: +1%	17,663	(16,283)	(1,454)	74
Mortality: (1)%	(17,666)	16,288	1,451	(73)
Morbidity: +1%	56,930	(58,009)	(853)	1,932
Morbidity: (1)%	(56,937)	58,023	846	(1,932)
Expenses: +5%	140,019	(124,787)	(22,620)	7,388
Expenses: (5)%	(140,019)	125,029	22,378	(7,388)
Lapse: +10%	230,134	(201,095)	778	(29,817)
Lapse: (10)%	(245,457)	214,717	(1,540)	32,280
Discount curve: +0.30%	(366,740)	(15,802)	(3,154)	385,696
Discount curve: (0.30)%	390,655	15,196	3,044	(408,895)
VFA	5,533,311	1,408,522	-	-
Assumption:				
Mortality: +1%	1,344	(1,385)	41	-
Mortality: (1)%	(1,345)	1,386	(41)	-
Morbidity: +1%	5,915	(6,282)	367	-
Morbidity: (1)%	(5,916)	6,279	(363)	-
Expenses: +5%	17,174	(15,709)	(1,465)	-
Expenses: (5)%	(17,174)	15,709	1,465	-
Lapse: +10%	75,399	(74,361)	(1,038)	-
Lapse: (10)%	(81,668)	80,641	1,027	-
Discount curve: +0.30%	15,585	(15,866)	95	186
Discount curve: (0.30)%	(15,991)	16,290	(111)	(188)

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3.1.1.3. Amounts payable on demand versus the carrying amount of insurance contract liabilities

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

(CZK'000)	31 December 2025			31 December 2024		
	Amounts payable on demand	Carrying amount of insurance contract assets and liabilities (see 4.4.1)	Difference	Amounts payable on demand	Carrying amount of insurance contract assets and liabilities (see 4.4.1)	Difference
Life insurance	21,029,264	20,141,244	(888,020)	21,227,351	21,024,330	(203,021)
BBA	15,187,078	14,482,428	(704,650)	14,127,742	14,082,497	(45,245)
Non-Linked traditional insurance	10,564,535	10,326,872	(237,663)	10,846,695	10,853,117	6,422
Group risk insurance	0	90,376	90,376	-	96,361	96,361
Unit-linked – regular BBA	2,261,446	3,165,484	904,038	2,390,354	3,297,691	907,337
Náš Život – internal – BBA	266,425	(217,114)	(483,539)	153,768	(188,574)	(342,342)
Náš Život – external – BBA	9,720	(244,876)	(254,596)	6,066	(156,544)	(162,610)
Náš Život – ČSOB - BBA	1,654,256	1,393,301	(260,955)	571,728	370,408	(201,320)
Náš Život – ČSOB S - BBA	25,319	(258,628)	(283,947)	17,230	(228,225)	(245,455)
Náš Život – Česká Pošta - BBA	405,377	227,013	(178,364)	141,901	38,263	(103,638)
VFA	5,842,186	5,658,816	(183,370)	7,099,609	6,941,833	(157,776)
Unit-linked – single VFA	2,798,354	2,788,147	(10,207)	4,549,995	4,535,103	(14,892)
Unit-linked - regular VFA	1,840,631	1,742,740	(97,891)	1,873,618	1,781,915	(91,703)
Náš Život – internal - VFA	91,005	70,894	(20,111)	57,807	42,712	(15,095)
Náš Život – external - VFA	13,460	11,946	(1,514)	4,742	3,914	(828)
Náš Život – ČSOB - VFA	1,066,884	1,019,449	(47,435)	599,742	570,100	(29,642)
Náš Život – ČSOB S - VFA	14,310	12,547	(1,763)	5,231	4,196	(1,035)
Náš Život – Česká Pošta - VFA	17,542	13,093	(4,449)	8,474	3,893	(4,581)

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3.1.1.4. Life insurance claims development table

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

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

31 December 2025

Year of occurrence (CZK'000)	Before 2021	2021	2022	2023	2024	2025	Total
Cumulative undiscounted cash flows from insurance contracts							
At the end of the year of occurrence	-	785,116	817,206	826,524	794,345	794,809	-
1 year later	-	754,141	737,134	776,320	780,433	-	-
2 years later	-	748,204	736,352	783,786	-	-	-
3 years later	-	749,529	750,034	-	-	-	-
4 years later	-	747,112	-	-	-	-	-
Cumulative undiscounted cash flows from insurance contracts at the reporting date	-	747,112	750,034	783,786	780,433	794,809	3,856,174
Cumulative actual claims paid	-	741,535	728,907	709,056	644,703	374,997	3,199,198
Cumulative insurance liabilities for incurred claims - net of annuities	7,523	5,577	21,127	74,730	135,730	419,812	664,499
Cumulative insurance liabilities for incurred claims - annuities	-	-	-	-	-	0	36,546
Effect of discounting	-	-	-	-	-	0	(32,357)
Effect of risk adjustment	-	-	-	-	-	0	57,178
Discounted insurance assets and liabilities for incurred claims (see 4.4.1)	-	-	-	-	-	0	725,866

31 December 2024

Year of occurrence (CZK'000)	Before 2021	2021	2022	2023	2024	Total
Cumulative undiscounted cash flows from insurance contracts						
At the end of the year of occurrence	-	785,116	817,206	826,524	794,345	-
1 year later	-	754,141	737,134	776,320	-	-
2 years later	-	748,204	736,352	-	-	-
3 years later	-	749,529	-	-	-	-
Cumulative undiscounted cash flows from insurance contracts at the reporting date	-	749,529	736,352	776,320	794,345	3,056,546
Cumulative actual claims paid	-	732,778	693,202	656,826	380,602	2,463,408
Cumulative insurance liabilities for incurred claims - net of annuities	7,872	16,751	43,150	119,494	413,743	601,010
Cumulative insurance liabilities for incurred claims - annuities	-	-	-	-	-	41,582
Effect of discounting	-	-	-	-	-	(30,425)
Effect of risk adjustment	-	-	-	-	-	51,880
Discounted insurance assets and liabilities for incurred claims (see 4.4.1)	-	-	-	-	-	664,047

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3.1.2. Non-life insurance contracts

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

- Accident;
- Industrial and agricultural risks;
- Motor, third-party liability;
- Motor, other;
- Shipping, aviation, transport;
- Fire and other damage to property;
- General third-party liability;
- Miscellaneous financial loss insurance losses;
- Legal expenses insurance;
- Extended warranty insurance;
- Internet risks insurance;
- Pets' insurance.

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is reduced 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 amount of claims. Further, the Company uses, according to the risk amount, segmented procedures for investigating and handling reported claims focused on assessing available documents and information regarding claims, a number of regular revisions and inspections in claims handling processes and established procedures for identifying, investigating and proving insurance fraud. All these 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 of the claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. The inflation risk is mitigated by taking the expected inflation into account when estimating provisions for insurance claims. During the claims settlement, the Company monitors and implements specific measures in detail to limit the inflation impact on the average payment.

The Company has also mitigated its risk exposure by imposing maximum indemnity payments for certain risks (especially natural perils) as well as the use of reinsurance arrangements in order to limit the exposure especially to catastrophic events (especially floods).

The purpose of this underwriting strategy and reinsurance strategy is to limit the Company's exposure to risks arising from catastrophic events, according to its appetite 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 its exposure to catastrophic events. However, there is always the 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.

Additional information regarding level of catastrophe exposure underwritten by the Company is provided in, the tables below which shows hypothetical claims arising from various realistic natural catastrophe scenarios based on the Company's average risk exposures in 2025.

To analyse the sensitivity of insurance risk in 2025, as well as to assess the effectiveness of risk mitigation techniques, 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 in 500 years. Among other things, all relevant

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reinsurance contracts effective as at the balance sheet date are used for mitigation of the impact on the Company. The Company's reinsurance program is regularly reviewed to reflect the current risk appetite and risk profile of the Company. This stress scenario is set to reflect not only the risk of an increase in frequency of natural catastrophic events, but also to assess the adequacy of limit of reinsurance coverage (including high-severity flood event). The amount of individual losses is based on the results of modelling of natural catastrophic events (using professional third party models) and among other things it reflects real historical losses and the current size of the Company's portfolio.

Stress scenario - natural catastrophic risks:

2025 (CZK'000)	Event type	Gross loss
Event 1	Flood	4,778,667
Event 2	Flood	837,241
Event 3	Whirlwind	898,189
Event 4	Hail	207,619
	Gross impact to:	Net impact to:
Profit before tax	6,721,717	504,591
Equity	5,310,156	398,627
2024 (CZK'000)	Event type	Gross loss
Event 1	Flood	3,468,493
Event 2	Flood	570,489
Event 3	Whirlwind	647,193
Event 4	Hail	169,529
	Gross impact to:	Net impact to:
Profit before tax	4,855,705	582,420
Equity	3,933,121	471,760

3.1.2.1. 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 number of claims for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future. For example, single occurrences, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. The 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 the variation in interest rates and delays in settlement.

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3.1.2.2. Non-life claims development table

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

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

31 December 2025

Year of occurrence (CZK'000)	Before 2016	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Cumulative undiscounted cash flows from insurance contracts												
At the end of the year of occurrence	-	3,229,064	3,597,639	3,771,088	4,347,618	4,458,730	4,763,549	4,572,920	4,921,508	7,529,752	6,636,604	-
1 year later	-	3,144,571	3,600,692	3,680,787	4,291,554	3,739,233	5,131,125	4,961,118	5,612,109	8,071,447	-	-
2 years later	-	3,147,523	3,636,584	3,620,116	3,931,602	3,936,987	5,143,462	5,018,051	5,627,960	-	-	-
3 years later	-	3,167,324	3,617,461	3,345,112	4,192,667	3,857,357	5,157,381	4,883,976	-	-	-	-
4 years later	-	3,135,592	3,324,811	3,206,663	4,009,815	3,543,066	4,722,714	-	-	-	-	-
5 years later	-	2,834,817	3,203,598	3,133,332	3,682,465	3,453,785	-	-	-	-	-	-
6 years later	-	2,811,335	3,175,443	3,104,160	3,636,117	-	-	-	-	-	-	-
7 years later	-	2,762,222	3,159,547	3,058,613	-	-	-	-	-	-	-	-
8 years later	-	2,752,493	3,142,861	-	-	-	-	-	-	-	-	-
9 years later	-	2,784,608	-	-	-	-	-	-	-	-	-	-
Cumulative undiscounted cash flows from insurance contracts at the reporting date	-	2,784,608	3,142,861	3,058,613	3,636,117	3,453,785	4,722,714	4,883,976	5,627,960	8,071,447	6,636,604	46,018,685
Cumulative actual claims paid	-	2,677,621	3,052,034	3,001,461	3,545,605	3,354,042	4,488,377	4,324,619	4,805,254	6,714,602	4,016,975	39,980,590
Cumulative insurance liabilities for incurred claims	211,472	106,987	90,827	57,152	90,512	99,743	234,337	559,357	822,706	1,356,845	2,619,629	6,249,567
Effect of discounting	-	-	-	-	-	-	-	-	-	-	-	(459,010)
Effect of risk adjustment	-	-	-	-	-	-	-	-	-	-	-	718,373
Discounted insurance liabilities for incurred claims before reinsurance (see 4.4.1.)	-	-	-	-	-	-	-	-	-	-	-	6,508,930

Until 2020, the table includes amounts disclosed in the previous years' notes to the financial statements (i.e. according to IFRS 4), for 2021 and 2022 the amounts are restated to IFRS 17 and for the other years the amounts are in line with IFRS 17. In 2024 values, there is a huge impact of September floods. Gross flood claims are estimated on CZK 1.9 billion; net value is estimated on CZK 41 million. The year 2025 is affected by the continued growth of the portfolio and two claims, the estimated amount of which is CZK 311.2 million, after adjusting for the effect of reinsurance of CZK 127.5 million.

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31 December 2024

Year of occurrence (CZK'000)	Before 2015	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Cumulative undiscounted cash flows from insurance contracts												
At the end of the year of occurrence	-	2,957,263	3,229,064	3,597,639	3,771,088	4,347,618	4,458,730	4,763,549	4,572,920	4,921,508	7,529,752	-
1 year later	-	2,893,196	3,144,571	3,600,692	3,680,787	4,291,554	3,739,233	5,131,125	4,961,118	5,612,109	-	-
2 years later	-	2,856,272	3,147,523	3,636,584	3,620,116	3,931,602	3,936,987	5,143,462	5,018,051	-	-	-
3 years later	-	2,836,644	3,167,324	3,617,461	3,345,112	4,192,667	3,857,357	5,157,381	-	-	-	-
4 years later	-	2,783,236	3,135,592	3,324,811	3,206,663	4,009,815	3,543,066	-	-	-	-	-
5 years later	-	2,592,295	2,834,817	3,203,598	3,133,332	3,682,465	-	-	-	-	-	-
6 years later	-	2,511,617	2,811,335	3,175,443	3,104,160	-	-	-	-	-	-	-
7 years later	-	2,504,724	2,762,222	3,159,547	-	-	-	-	-	-	-	-
8 years later	-	2,496,496	2,752,493	-	-	-	-	-	-	-	-	-
9 years later	-	2,476,285	-	-	-	-	-	-	-	-	-	-
Cumulative undiscounted cash flows from insurance contracts at the reporting date	-	2,476,285	2,752,493	3,159,547	3,104,160	3,682,465	3,543,066	5,157,381	5,018,051	5,612,109	7,529,752	42,035,309
Cumulative actual claims paid	-	2,396,541	2,671,611	3,052,125	2,998,453	3,543,950	3,349,689	4,400,787	4,217,212	4,458,101	4,665,396	35,753,865
Cumulative insurance liabilities for incurred claims	158,720	79,744	80,882	107,422	105,707	138,515	193,377	756,594	800,839	1,154,008	2,864,356	6,440,164
Effect of discounting	-	-	-	-	-	-	-	-	-	-	-	(488,984)
Effect of risk adjustment	-	-	-	-	-	-	-	-	-	-	-	771,749
Discounted insurance liabilities for incurred claims before reinsurance (see 4.4.1.)	-	-	-	-	-	-	-	-	-	-	-	6,722,929

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31 December 2025

Year of occurrence (CZK'000)	Before 2016	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Cumulative undiscounted cash flows from insurance contracts after reinsurance												
At the end of the year of occurrence	-	-	-	-	-	-	3,824,242	4,107,150	4,488,465	5,312,333	6,056,078	-
1 year later	-	-	-	-	-	3,441,928	4,211,811	4,587,583	5,123,387	5,804,381	-	-
2 years later	-	-	-	-	3,586,222	3,633,408	4,208,516	4,584,573	5,226,351	-	-	-
3 years later	-	-	-	3,111,300	3,795,206	3,597,653	4,104,256	4,530,403	-	-	-	-
4 years later	-	-	3,014,717	2,988,879	3,583,760	3,307,923	3,757,480	-	-	-	-	-
5 years later	-	2,627,283	2,912,324	2,911,578	3,349,814	3,231,847	-	-	-	-	-	-
6 years later	-	2,592,393	2,884,518	2,887,362	3,314,900	-	-	-	-	-	-	-
7 years later	-	2,564,415	2,867,287	2,854,496	-	-	-	-	-	-	-	-
8 years later	-	2,553,545	2,854,288	-	-	-	-	-	-	-	-	-
9 years later	-	2,580,922	-	-	-	-	-	-	-	-	-	-
Cumulative undiscounted cash flows from insurance contracts after reinsurance at the reporting date	-	2,580,922	2,854,288	2,854,496	3,314,900	3,231,847	3,757,480	4,530,403	5,226,351	5,804,381	6,056,078	40,211,146
Cumulative actual claims paid after reinsurance	-	2,488,823	2,775,217	2,818,884	3,236,811	3,145,901	3,580,151	4,065,251	4,555,908	4,760,246	3,941,673	35,368,866
Cumulative insurance liabilities for incurred claims after reinsurance	137,454	92,099	79,071	35,612	78,089	85,946	177,329	465,152	670,443	1,044,135	2,114,405	4,979,734
Effect of discounting	-	-	-	-	-	-	-	-	-	-	-	(288,233)
Effect of risk adjustment	-	-	-	-	-	-	-	-	-	-	-	579,050
Deposit from the reinsurer	-	-	-	-	-	-	-	-	-	-	-	0
Discounted insurance liabilities for incurred claims after reinsurance (see 4.4.1., 4.5.1.)	-	-	-	-	-	-	-	-	-	-	-	5,270,551

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

31 December 2024

Year of occurrence (CZK'000)	Before 2015	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Cumulative undiscounted cash flows from insurance contracts after reinsurance												
At the end of the year of occurrence	-	-	-	-	-	-	-	3,824,242	4,107,150	4,488,465	5,312,333	-
1 year later	-	-	-	-	-	-	3,441,928	4,211,811	4,587,583	5,123,387	-	-
2 years later	-	-	-	-	-	3,586,222	3,633,408	4,208,516	4,584,573	-	-	-
3 years later	-	-	-	-	3,111,300	3,795,206	3,597,653	4,104,256	-	-	-	-
4 years later	-	-	-	3,014,717	2,988,879	3,583,760	3,307,923	-	-	-	-	-
5 years later	-	-	2,627,283	2,912,324	2,911,578	3,349,814	-	-	-	-	-	-
6 years later	-	2,319,689	2,592,393	2,884,518	2,887,362	-	-	-	-	-	-	-
7 years later	-	2,313,899	2,564,415	2,867,287	-	-	-	-	-	-	-	-
8 years later	-	2,305,848	2,553,545	-	-	-	-	-	-	-	-	-
9 years later	-	2,284,813	-	-	-	-	-	-	-	-	-	-
Cumulative undiscounted cash flows from insurance contracts after reinsurance at the reporting date	-	2,284,813	2,553,545	2,867,287	2,887,362	3,349,814	3,307,923	4,104,256	4,584,573	5,123,387	-	36,375,293
Cumulative actual claims paid after reinsurance	-	2,215,284	2,487,494	2,775,526	2,815,950	3,235,582	3,142,874	3,550,283	3,975,727	4,269,360	-	31,943,929
Cumulative insurance liabilities for incurred claims after reinsurance	137,454	69,529	66,051	91,761	71,412	114,232	165,049	553,973	608,846	854,027	-	4,568,819
Effect of discounting	-	-	-	-	-	-	-	-	-	-	-	(332,778)
Effect of risk adjustment	-	-	-	-	-	-	-	-	-	-	-	541,500
Deposit from the reinsurer	-	-	-	-	-	-	-	-	-	-	-	57,600
Discounted insurance liabilities for incurred claims after reinsurance (see 4.4.1., 4.5.1.)	-	-	-	-	-	-	-	-	-	-	-	4,835,141

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

3.1.2.3. Sensitivity

The main risk to which the value of non-life liabilities is sensitive relates to the misestimation of claims. The amount of insurance claims is influenced by the estimated loss rate of individual insurance groups and, by determining the present value of cash flows, by the discount curve. The impact in gross and net value is the same.

2025 (CZK'000)	Discounted fulfilment cash flows	Impact to profit before tax	Impact to equity
PAA	6,508,930	-	-
Assumption:			
Unpaid claims and insurance service expenses: +5%	325,447	(327,744)	2,297
Unpaid claims and insurance service expenses: (5)%	(325,447)	327,744	(2,297)
Discount curve: +30%	(32,249)	1,251	30,998
Discount curve: (30)%	32,924	(1,276)	(31,648)

2024 (CZK'000)	Discounted fulfilment cash flows	Impact to profit before tax	Impact to equity
PAA	6,722,929	-	-
Assumption:			
Unpaid claims and insurance service expenses: +5%	336,147	(339,041)	2,894
Unpaid claims and insurance service expenses: (5)%	(336,147)	339,041	(2,894)
Discount curve: +30%	(35,806)	1,413	34,393
Discount curve: (30)%	36,556	(1,441)	(35,115)



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

3.2. Financial risks

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

3.2.1. Credit risk

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

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

The Company follows the internal limits.

A Company's 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 strategic guideline which is set each year by the Board of Directors and is subject to regular risk management reviews.

The Company concludes most of the obligatory reinsurance contracts with KBC Group Re, which is further reinsured (retrocession) and, as in case of 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 to one reinsurer that exceeds 15% of total assets from incurred claims at the reporting date, with the exception of KBC Group Re.

The Company issues large amount of unit-linked investment policies. 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 is not exposed to material credit risk stemming from unit-linked financial assets.

Credit exposure by credit rating

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

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

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

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

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

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

2025 (CZK'000)	AAA	AA	A	BBB	BB	Non rated	Total
Financial assets	1,274,396	25,953,623	2,364,710	452,396	0	4,981,489	35,026,614
At amortised cost	-	8,724,208	-	-	-	-	8,724,208
At fair value through other comprehensive income	1,274,396	17,229,415	465,362	-	-	441,271	19,410,444
At fair value through profit or loss	-	-	22,143	31,929	-	302,634	356,706
UL assets	-	-	1,430,072	420,467	-	4,237,584	6,088,123
Hedging derivatives with positive fair value	-	-	447,133	-	-	-	447,133
Insurance contract assets	-	-	-	-	-	720,618	720,618
Reinsurance contract assets	-	188,770	837,675	37,213	15,988	-	1,079,646
Other assets	-	70,463	306,536	15,924	5,175	281,543	679,641
Cash and cash equivalents	-	-	3,604,039	-	-	-	3,604,039
Total	1,274,396	26,212,856	7,112,960	505,533	21,163	5,983,650	41,110,558

2024 (CZK'000)	AAA	AA	A	BBB	BB	Non rated	Total
Financial assets	1,234,295	26,272,767	2,794,482	455,150	-	6,240,613	36,997,307
At amortised cost	-	8,600,830	-	-	-	-	8,600,830
At fair value through other comprehensive income	1,234,295	17,671,937	479,500	-	-	856,663	20,242,395
At fair value through profit or loss	-	-	40,788	27,742	-	366,342	434,872
UL assets	-	-	1,795,734	427,408	-	5,017,608	7,240,750
Hedging derivatives with positive fair value	-	-	478,460	-	-	-	478,460
Insurance contract assets	-	-	-	-	-	573,343	573,343
Reinsurance contract assets	-	196,781	1,471,018	45,314	21,323	-	1,734,436
Other assets	-	107,783	372,577	25,391	12,436	237,105	755,292
Cash and cash equivalents	-	-	472,527	-	-	-	472,527
Total	1,234,295	26,577,331	5,110,604	525,855	33,759	7,051,061	40,532,905

The following table shows the largest concentrations of assets:

Counterparty	2025	2024
Czech Republic	67.18%	71.01%
KBC Group	26.80%	21.69%

There are no financial assets past due but not impaired.

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

3.2.2. Liquidity risk

A liquidity risk is the risk that the Company may face difficulties with its ability to settle its insurance liabilities. In the worst-case scenario, there is also a liquidity risk related to the time mismatch between gross cash outflow for claims settlement and expected reinsurance inflow.

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 mutual funds). This percentage includes assets which are standardly liquid on the financial market regardless of the accounting classification. It means that all these assets are liquid instruments including those classified at amortised cost (AC);
- repo facility is agreed with ČSOB bank, which can be drawn in case it is needed.

Maturity profiles

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

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

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

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

2025 (CZK'000)	Up to a year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	5-15 years	Over 15 years	No maturity date	Total
Financial assets	3,122,794	1,954,897	4,124,216	2,338,791	4,869,664	23,924,519	1,507,623	3,585,981	45,428,485
At amortised cost	1,455,294	342,294	1,792,294	412,544	2,203,919	4,566,826	385,555	-	11,158,726
At fair value through other comprehensive income	970,384	631,307	1,525,382	1,440,466	2,444,609	19,271,277	1,122,068	-	27,405,493
At fair value through profit or loss	631,084	923,667	739,738	415,674	148,685	-	-	3,585,981	6,444,829
Hedging derivatives with positive fair value	66,032	57,629	66,802	70,107	72,451	86,416	-	-	419,437
Reinsurance contracts assets / liabilities	396,417	407,610	104,438	101,389	38,806	130,438	42,831	-	1,221,929
Other assets	679,641	-	-	-	-	-	-	-	679,641
Cash and cash equivalents	3,604,039	-	-	-	-	-	-	-	3,604,039
Insurance contracts assets / liabilities	(3,870,698)	(1,851,157)	(1,074,363)	(879,476)	(473,628)	(7,297,426)	(14,154,512)	-	(29,601,260)
Other liabilities	(1,709,633)	-	-	-	-	-	-	-	(1,709,633)
Liabilities from lease contracts	(63,316)	(62,604)	(58,279)	(50,691)	(31,178)	(77,235)	-	-	(343,303)
Financial liabilities	(5,740)	(7,402)	(5,125)	(3,486)	(2,893)	(3,577)	-	-	(28,223)
Total	2,153,504	441,344	3,090,887	1,506,527	4,400,771	16,676,719	(12,604,058)	3,585,981	19,251,675

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

2024 (CZK'000)	Up to a year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	5-15 years	Over 15 years	No maturity date	Total
Financial assets	3,570,737	3,064,799	1,931,693	4,087,079	4,713,730	25,081,871	2,156,659	2,987,265	47,593,833
At amortised cost	596,544	1,444,044	331,044	1,781,044	401,294	6,289,661	395,764	-	11,239,395
At fair value through other comprehensive income	997,844	946,742	607,450	1,501,346	3,845,038	18,507,659	1,760,895	-	28,166,974
At fair value through profit or loss	1,900,024	599,817	918,287	732,726	396,950	140,553	-	2,987,265	7,675,622
Hedging derivatives with positive fair value	76,325	74,196	74,912	71,963	70,448	143,998	-	-	511,842
Reinsurance contracts assets / liabilities	648,910	672,048	154,025	131,502	52,403	99,350	14,499	-	1,772,737
Other assets	755,292	-	-	-	-	-	-	-	755,292
Cash and cash equivalents	472,527	-	-	-	-	-	-	-	472,527
Insurance contracts assets / liabilities	(5,068,544)	(1,560,253)	(1,262,202)	(985,476)	(753,623)	(6,212,066)	(13,625,208)	-	(29,467,372)
Other liabilities	(1,565,604)	-	-	-	-	-	-	-	(1,565,604)
Liabilities from lease contracts	(61,292)	(58,908)	(58,291)	(40,964)	(26,257)	(91,899)	-	-	(337,611)
Financial liabilities	(3,818)	-	-	-	-	-	-	-	(3,818)
Total	(1,251,792)	2,117,686	765,225	3,192,141	3,986,253	18,877,256	(11,454,050)	2,987,265	19,219,984

The tables do not include liabilities relating to outstanding claim payments.

3.2.3. Market risk

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

Market risk comprises three types of risk:

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

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

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

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

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

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

3.2.3.1. Currency risk

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

Assets by denominated currencies:

2025 (CZK'000)	Carrying amount	CZK	EUR	USD
Financial assets	35,026,614	34,769,133	257,481	-
At amortised cost	8,724,208	8,724,208	-	-
At fair value through other comprehensive income	19,410,444	19,410,444	-	-
At fair value through profit or loss	6,444,829	6,187,348	257,481	-
Hedging derivatives with positive fair value	447,133	447,133	-	-
Insurance contract assets	720,618	720,618	-	-
Reinsurance contract assets	1,079,646	1,079,646	-	-
Other assets	679,641	679,641	-	-
Cash and cash equivalents	3,604,039	3,594,537	9,499	3
Total	41,110,558	40,843,575	266,980	3

2024 (CZK'000)	Carrying amount	CZK	EUR	USD
Financial assets	36,997,307	36,416,501	580,806	-
At amortised cost	8,600,830	8,600,830	-	-
At fair value through other comprehensive income	20,242,395	20,242,395	-	-
At fair value through profit or loss	7,675,622	7,094,816	580,806	-
Hedging derivatives with positive fair value	478,460	478,460	-	-
Insurance contract assets	573,343	573,343	-	-
Reinsurance contract assets	1,734,436	1,734,436	-	-
Other assets	755,292	755,292	-	-
Cash and cash equivalents	472,527	472,103	421	3
Total	40,532,905	39,951,675	581,227	3

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

3.2.3.2. Interest rate risk

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

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

2025 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
CZK Yield curve	+100 basis points	127,351	(1,036,923)
CZK Yield curve	-100 basis points	(97,487)	1,148,294
2024 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
CZK Yield curve	+100 basis points	40,954	(1,205,037)
CZK Yield curve	-100 basis points	(8,587)	1,342,007

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 methodology for measuring the sensitivity of the fair value of assets and liabilities to changes in interest rates has been updated. In the area of non life liabilities, we have transitioned to using the present value of expected future cash flows under the standard formula of Solvency II instead of the values determined in accordance with IFRS 17. The limits are set under the Group's approach, which does not take profit sharing into account; however, for internal monitoring purposes, we apply a methodology that incorporates profit sharing at the level of individual liabilities and enables us to monitor the comprehensive impact of fair value changes on both assets and liabilities.

3.2.3.3. Other market risks

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

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

The Company's Investment strategy requires managing such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments. The Company sets VaR which is used by the Company for measuring of risks and which is the assessment of potential loss based on 99.9% reliability. When calculating VaR percentile method is used with the assumptions that the value of portfolio is linear function of risk drivers, and the composition of funds is unchanged during the period. The period considered is one year. In 2025 and 2024 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.

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

2025 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
Shares	15%	5,622	44,244
Shares	(15%)	(5,622)	(44,244)
2024 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
Shares	15%	4,230	22,331
Shares	(15%)	(4,230)	(22,331)

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

3.3. Operational risks

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

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

Increased inflation also affects the growth of the average claim. 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.



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

4. ADDITIONAL NOTES TO THE SEPARATE STATEMENT OF FINANCIAL POSITION, THE SEPARATE INCOME STATEMENT AND THE SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

4.1. Intangible assets

2025 (CZK'000)	Note	Software	of which internally developed	Total
Opening balance – acquisition costs		1,335,438	481,505	1,335,438
Opening balance – depreciation and impairment		(625,687)	(4,756)	(625,687)
Opening balance – carrying amount		709,751	476,748	709,751
Acquisition		482,602	461,999	482,602
Disposals		(583)	-	(583)
Amortisation	4.17.	(115,916)	(10,019)	(115,916)
Disposal of accumulated amortisation		583	-	583
Closing balance – acquisition costs		1,817,457	943,504	1,817,457
Closing balance – depreciation and impairment		(741,020)	(14,776)	(741,020)
Closing balance – carrying amount		1,076,437	928,728	1,076,437

2024 (CZK'000)	Note	Software	of which internally developed	Total
Opening balance – acquisition costs		945,456	118,140	945,456
Opening balance – depreciation and impairment		(510,086)	(226)	(510,086)
Opening balance – carrying amount		435,370	117,914	435,370
Acquisition		390,809	363,365	390,809
Disposals		(827)	-	(827)
Amortisation	4.17.	(116,428)	(4,531)	(116,428)
Disposal of accumulated amortisation		827	-	827
Closing balance – acquisition costs		1,335,438	481,505	1,335,438
Closing balance – depreciation and impairment		(625,687)	(4,757)	(625,687)
Closing balance – carrying amount		709,751	476,748	709,751

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

4.2. Property, plant and equipment

2025 (CZK'000)	Note	Land and buildings	of which right-of-use asset	Other equipment	Total
Opening balance – acquisition costs		733,443	552,024	69,617	803,060
Opening balance – depreciation and impairment		(393,599)	(270,365)	(46,802)	(440,401)
Opening balance – carrying amount		339,844	281,659	22,815	362,659
Acquisition		64,627	57,202	8,267	72,894
Disposals		(6,624)	(6,583)	(8,703)	(15,327)
Amortisation	4.17.	(58,944)	(52,526)	(7,830)	(66,774)
Disposal of accumulated amortisation		6,125	6,083	8,616	14,741
Closing balance – acquisition costs		791,446	602,643	69,181	860,627
Closing balance – depreciation and impairment		(446,418)	(316,808)	(46,016)	(492,434)
Closing balance – carrying amount		345,028	285,835	23,165	368,193

2024 (CZK'000)	Note	Land and buildings	of which right-of-use asset	Other equipment	Total
Opening balance – acquisition costs		689,839	513,384	72,196	762,035
Opening balance – depreciation and impairment		(350,315)	(233,686)	(49,067)	(399,382)
Opening balance – carrying amount		339,524	279,698	23,129	362,653
Acquisition		60,372	55,408	8,398	68,770
Disposals		(16,768)	(16,768)	(10,977)	(27,745)
Amortisation	4.17.	(59,259)	(52,654)	(7,937)	(67,196)
Disposal of accumulated amortisation		15,975	15,975	10,202	26,177
Closing balance – acquisition costs		733,443	552,024	69,617	803,060
Closing balance – depreciation and impairment		(393,599)	(270,365)	(46,802)	(440,401)
Closing balance – carrying amount		339,844	281,659	22,815	362,659

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

4.3. Other assets

(CZK'000)	2025	2024
Accrued income	30,564	33,563
Prepaid expenses	147,087	128,755
Outstanding payments on the reinsurer's share on claims payments	398,098	518,186
Other receivables from third parties	77,957	50,681
Other assets	25,935	24,106
Total	679,641	755,292

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

4.4. Insurance contract assets and liabilities

4.4.1. Breakdown of insurance contract assets and liabilities

2025 (CZK'000)	Note	Insurance contract assets			Insurance contract liabilities		
		Total	Assets for remaining coverage	Assets for incurred claims	Total	Liabilities for remaining coverage	Liabilities for incurred claims
Life insurance		720,618	826,040	(105,422)	20,861,862	20,241,418	620,444
BBA	4.4.2	720,618	826,040	(105,422)	15,203,046	14,640,692	562,354
Non-Linked traditional insurance		-	-	-	10,326,872	10,278,497	48,375
Group risk insurance		-	-	-	90,376	(16,427)	106,803
Unit-linked - regular BBA		-	-	-	3,165,484	2,852,046	313,438
Náš Život - internal - BBA		217,114	270,677	(53,563)	-	-	-
Náš Život - external - BBA		244,876	259,917	(15,041)	-	-	-
Náš Život - ČSOB - BBA		-	-	-	1,393,301	1,324,890	68,411
Náš Život - ČSOB S - BBA		258,628	295,446	(36,818)	-	-	-
Náš Život - Česká Pošta - BBA		-	-	-	227,013	201,686	25,327
VFA	4.4.2	-	-	-	5,658,816	5,600,726	58,090
Unit-linked - single VFA		-	-	-	2,788,147	2,787,509	638
Unit-linked - regular VFA		-	-	-	1,742,740	1,691,834	50,906
Náš Život - internal - VFA		-	-	-	70,894	69,384	1,510
Náš Život - external - VFA		-	-	-	11,946	11,946	-
Náš Život - ČSOB - VFA		-	-	-	1,019,449	1,016,858	2,591
Náš Život - ČSOB S - VFA		-	-	-	12,547	12,547	-
Náš Život - Česká Pošta - VFA		-	-	-	13,093	10,648	2,445
Non-life insurance (PAA)	4.4.3	-	-	-	10,807,216	4,298,286	6,508,930
Accident insurance		-	-	-	25,566	7,938	17,628
Motor third party liability insurance		-	-	-	3,570,929	940,102	2,630,827
General third-party liability insurance		-	-	-	335,152	60,857	274,295
Other motor insurance		-	-	-	2,011,205	1,486,464	524,741
Houses and households insurance		-	-	-	994,862	669,083	325,779
Travel insurance		-	-	-	254,781	155,023	99,758
Industrial risk insurance		-	-	-	1,999,681	450,461	1,549,220
Industrial risk liability insurance		-	-	-	1,000,784	185,179	815,605
Other insurance		-	-	-	614,256	343,179	271,077
Total		720,618	826,040	(105,422)	31,669,078	24,539,704	7,129,374

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

2024 (CZK'000)	Note	Insurance contract assets			Insurance contract liabilities		
		Total	Assets for remaining coverage	Assets for incurred claims	Total	Liabilities for remaining coverage	Liabilities for incurred claims
Life insurance		573,343	643,131	(69,788)	21,597,673	21,003,414	594,259
BBA	4.4.2	573,343	643,131	(69,788)	14,655,840	14,108,842	546,998
Non-Linked traditional insurance		-	-	-	10,853,117	10,795,786	57,331
Group risk insurance		-	-	-	96,361	(20,687)	117,048
Unit-linked - regular BBA		-	-	-	3,297,691	2,991,757	305,934
Náš Život - internal - BBA		188,574	232,342	(43,768)	-	-	-
Náš Život - external - BBA		156,544	166,507	(9,963)	-	-	-
Náš Život - ČSOB - BBA		-	-	-	370,408	315,743	54,665
Náš Život - ČSOB S - BBA		228,225	244,282	(16,057)	-	-	-
Náš Život - Česká Pošta - BBA		-	-	-	38,263	26,243	12,020
VFA	4.4.2	-	-	-	6,941,833	6,894,572	47,261
Unit-linked - single VFA		-	-	-	4,535,103	4,534,740	363
Unit-linked - regular VFA		-	-	-	1,781,915	1,738,365	43,550
Náš Život - internal - VFA		-	-	-	42,712	41,909	803
Náš Život - external - VFA		-	-	-	3,914	3,914	-
Náš Život - ČSOB - VFA		-	-	-	570,100	567,784	2,316
Náš Život - ČSOB S - VFA		-	-	-	4,196	4,196	-
Náš Život - Česká Pošta - VFA		-	-	-	3,893	3,664	229
Non-life insurance (PAA)	4.4.3	-	-	-	10,422,785	3,699,856	6,722,929
Accident insurance		-	-	-	4,915	3,327	1,588
Motor third party liability insurance		-	-	-	3,370,997	781,664	2,589,333
General third-party liability insurance		-	-	-	248,309	31,668	216,641
Other motor insurance		-	-	-	1,627,442	1,196,490	430,952
Houses and households insurance		-	-	-	1,193,580	626,615	566,965
Travel insurance		-	-	-	230,536	100,125	130,411
Industrial risk insurance		-	-	-	2,060,728	385,976	1,674,752
Industrial risk liability insurance		-	-	-	922,496	168,158	754,338
Other insurance		-	-	-	763,782	405,833	357,949
Total		573,343	643,131	(69,788)	32,020,458	24,703,270	7,317,188

The tables do not include liabilities relating to outstanding claim payments in the amount of CZK 392,885 thousand as at 31.12.2025 (CZK 539,821 thousand as at 31.12.2024).

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

2025

Currency		Maturity			
		1 year	5 years	10 years	20 years
CZK	Bottom-up with volatility adjustment	4.11%	4.37%	4.95%	5.16%
	Bottom-up without volatility adjustment	3.96%	4.22%	4.80%	5.00%
	Top-down Non-UL	3.76%	4.44%	5.19%	5.83%
	Top-down UL	3.76%	4.60%	5.40%	6.26%

2024

Currency		Maturity			
		1 year	5 years	10 years	20 years
CZK	Bottom-up with volatility adjustment	4.01%	3.93%	4.30%	4.20%
	Bottom-up without volatility adjustment	3.84%	3.76%	4.12%	4.03%
	Top-down Non-UL	3.35%	4.01%	4.46%	4.62%
	Top-down UL	3.03%	4.07%	4.52%	4.86%

The use of curves for individual portfolios:

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

4.4.2. Movement in life insurance contract assets and liabilities

2025 (CZK'000)	Note	Assets and liabilities for remaining coverage		Assets and liabilities for incurred claims	Total
		Excluding loss component	Loss component		
BBA					
Opening assets (-)	4.4.1	(643,131)	-	69,788	(573,343)
Opening liabilities	4.4.1	14,056,235	52,607	546,998	14,655,840
Net opening balance		13,413,104	52,607	616,786	14,082,497
Insurance service result		(2,168,905)	(31,311)	1,063,102	(1,137,114)
Insurance revenues by transition method	4.12.1	(2,443,493)	-	-	(2,443,493)
Fair value approach		(1,364,308)	-	-	(1,364,308)
Other		(1,079,185)	-	-	(1,079,185)
Insurance service expenses	4.12.4	274,588	(31,311)	1,063,102	1,306,379
Incurred claims		-	(4,061)	1,095,248	1,091,187
Incurred costs other than claims		-	(2,232)	294,586	292,354
Amortised acquisition expenses		28,875	-	-	28,875
Amortised acquisition commissions		245,713	-	-	245,713
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous groups of contracts		-	(25,018)	-	(25,018)
Changes in fulfilment cash flows that relate to past services		-	-	(326,732)	(326,732)
Investment components		(1,543,007)	-	1,543,007	-
Insurance finance income and expense	4.4.9	231,988	(181)	21,316	253,123
Recognised in the income statement		486,467	103	21,698	508,268
Recognised in other comprehensive income		(254,479)	(284)	(382)	(255,145)
Total changes in comprehensive income		(3,479,924)	(31,492)	2,627,425	(883,991)
Total cash flows		3,860,357	-	(2,576,435)	1,283,922
Premiums received		4,820,350	-	-	4,820,350
Claims paid		-	-	(2,281,849)	(2,281,849)
Costs other than claims paid		-	-	(294,586)	(294,586)
Insurance acquisition cash flows paid		(959,993)	-	-	(959,993)
Net closing balance		13,793,537	21,115	667,776	14,482,428
Closing assets (-)	4.4.1	(828,632)	2,592	105,422	(720,618)
Closing liabilities	4.4.1	14,622,169	18,523	562,354	15,203,046

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

2024 (CZK'000)	Note	Assets and liabilities for remaining coverage		Assets and liabilities for incurred claims	Total
		Excluding loss component	Loss component		
BBA					
Opening assets (-)	4.4.1	(687,142)	19,932	186,647	(480,563)
Opening liabilities	4.4.1	14,851,252	-	424,895	15,276,147
Net opening balance		14,164,110	19,932	611,542	14,795,584
Insurance service result		(2,055,442)	31,532	1,023,120	(1,000,790)
Insurance revenues by transition method	4.12.1	(2,258,098)	-	-	(2,258,098)
Fair value approach		(1,430,758)	-	-	(1,430,758)
Other		(827,340)	-	-	(827,340)
Insurance service expenses	4.12.4	202,656	31,532	1,023,120	1,257,308
Incurred claims		-	(2,577)	1,072,593	1,070,016
Incurred costs other than claims		-	(1,134)	311,206	310,072
Amortised acquisition expenses		20,197	-	-	20,197
Amortised acquisition commissions		182,459	-	-	182,459
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous groups of contracts		-	35,243	-	35,243
Changes in fulfilment cash flows that relate to past services		-	-	(360,679)	(360,679)
Investment components		(1,404,670)	-	1,404,670	-
Insurance finance income and expense	4.4.9	(230,758)	1,143	25,918	(203,697)
Recognised in the income statement		500,771	54	21,573	522,398
Recognised in other comprehensive income		(731,529)	1,089	4,345	(726,095)
Total changes in comprehensive income		(3,690,870)	32,675	2,453,708	(1,204,487)
Total cash flows		2,939,864	-	(2,448,464)	491,400
Premiums received		3,688,949	-	-	3,688,949
Claims paid		-	-	(2,137,258)	(2,137,258)
Costs other than claims paid		-	-	(311,206)	(311,206)
Insurance acquisition cash flows paid		(749,085)	-	-	(749,085)
Net closing balance		13,413,104	52,607	616,786	14,082,497
Closing assets (-)	4.4.1	(643,131)	-	69,788	(573,343)
Closing liabilities	4.4.1	14,056,235	52,607	546,998	14,655,840

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

2025 (CZK'000)	Note	Assets and liabilities for remaining coverage		Assets and liabilities for incurred claims	Total
		Excluding loss component	Loss component		
VFA					
Opening assets (-)		-	-	-	-
Opening liabilities		6,878,111	16,461	47,261	6,941,833
Net opening balance		6,878,111	16,461	47,261	6,941,833
Insurance service result		(253,162)	(12,855)	110,425	(155,592)
Insurance revenues by transition method	4.12.1	(262,898)	-	-	(262,898)
Fair value approach		(183,621)	-	-	(183,621)
Other		(79,277)	-	-	(79,277)
Insurance service expenses	4.12.4	9,736	(12,855)	110,425	107,306
Incurred claims		-	(15,266)	94,974	79,708
Incurred costs other than claims		-	(3)	30,491	30,488
Amortised acquisition expenses		1,380	-	-	1,380
Amortised acquisition commissions		8,356	-	-	8,356
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous groups of contracts		-	2,414	-	2,414
Changes in fulfilment cash flows that relate to past services		-	-	(15,040)	(15,040)
Investment components		(2,353,562)	-	2,353,562	-
Insurance finance income and expense	4.4.9	459,348	791	1,854	461,993
Recognised in the income statement		459,348	791	1,859	461,998
Recognised in other comprehensive income		-	-	(5)	(5)
Total changes in comprehensive income		(2,147,376)	(12,064)	2,465,841	306,401
Total cash flows		865,594	-	(2,455,012)	(1,589,418)
Premiums received		901,887	-	-	901,887
Claims paid		-	-	(2,424,521)	(2,424,521)
Costs other than claims paid		-	-	(30,491)	(30,491)
Insurance acquisition cash flows paid		(36,293)	-	-	(36,293)
Net closing balance		5,596,329	4,397	58,090	5,658,816
Closing assets (-)	4.4.1	-	-	-	-
Closing liabilities	4.4.1	5,596,329	4,397	58,090	5,658,816

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

2024 (CZK'000)	Note	Assets and liabilities for remaining coverage		Assets and liabilities for incurred claims	Total
		Excluding loss component	Loss component		
VFA					
Opening assets (-)		(491)	84	103	(304)
Opening liabilities		8,140,192	15,994	73,589	8,229,775
Net opening balance		8,139,701	16,078	73,692	8,229,471
Insurance service result		(251,732)	(976)	92,360	(160,348)
Insurance revenues by transition method	4.12.1	(259,017)	-	-	(259,017)
Fair value approach		(194,235)	-	-	(194,235)
Other		(64,782)	-	-	(64,782)
Insurance service expenses	4.12.4	7,285	(976)	92,360	98,669
Incurred claims		-	(13,819)	101,952	88,133
Incurred costs other than claims		-	(3)	32,814	32,811
Amortised acquisition expenses		1,069	-	-	1,069
Amortised acquisition commissions		6,216	-	-	6,216
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous groups of contracts		-	12,846	-	12,846
Changes in fulfilment cash flows that relate to past services		-	-	(42,406)	(42,406)
Investment components		(2,816,015)	-	2,816,015	-
Insurance finance income and expense	4.4.9	591,227	1,359	3,018	595,604
Recognised in the income statement		591,227	1,359	3,203	595,789
Recognised in other comprehensive income		-	-	(185)	(185)
Total changes in comprehensive income		(2,476,520)	383	2,911,393	435,256
Total cash flows		1,214,930	-	(2,937,824)	(1,722,894)
Premiums received		1,258,546	-	-	1,258,546
Claims paid		-	-	(2,905,010)	(2,905,010)
Costs other than claims paid		-	-	(32,814)	(32,814)
Insurance acquisition cash flows paid		(43,616)	-	-	(43,616)
Net closing balance		6,878,111	16,461	47,261	6,941,833
Closing assets (-)	4.4.1	-	-	-	-
Closing liabilities	4.4.1	6,878,111	16,461	47,261	6,941,833

The tables do not include liabilities relating to outstanding claim payments.

In 2025

- assets from life insurance contracts recorded a year-on-year increase.
- The increase is made up of newly negotiated contracts (primarily Naše Život products negotiated within the internal, external and ČSOBS distribution network), while the amount of assets decreased for older contracts due to changes in the portfolio;
- liabilities from life insurance contracts for products measured by BBA increased; the main reason is the increase in liabilities for the product Náš Život due to high deposits of extraordinary premiums;
- liabilities from life insurance contracts for products measured by VFA decreased, mainly due to single-paidr unit-linked contracts (maturities).

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

In 2024

- assets from life insurance contracts recorded a year-on-year increase, mainly thanks to BBA contracts. The increase is caused mainly by newly negotiated contracts, on the other hand the evolution of the old portfolio caused decrease of the assets.
- liabilities from life insurance policies decreased; for BBA contracts this is caused by the movement in market interest rates (discount rates), for VFA contracts it is result of maturing Unit-linked single contracts.

4.4.3. Movement in non-life insurance contract assets and liabilities

2025 (CZK'000)	Note	Assets and liabilities for remaining coverage		Assets and liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment	
PAA						
Opening assets (-)	4.4.1	-	-	-	-	-
Opening liabilities	4.4.1	3,699,856	-	5,951,180	771,749	10,422,785
Net opening balance		3,699,856	-	5,951,180	771,749	10,422,785
Insurance service result		(10,436,483)	-	8,010,514	(80,109)	(2,506,078)
Insurance revenues	4.12.1	(14,009,149)	-	-	-	(14,009,149)
Insurance service expenses	4.12.4	3,572,666	-	8,010,514	(80,109)	11,503,071
Incurred claims		-	-	6,899,948	286,244	7,186,192
Incurred costs other than claims		6,202	-	1,062,532	-	1,068,734
Amortised acquisition expenses		307,265	-	-	-	307,265
Amortised acquisition commissions		3,259,199	-	-	-	3,259,199
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous groups of contracts		-	-	48,034	(366,353)	(318,319)
Insurance finance income and expenses	4.4.9	-	-	212,852	26,733	239,585
Recognised in the income statement		-	-	202,156	25,496	227,652
Recognised in other comprehensive income		-	-	10,696	1,237	11,933
Total changes in comprehensive income		(10,436,483)	-	8,223,366	(53,376)	(2,266,493)
Total cash flows		11,034,913	-	(8,383,989)	-	2,650,924
Premiums received		14,530,858	-	-	-	14,530,858
Claims paid		-	-	(7,321,457)	-	(7,321,457)
Incurred costs other than claims paid		-	-	(1,062,532)	-	(1,062,532)
Insurance acquisition cash flows paid		(3,495,945)	-	-	-	(3,495,945)
Net closing balance		4,298,286	-	5,790,557	718,373	10,807,216
Closing assets (-)	4.4.1	-	-	-	-	-
Closing liabilities	4.4.1	4,298,286	-	5,790,557	718,373	10,807,216

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

2024 (CZK'000)	Note	Assets and liabilities for remaining coverage		Assets and liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment	
PAA	Note					
Opening assets (-)	4.4.1	-	-	-	-	-
Opening liabilities	4.4.1	3,188,172	-	5,008,914	632,201	8,829,287
Net opening balance		3,188,172	-	5,008,914	632,201	8,829,287
Insurance service result		(9,143,036)	-	8,823,800	109,520	(209,716)
Insurance revenues	4.12.1	(12,194,548)	-	-	-	(12,194,548)
Insurance service expenses	4.12.4	3,051,512	-	8,823,800	109,520	11,984,832
Incurred claims		-	-	7,737,766	353,955	8,091,721
Incurred costs other than claims		3,132	-	948,269	-	951,401
Amortised acquisition expenses		278,487	-	-	-	278,487
Amortised acquisition commissions		2,769,893	-	-	-	2,769,893
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous groups of contracts		-	-	137,765	(244,435)	(106,670)
Insurance finance income and expenses	4.4.9	-	-	240,111	30,028	270,139
Recognised in the income statement		-	-	223,063	27,782	250,845
Recognised in other comprehensive income		-	-	17,048	2,246	19,294
Total changes in comprehensive income		(9,143,036)	-	9,063,911	139,548	60,423
Total cash flows		9,654,720	-	(8,121,645)	-	1,533,075
Premiums received		12,771,571	-	-	-	12,771,571
Claims paid		-	-	(7,173,376)	-	(7,173,376)
Incurred costs other than claims paid		-	-	(948,269)	-	(948,269)
Insurance acquisition cash flows paid		(3,116,851)	-	-	-	(3,116,851)
Net closing balance		3,699,856	-	5,951,180	771,749	10,422,785
Closing assets (-)	4.4.1	-	-	-	-	-
Closing liabilities	4.4.1	3,699,856	-	5,951,180	771,749	10,422,785

The tables don't include liabilities relating to outstanding claim payments.

In 2025, growth in written premium remains. This is the reason for higher liability for remaining coverage. Liability for incurred claims is impacted by settlement flood claims and two big claims – see Note 3.1.2.2.

In 2024, growth in written premium remains. This is the reason for higher liability for remaining coverage. Liability for incurred claims is impacted by flood – see Note 3.1.2.2.

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

4.4.4. Movements in insurance contract assets and liabilities other than measured at PAA - component analysis

2025 (CZK'000)	Note	Present value of future cash flows	Risk adjustment	Contractual service margin		Total insurance contract assets and liabilities
				Insurance contracts that existed at the transition date - FVA	Other insurance contracts	
BBA						
Opening assets (-)	4.4.1	(1,112,214)	123,756	-	415,116	(573,342)
Opening liabilities	4.4.1	8,498,034	467,514	4,665,079	1,025,212	14,655,839
Net opening balance		7,385,820	591,270	4,665,079	1,440,328	14,082,497
Insurance service result		(1,402,900)	26,021	(303,278)	543,043	(1,137,114)
Changes that relate to future service:		(1,125,303)	100,673	259,151	740,461	(25,018)
New business		(442,928)	101,811	-	358,650	17,533
Changes in estimates reflected in the contractual service margin		(643,420)	951	259,151	381,811	(1,507)
Changes in estimates that result in onerous contract losses & reversals		(38,955)	(2,089)	-	-	(41,044)
Changes that relate to current service:		12,269	(37,787)	(562,429)	(197,418)	(785,365)
Contractual service margin recognised in profit or loss		-	-	(562,429)	(197,418)	(759,847)
Changes in risk adjustment (expected)		-	(37,787)	-	-	(37,787)
Experience adjustments		12,269	-	-	-	12,269
Changes to liabilities for incurred claims related to past services		(289,866)	(36,865)	-	-	(326,731)
Insurance finance income and expense	4.4.9	13,431	12,331	166,538	60,823	253,123
Recognised in the income statement		260,921	19,986	166,538	60,823	508,268
Recognised in other comprehensive income		(247,490)	(7,655)	-	-	(255,145)
Total changes in comprehensive income		(1,389,469)	38,352	(136,740)	603,866	(883,991)
Total cash flows		1,283,922	-	-	-	1,283,922
Premiums received		4,820,350	-	-	-	4,820,350
Claims paid		(2,281,849)	-	-	-	(2,281,849)
Costs other than claims paid		(294,586)	-	-	-	(294,586)
Insurance acquisition cash flows paid		(959,993)	-	-	-	(959,993)
Net closing balance		7,280,273	629,622	4,528,339	2,044,194	14,482,428
Closing assets (-)	4.4.1	(1,711,249)	177,338	-	813,293	(720,618)
Closing liabilities	4.4.1	8,991,522	452,284	4,528,339	1,230,901	15,203,046

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

2024 (CZK'000)	Note	Present value of future cash flows	Risk adjustment	Contractual service margin		Total insurance contract assets and liabilities
				Insurance contracts that existed at the transition date - FVA	Other insurance contracts	
BBA						
Opening assets (-)		(1,501,304)	164,799	135,908	720,034	(480,563)
Opening liabilities		9,523,073	395,384	4,785,922	571,768	15,276,147
Net opening balance		8,021,769	560,183	4,921,830	1,291,802	14,795,584
Insurance service result		(656,248)	16,757	(446,034)	84,735	(1,000,790)
Changes that relate to future service:		(459,727)	87,912	154,032	253,025	35,242
New business		(360,377)	88,619	-	303,323	29,129
Changes in estimates reflected in the contractual service margin		(110,008)	3,838	154,032	(50,298)	-
Changes in estimates that result in onerous contract losses & reversals		10,658	(4,545)	-	-	6,113
Changes that relate to current service:		124,962	(31,960)	(600,066)	(168,290)	(675,354)
Contractual service margin recognised in profit or loss		-	-	(600,066)	(168,290)	(768,356)
Changes in risk adjustment (expected)		-	(31,960)	-	-	(31,960)
Experience adjustments		124,962	-	-	-	124,962
Changes to liabilities for incurred claims related to past services		(321,483)	(39,195)	-	-	(360,678)
Insurance finance income and expense	4.4.9	(471,101)	14,330	189,283	63,791	(203,697)
Recognised in the income statement		250,958	18,366	189,283	63,791	522,398
Recognised in other comprehensive income		(722,059)	(4,036)	-	-	(726,095)
Total changes in comprehensive income		(1,127,349)	31,087	(256,751)	148,526	(1,204,487)
Total cash flows		491,400	-	-	-	491,400
Premiums received		3,688,949	-	-	-	3,688,949
Claims paid		(2,137,258)	-	-	-	(2,137,258)
Costs other than claims paid		(311,206)	-	-	-	(311,206)
Insurance acquisition cash flows paid		(749,085)	-	-	-	(749,085)
Net closing balance		7,385,820	591,270	4,665,079	1,440,328	14,082,497
Closing assets (-)	4.4.1	(1,112,214)	123,756	-	415,116	(573,343)
Closing liabilities	4.4.1	8,498,034	467,514	4,665,079	1,025,212	14,655,840

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2025 (CZK'000)	Note	Present value of future cash flows	Risk adjustment	Contractual service margin		Total insurance contract assets and liabilities
				Insurance contracts that existed at the transition date - FVA	Other insurance contracts	
VFA						
Opening assets (-)		-	-	-	-	-
Opening liabilities		5,419,809	113,502	964,710	443,812	6,941,833
Net opening balance		5,419,809	113,502	964,710	443,812	6,941,833
Insurance service result		(194,976)	4,134	(61,827)	97,077	(155,592)
Changes that relate to future service:		(180,373)	15,605	32,592	134,827	2,651
New business		(115,350)	11,413	-	103,972	35
Changes in estimates reflected in the contractual service margin		(67,645)	4,183	32,592	30,855	-15
Changes in estimates that result in onerous contract losses & reversals		2,622	9	-	-	2,631
Changes that relate to current service:		(1,576)	(9,458)	(94,419)	(37,750)	(143,203)
Contractual service margin recognised in profit or loss		-	-	(94,419)	(37,750)	(132,169)
Changes in risk adjustment (expected)		-	(9,458)	-	-	(9,458)
Experience adjustments		(1,576)	-	-	-	(1,576)
Changes to liabilities for incurred claims related to past services		(13,027)	(2,013)	-	-	(15,040)
Insurance finance income and expense	4.4.9	461,842	151	-	-	461,993
Recognised in the income statement		461,847	151	-	-	461,998
Recognised in other comprehensive income		(5)	-	-	-	(5)
Total changes in comprehensive income		266,866	4,285	(61,827)	97,077	306,401
Total cash flows		(1,589,418)	-	-	-	(1,589,418)
Premiums received		901,887	-	-	-	901,887
Claims paid		(2,424,521)	-	-	-	(2,424,521)
Costs other than claims paid		(30,491)	-	-	-	(30,491)
Insurance acquisition cash flows paid		(36,293)	-	-	-	(36,293)
Net closing balance		4,097,257	117,787	902,883	540,889	5,658,816
Closing assets (-)	4.4.1	-	-	-	-	-
Closing liabilities	4.4.1	4,097,257	117,787	902,883	540,889	5,658,816

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

2024 (CZK'000)	Note	Present value of future cash flows	Risk adjustment	Contractual service margin		Total insurance contract assets and liabilities
				Insurance contracts that existed at the transition date - FVA	Other insurance contracts	
VFA						
Opening assets (-)		(1,515)	346	-	865	(304)
Opening liabilities		6,765,679	105,601	1,038,623	319,872	8,229,775
Net opening balance		6,764,164	105,947	1,038,623	320,737	8,229,471
Insurance service result		(216,821)	7,311	(73,913)	123,075	(160,348)
Changes that relate to future service:		(183,494)	20,569	22,065	153,707	12,847
New business		(147,884)	12,688	-	135,239	22
Changes in estimates reflected in the contractual service margin		(48,408)	7,854	22,065	18,468	-
Changes in estimates that result in onerous contract losses & reversals		12,798	27	-	-	12,825
Changes that relate to current service:		4,599	(8,779)	(95,978)	(30,632)	(130,790)
Contractual service margin recognised in profit or loss		-	-	(95,978)	(30,632)	(126,610)
Changes in risk adjustment (expected)		-	(8,779)	-	-	(8,779)
Experience adjustments		4,599	-	-	-	4,599
Changes to liabilities for incurred claims related to past services		(37,926)	(4,479)	-	-	(42,405)
Insurance finance income and expense	4.4.9	595,360	244	-	-	595,604
Recognised in the income statement		595,530	259	-	-	595,789
Recognised in other comprehensive income		(170)	(15)	-	-	(185)
Total changes in comprehensive income		378,539	7,555	(73,913)	123,075	435,256
Total cash flows		(1,722,894)	-	-	-	(1,722,894)
Premiums received		1,258,546	-	-	-	1,258,546
Claims paid		(2,905,010)	-	-	-	(2,905,010)
Costs other than claims paid		(32,814)	-	-	-	(32,814)
Insurance acquisition cash flows paid		(43,616)	-	-	-	(43,616)
Net closing balance		5,419,809	113,502	964,710	443,812	6,941,833
Closing assets (-)	4.4.1	-	-	-	-	-
Closing liabilities	4.4.1	5,419,809	113,502	964,710	443,812	6,941,833

The tables do not include liabilities relating to outstanding claim payments.

The value of the contractual service margin increased significantly in 2025, mainly due to the update of expected cash flows. The contractual service margin from newly negotiated insurance contracts also increased compared to the previous year due to higher sales of new business.

In 2024, the value of the contractual service margin remained at the similar level as at the end of year 2023. The release of CSM to profit or loss year-on-year increased thanks to higher average closing balance of this margin. In comparison to the year 2023 the amount of the contractual service margin on newly negotiated insurance contracts significantly increased. The update of expected future cash flows has a positive impact on the volume of CSM as well.

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4.4.5. New business from concluded insurance contracts (BBA / VFA)

2025 (CZK'000)	Other than onerous contracts		Onerous contracts		Total	
	BBA	VFA	BBA	VFA	BBA	VFA
Estimates of present value of cash out-flows	2,914,422	597,853	520,434	977	3,434,856	598,830
Expected incurred claims	2,033,555	602,078	371,103	703	2,404,658	602,781
Expected other insurance service expenses	278,684	(28,309)	61,737	42	340,422	(28,267)
Insurance acquisition cash flows	602,183	24,084	87,594	232	689,777	24,316
Estimates of present value of cash inflows	(3,364,448)	(713,222)	(513,336)	(958)	(3,877,785)	(714,180)
Risk adjustment for non-financial risk	91,376	11,397	10,435	17	101,811	11,413
Contractual service margin	358,650	103,972	-	-	358,650	103,972
Increase in insurance contract liabilities from contracts recognized in the period	-	-	17,533	35	17,533	35

2024 (CZK'000)	Other than onerous contracts		Onerous contracts		Total	
	BBA	VFA	BBA	VFA	BBA	VFA
Estimates of present value of cash out-flows	2,152,319	1,090,143	774,967	870	2,927,286	1,091,013
Expected incurred claims	1,503,012	1,088,411	532,246	654	2,035,258	1,089,065
Expected other insurance service expenses	231,911	(33,942)	85,016	25	316,927	(33,917)
Insurance acquisition cash flows	417,396	35,674	157,705	191	575,101	35,865
Estimates of present value of cash inflows	(2,525,529)	(1,238,053)	(762,135)	(845)	(3,287,664)	(1,238,898)
Risk adjustment for non-financial risk	69,887	12,671	18,732	17	88,619	12,688
Contractual service margin	303,323	135,239	-	-	303,323	135,239
Increase in insurance contract liabilities from contracts recognized in the period	-	-	31,564	42	31,564	42

New business increased in 2025 compared to 2024, in line with the Company growth strategy, which caused the higher value of the contractual service margin – see Note 4.4.4.

4.4.6. Future contractual service margin recognised in the separate income statement

2025 (CZK'000)	1st year	2nd year	3rd year	4th year	5th year	more than 5th year
BBA	789,030	715,310	657,582	605,592	559,451	4,903,734
VFA	140,346	136,130	131,066	124,541	117,339	1,286,189

2024 (CZK'000)	1st year	2nd year	3rd year	4th year	5th year	more than 5th year
BBA	716,688	654,304	600,906	552,521	509,588	4,607,533
VFA	130,732	127,680	123,576	118,150	111,411	1,215,273

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

The table shows the value reported in the income statement within the result of insurance services, without considering discounting. The cumulative sum of the individual values overall years is therefore higher than the final balance sheet value of the margin from the insurance contract.

4.4.7. Composition of underlying assets covering insurance contract liabilities

2025 (CZK'000)	BBA	VFA	PAA	Total
Financial assets measured at amortised cost	-	-	8,714,069	8,714,069
Financial assets at fair value through other comprehensive income	18,083,790	-	1,326,654	19,410,444
Debt instruments	18,083,790	-	1,326,654	19,410,444
Financial assets at fair value through profit or loss (excluding derivatives)	90,924	6,088,123	257,481	6,436,528
UL assets	-	6,088,123	-	6,088,123
Other	90,924	-	257,481	348,405
Total underlying assets	18,174,714	6,088,123	10,298,204	34,561,041

2024 (CZK'000)	BBA	VFA	PAA	Total
Financial assets measured at amortised cost	-	-	8,718,122	8,718,122
Financial assets at fair value through other comprehensive income	19,132,295	-	1,110,100	20,242,395
Debt instruments	19,132,295	-	1,110,100	20,242,395
Financial assets at fair value through profit or loss (excluding derivatives)	141,239	7,240,749	269,048	7,651,036
UL assets	-	7,240,749	-	7,240,749
Other	141,239	-	269,048	410,287
Total underlying assets	19,273,534	7,240,749	10,097,270	36,611,553

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

4.4.8. Changes in accumulated OCI for financial assets related to insurance contracts for which the fair value transition approach is used

(CZK'000)	2025	2024
Other comprehensive income possible to recognised in the income statement	(87,493)	(180,792)
Net change in revaluation of debt instruments	(87,493)	(180,792)
Revaluation	(107,910)	(222,779)
Deferred tax on revaluation	22,661	46,784
Realisation	(2,244)	(4,797)
Impairment	(56)	36
Realised gains / losses	(2,785)	(6,108)
Deferred tax on realised gains / losses	597	1,275

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



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4.4.9. Investment return and net insurance finance income / (expense)

2025 (CZK'000)	Note	BBA	VFA	PAA	Other	Total
Amounts recognised in the profit or loss						
Investment return		755,459	460,139	509,370	(10,968)	1,714,000
Net interest income		699,960	-	502,509	(10,968)	1,191,501
Net (un)realised gains / (losses) from financial assets at fair value through profit or loss		47,923	460,139	6	-	508,068
Net (un)realised gains / (losses) from financial assets at amortised cost		-	-	-	-	-
Net impairment loss on financial assets		108	-	42	-	150
Net gains / (losses) from financial instruments at fair value through other comprehensive income		7,468	-	71	-	7,539
Other gains / (losses)		-	-	6,742	-	6,742
Net insurance finance income / (expense)		(508,268)	(461,998)	(168,433)	-	(1,138,699)
Finance income / (expense) from insurance contracts issued	4.4.2 4.4.3 4.4.4	(508,268)	(461,998)	(227,652)	-	(1,197,918)
Interest accretion		(508,268)	-	(227,651)	-	(735,919)
Effect of changes in financial assumptions and in exchange rates		-	-	-	-	-
Change in market value of underlying assets for insurance contracts measured at VFA		-	(461,998)	-	-	(461,998)
Finance income / (expense) from reinsurance contracts held	4.5.2	-	-	59,219	-	59,219
Amounts recognised in other comprehensive income						
Income from investments in financial assets at fair value through other comprehensive income before tax		(296,425)	-	(14,923)	-	(311,348)
Financial income or expense from insurance contracts before tax		255,145	5	(7,475)	-	247,675
Finance income / (expense) from insurance contracts issued	4.4.2 4.4.3 4.4.4	255,145	5	(11,933)	-	243,217
Effect of changes in interest rates and in other financial assumptions incl. exchange rates		255,145	-	(11,933)	-	243,212
Change in fair value of underlying assets for insurance contracts measured at VFA		-	5	-	-	5
Finance income / (expense) from reinsurance contracts held	4.5.2	-	-	4,458	-	4,458

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2024 (CZK'000)	Note	BBA	VFA	PAA	Other	Total
Amounts recognised in the profit or loss						
Investment return		812,736	592,585	523,503	(10,673)	1,918,151
Net interest income		765,008	-	500,034	(10,673)	1,254,369
Net (un)realised gains / (losses) from financial assets at fair value through profit or loss		44,674	592,585	1,792	-	639,051
Net (un)realised gains / (losses) from financial assets at amortised cost		-	-	-	-	-
Net impairment loss on financial assets		(81)	-	(2)	-	(83)
Net gains / (losses) from financial instruments at fair value through other comprehensive income		3,135	-	9,930	-	13,065
Other gains / (losses)		-	-	11,749	-	11,749
Net insurance finance income / (expense)		(522,398)	(595,789)	(196,889)	-	(1,315,076)
Finance income / (expense) from insurance contracts issued	4.4.2 4.4.3 4.4.4	(522,398)	(595,789)	(250,845)	-	(1,369,032)
Interest accretion		(500,825)	-	(250,845)	-	(751,670)
Effect of changes in financial assumptions and in exchange rates		(21,573)	-	-	-	(21,573)
Change in market value of underlying assets for insurance contracts measured at VFA		-	(595,789)	-	-	(595,789)
Finance income / (expense) from reinsurance contracts held	4.5.2	-	-	53,956	-	53,956
Amounts recognised in other comprehensive income						
Income from investments in financial assets at fair value through other comprehensive income before tax		(479,560)	-	(40,211)	-	(519,771)
Financial income or expense from insurance contracts before tax		726,095	185	(20,765)	-	705,515
Finance income / (expense) from insurance contracts issued	4.4.2 4.4.3 4.4.4	726,095	185	(19,294)	-	706,986
Effect of changes in interest rates and in other financial assumptions incl. exchange rates		726,095	-	(19,294)	-	706,801
Change in fair value of underlying assets for insurance contracts measured at VFA		-	185	-	-	185
Finance income / (expense) from reinsurance contracts held	4.5.2	-	-	(1,471)	-	(1,471)

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

4.5. Reinsurance contract assets and liabilities

4.5.1. Breakdown of reinsurance contract assets and liabilities

2025 (CZK'000)	Reinsurance contract assets			Reinsurance contract liabilities		
	Total	Assets for remaining coverage	Assets for incurred claims	Total	Liabilities for remaining coverage	Liabilities for incurred claims
Accident insurance	-	-	-	874	874	-
Motor third party liability insurance	247,487	(99)	247,586	-	-	-
General third-party liability insurance	25,392	-	25,392	-	-	-
Other motor insurance	3,089	4	3,085	-	-	-
Houses and households insurance	48,312	137	48,175	-	-	-
Travel insurance	-	-	-	215	215	-
Industrial risk insurance	639,764	(65,645)	705,409	-	-	-
Industrial risk liability insurance	60,424	(15,164)	75,588	-	-	-
Other insurance	55,178	(77,966)	133,144	-	-	-
Total (see 4.5.2.)	1,079,646	(158,733)	1,238,379	1,089	1,089	-

2024 (CZK'000)	Reinsurance contract assets			Reinsurance contract liabilities		
	Total	Assets for remaining coverage	Assets for incurred claims	Total	Liabilities for remaining coverage	Liabilities for incurred claims
Accident insurance	-	-	-	613	613	-
Motor third party liability insurance	249,214	(41)	249,255	-	-	-
General third-party liability insurance	27,898	-	27,898	-	-	-
Other motor insurance	5,546	2	5,544	-	-	-
Houses and households insurance	249,691	113	249,578	-	-	-
Travel insurance	562	(176)	738	-	-	-
Industrial risk insurance	1,014,811	(52,940)	1,067,751	-	-	-
Industrial risk liability insurance	83,689	(13,566)	97,255	-	-	-
Other insurance	103,025	(86,744)	189,769	-	-	-
Total (see 4.5.2.)	1,734,436	(153,352)	1,887,788	613	613	-

The year-over-year decrease of reinsurance contract assets is caused by settlement of floods claim from 2024 – see Note 3.1.2.2. The decrease in reinsurance assets for incurred claims from industrial risks is caused by claims settlement, partially compensated by two large claims in 2025.

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

4.5.2. Movement in reinsurance contract assets and liabilities

2025 (CZK'000)	Note	Assets and liabilities for remaining	Assets and liabilities for incurred claims		Total
			Present value of future cash flows	Risk adjustment	
Opening assets		(153,352)	1,657,539	230,249	1,734,436
Opening liabilities (-)		(613)	-	-	(613)
Net opening balance	4.5.1	(153,965)	1,657,539	230,249	1,733,823
Result from reinsurance contracts held		(826,988)	317,925	(98,134)	(607,197)
Allocation of premiums paid to reinsurer		(971,134)	-	-	(971,134)
Allocation of commissions received		144,143	-	-	144,143
Amounts recovered from reinsurers		3	317,752	(98,156)	219,599
Risk of default by the reinsurer		-	173	22	195
Finance income / (expense) from reinsurance contracts held	4.4.9.	-	56,469	7,208	63,677
Finance income / (expense) from reinsurance contracts held recognised in profit or loss		-	52,515	6,704	59,219
Finance income / (expense) from reinsurance contracts held recognised in other comprehensive income		-	3,954	504	4,458
Total changes in comprehensive income		(826,988)	374,394	(90,926)	(543,520)
Total cash flows		821,131	(932,877)	-	(111,746)
Premiums paid to reinsurer		959,869	-	-	959,869
Commissions received		(138,738)	-	-	(138,738)
Amounts recovered from reinsurers		-	(932,877)	-	(932,877)
Net closing balance	4.5.1	(159,822)	1,099,056	139,323	1,078,557
Closing assets		(158,733)	1,099,056	139,323	1,079,646
Closing liabilities (-)		(1,089)	-	-	(1,089)

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

2024 (CZK'000)	Note	Assets and liabilities for remaining	Assets and liabilities for incurred claims		Total
			Present value of future cash flows	Risk adjustment	
Opening assets		(185,670)	816,832	107,608	738,770
Opening liabilities (-)		(713)	(743)	323	(1,133)
Net opening balance	4.5.1	(186,383)	816,089	107,931	737,637
Result from reinsurance contracts held		(884,261)	2,235,621	116,480	1,467,840
Allocation of premiums paid to reinsurer		(1,062,340)	-	-	(1,062,340)
Allocation of commissions received		178,020	-	-	178,020
Amounts recovered from reinsurers		59	2,235,959	116,522	2,352,540
Risk of default by the reinsurer		-	(338)	(42)	(380)
Finance income / (expense) from reinsurance contracts held	4.4.9.	-	46,647	5,838	52,485
Finance income / (expense) from reinsurance contracts held recognised in profit or loss		-	47,979	5,977	53,956
Finance income / (expense) from reinsurance contracts held recognised in other comprehensive income		-	(1,332)	(139)	(1,471)
Total changes in comprehensive income		(884,261)	2,282,268	122,318	1,520,325
Total cash flows		916,679	(1,440,818)	-	(524,139)
Premiums paid to reinsurer		1,098,145	-	-	1,098,145
Commissions received		(181,466)	-	-	(181,466)
Amounts recovered from reinsurers		-	(1,440,818)	-	(1,440,818)
Net closing balance	4.5.1	(153,965)	1,657,539	230,249	1,733,823
Closing assets		(153,352)	1,657,539	230,249	1,734,436
Closing liabilities (-)		(613)	-	-	(613)

In 2024, the reason for higher asset for incurred claims is flood – see Note 3.1.2.2. Higher reinsurance premium paid follows higher premium paid in Non-Life portfolio, see Note 4.4.3.

4.6. Investments in subsidiaries

(CZK'000)	2025	2024
Investments in ordinary shares of Pardubická Rozvojová, a.s.	303,000	278,000
Investments in ordinary shares of ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB	1,000	1,000
Total investments in equity	304,000	279,000

As at 31 December 2025 and 31 December 2024, investments in subsidiaries ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB, and Pardubická Rozvojová, a.s. were measured at cost reduced by any impairment. See accounting policies on subsidiaries as described in note 2.4.5.

Company name: Pardubická Rozvojová, a.s.
Legal form: shareholders company
Registered office: Masarykovo náměstí 1458, Zelené Předměstí, 530 02 Pardubice

Direct share in registered capital: 100%
Direct share in voting rights: 100%
Registered capital: CZK 2,000 thousand
Share: CZK 303,000 thousand

Company name: ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB
Legal form: limited liability company
Registered office: Masarykovo náměstí 1458, Zelené Předměstí, 530 02 Pardubice

Direct share in registered capital: 100%
Direct share in voting rights: 100%
Registered capital: CZK 400 thousand
Share: CZK 1,000 thousand

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

4.7. Financial instruments

4.7.1. Financial instruments – financial assets

2025 (CZK'000)	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for trading	Financial assets at fair value through profit or loss	Derivatives held for fair value hedges	Total
Loans and advances		-	2,891	-	-	2,891
Term loans	-	-	2,891	-	-	2,891
Mutual funds	-	-	37,481	257,481		294,962
UL assets	-	-		6,088,123		6,088,123
Debt instruments issued by	8,724,208	19,410,444	50,552	-	-	28,185,204
Public bodies	8,724,208	17,229,415	-	-	-	25,953,623
Credit institutions and investment firms	-	2,181,029	13,842	-	-	2,194,871
Corporates	-	-	36,710	-	-	36,710
Derivatives	-	-	8,301	-	447,133	455,434
Carrying value including accrued interest income	8,724,208	19,410,444	99,225	6,345,604	447,133	35,026,614

2024 (CZK'000)	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for trading	Financial assets at fair value through profit or loss	Derivatives held for fair value hedges	Total
Loans and advances	-	-	3,432	-	-	3,432
Term loans	-	-	3,432	-	-	3,432
Mutual funds	-	-	28,203	269,048	-	297,251
UL assets	-	-	-	7,240,749	-	7,240,749
Debt instruments issued by	8,600,830	20,242,395	109,604	-	-	28,952,829
Public bodies	8,600,830	17,671,936	-	-	-	26,272,766
Credit institutions and investment firms	-	2,570,459	16,202	-	-	2,586,661
Corporates	-	-	93,402	-	-	93,402
Derivatives	-	-	24,586	-	478,460	503,046
Carrying value including accrued interest income	8,600,830	20,242,395	165,825	7,509,797	478,460	36,997,307

For short and long-term breakdown of assets see Note 3.2.

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

4.7.1.1. Investments in debt securities at FVTPL

Debt securities mandatorily classified as at FVTPL by the Company represent securities held for trading.

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

The debt securities at FVTPL are not collateralised.

4.7.1.2. Investments in debt securities at FVOCI

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI as at 31 December 2025 and 31 December 2024, respectively, for which ECL was recognised based on the relevant credit risk level. The following table describes the credit risk classification system used by the Company and the approach to measurement of ECL, including the definition of bankruptcy and SICR, that are applied to debt securities in FVOCI. In both reporting periods, bond investments at FVOCI were all classified in Stage 1.

(CZK'000)	2025	2024
Government bonds		
Excellent	17,229,582	17,672,094
Total gross carrying amount	17,229,582	17,672,094
Less credit loss allowance	(167)	(158)
Net carrying value	17,229,415	17,671,936
Corporate bonds		
Excellent	2,181,236	2,570,826
Total gross carrying amount	2,181,236	2,570,826
Less credit loss allowance	(208)	(367)
Net carrying value	2,181,029	2,570,459
Total investments in debt securities measured at FVOCI	19,410,444	20,242,395

4.7.1.3. Investments in debt securities at AC

The following table contains an analysis of debt securities at AC by credit quality as at 31 December 2025 and 31 December 2024, 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 as at 31 December 2025 and 2024 below represents also the Company's maximum exposure to credit risk on these assets. In both reporting periods, investments in debt securities at AC were all classified in Stage 1.

(CZK'000)	2025	2024
Government bonds		
Excellent	8,724,283	8,600,905
Total gross carrying amount	8,724,283	8,600,905
Less credit loss allowance	(75)	(75)
Net carrying value	8,724,208	8,600,830
Total investments in debt securities measured at AC	8,724,208	8,600,830

As at 31 December 2025 and 31 December 2024, no debt securities at AC have been pledged to third parties as collateral with respect to the mutual balance of closed derivative transactions.

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

During the year 2025, the Company has started to conclude reverse repo operations as a tool for temporary deposit of free cash with a predetermined yield and as an alternative to current accounts or standard deposits (including a higher yield compared to the yields on current accounts or standard deposits). Reverse repo operations represent short-term transactions with a maturity period of no more than 14 days.

During 2025, the Company concluded reverse repo transactions with a total nominal volume of CZK 51,850,000 thousand with a total interest income of CZK 69,111 thousand (see 4.13). All reverse repo transactions were collateralized by treasury bills. Treasury bills are recorded off-balance sheet.

As of 31 December, 2025, all of these transactions were settled.

4.7.1.4. Comparison of the fair values of the financial assets to their carrying value

2025 (CZK'000)	Carrying amount	Fair value
Loans and advances	2,891	2,891
Term loans	2,891	2,891
Mutual funds	294,962	294,962
UL assets	6,088,123	6,088,123
Debt instruments issued by	28,185,204	28,175,065
Public bodies	25,953,623	25,943,484
Credit institutions and investment companies	2,194,871	2,194,871
Corporates	36,710	36,710
Derivatives	455,434	455,434
Total financial assets	35,026,614	35,016,475

2024 (CZK'000)	Carrying amount	Fair value
Loans and advances	3,432	3,432
Term loans	3,432	3,432
Mutual funds	297,251	297,251
UL assets	7,240,749	7,240,749
Debt instruments issued by	28,952,829	29,070,121
Public bodies	26,272,766	26,390,058
Credit institutions and investment companies	2,586,661	2,586,661
Corporates	93,402	93,402
Derivatives	503,046	503,046
Total financial assets	36,997,307	37,114,599

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

4.7.1.5. Fair value hierarchy

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

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

- Level 1

If available, published price quotations of identical financial instruments in active markets are used to determine the fair value of financial assets or financial liabilities. Revaluation is obtained by comparison of 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. The method is based on the estimated future cash flows, and the discount rate is based on the risk-free interest rates adjusted for credit margin. The 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 of financial instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument that is subject to valuation and a similar instrument.

The 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 final 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 of 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

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

government bonds. Yield curves for estimating of future cash flows of mortgage bonds with variable coupon are still derived from IRS rates provided by KBC Bank NV.

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 has been transferred to Level 3 since 2019.

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

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

Management of the Company 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 2025, 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 5,122 thousand (in 2024 by CZK 4,753 thousand). Such a change of the credit spread is based on the variability of mortgage bond quotes that were observed by the management of the Company 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:

2025 (CZK'000)	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost				
Debt instruments	8,724,208	-	-	8,724,208
Financial assets at fair value				
Financial assets at fair value through other comprehensive income	17,229,415	1,739,758	441,271	19,410,444
Debt instruments	17,229,415	1,739,758	441,271	19,410,444
Financial assets at fair value through profit or loss	4,178,161	2,009,187	257,481	6,444,829
Loans & advances to credit institutions	-	2,891	-	2,891
Mutual funds	37,481	-	257,481	294,962
UL assets	4,140,680	1,947,443	-	6,088,123
Debt instruments	-	50,552	-	50,552
Derivatives held for trading	-	8,301	-	8,301
Derivatives	-	447,133	-	447,133
Derivatives held for fair value hedges	-	447,133	-	447,133
Financial assets	30,131,784	4,196,078	698,752	35,026,614
Financial liabilities at fair value				
Derivatives held for fair value hedges	-	11,645	-	11,645
Financial liabilities	-	11,645	-	11,645

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

2024 (CZK'000)	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost				
Debt instruments	8,600,830	-	-	8,600,830
Financial assets at fair value				
Financial assets at fair value through other comprehensive income	17,671,936	1,713,796	856,663	20,242,395
Debt instruments	17,671,936	1,713,796	856,663	20,242,395
Financial assets at fair value through profit or loss	5,458,131	1,948,443	269,048	7,675,622
Loans & advances to credit institutions	-	3,432	-	3,432
Mutual funds	28,203	-	269,048	297,251
UL assets	5,341,299	1,899,450	-	7,240,749
Debt instruments	88,629	20,975	-	109,604
Derivatives held for trading	-	24,586	-	24,586
Derivatives	-	478,460	-	478,460
Derivatives held for fair value hedges	-	478,460	-	478,460
Financial assets	31,730,897	4,140,699	1,125,711	36,997,307
Financial liabilities at fair value				
Derivatives held for fair value hedges	-	2,768	-	2,768
Financial liabilities	-	2,768	-	2,768

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

Movements in Level 3 financial instruments measured at fair value

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

(CZK'000)	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
	Debts securities	Mutual funds units	
At 1 January 2025	856,663	269,048	1,125,712
Total gains / (losses) recorded in profit or loss	-	(11,567)	(11,567)
Total gains / (losses) recorded in other comprehensive income	4,608	-	4,608
Transfers to Level 3	-	-	-
Transfers from Level 3	-	-	-
Purchases	-	-	-
Maturity	-	-	-
Sales	(420,000)	-	(420,000)
At 31 December 2025	441,271	257,481	698,752

(CZK'000)	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
	Debts securities	Mutual funds units	
At 1 January 2024	859,103	182,994	1,042,097
Total gains / (losses) recorded in profit or loss	-	(27,852)	(27,852)
Total gains / (losses) recorded in other comprehensive income	(2,440)	-	(2,440)
Transfers to Level 3	-	-	-
Transfers from Level 3	-	-	-
Purchases	-	113,906	113,906
Maturity	-	-	-
Sales	-	-	-
At 31 December 2024	856,663	269,048	1,125,711

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

4.7.1.6. Derivative financial instruments

2025 (CZK'000)	Assets	Liabilities	Nominal amount
Derivatives held for trading	8,301	-	35,925
Currency swaps	-	-	-
Interest rate swaps	8,301	-	35,925
Derivatives held for fair value hedges	447,133	11,645	5,400,000
Interest rate swaps	447,133	11,645	5,400,000
Total derivatives	455,434	11,645	5,435,925

2024 (CZK'000)	Assets	Liabilities	Nominal amount
Derivatives held for trading	24,586	-	94,949
Currency swaps	16,878	-	47,662
Interest rate swaps	7,708	-	47,287
Derivatives held for fair value hedges	478,460	2,768	4,300,000
Interest rate swaps	478,460	2,768	4,300,000
Total derivatives	503,046	2,768	4,394,949



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

4.7.1.7. Hedge accounting

Fair value hedging

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

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

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

The fair value of the hedging instruments amounted to CZK 435,488 thousand and CZK 475,692 thousand as at 31 December 2025 and 2024, respectively.

Due to the hedging of the fair value of investments the impact of revaluation of hedging swaps in the income statement was a loss of CZK (28,839) thousand as at 31 December 2025, and a loss of CZK (9,719) thousand as at 31 December 2024. The revaluation of the hedged bonds had an effect of CZK 28,839 thousand as at 31 December 2025 and CZK 9,719 thousand as at 31 December 2024 on the income statement.

The following table provides the overview of the nominal amounts of interest rate single currency swaps by the remaining contractual maturity:

(CZK'000)	2025	2024
Within 6 months - 1 year	-	300,000
Within 1 - 2 years	-	-
Within 2 - 5 years	500,000	500,000
More than 5 years	4,900,000	3,500,000
Total	5,400,000	4,300,000

(tis. Kč)	2025		2024	
	Interest rate swaps in one currency	Currency interest rate swaps	Interest rate swaps in one currency	Currency interest rate swaps
Debt instruments issued by				
Public bodies	5,400,000	4,997,074	4,000,000	3,565,603
Credit institutions and investment firms	0	0	300,000	304,095
Total	5,400,000	4,997,074	4,300,000	3,869,698

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

4.7.2. Cash and cash equivalents

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

(CZK'000)	2025	2024
Cash and cash in transit	61	62
Current accounts	3,603,978	472,465
Cash and cash equivalents	3,604,039	472,527

4.8. Issued share capital

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

As at 31 December 2025 and 2024, 100% of registered capital was fully paid up. The amount of the Company's registered capital is in accordance with the requirements of the Insurance Act regarding the insurance activities that the Company has been licensed for.

Dividends paid:

(CZK'000)	2025	2024
Total amount of dividends paid in the year	1,531,735	2,364,152

In 2025, the dividend was paid from the retained earnings account in the amount of the part of the profit of 2024 (CZK 1,531,735 thousand).

In 2024, the dividend was paid from the retained earnings account in the amount of the part of the profit of 2023 (CZK 2,364,152 thousand).

Dividend amount per 1 share in CZK thousand:

Issue (ISIN)	2025	2024
CZ0008040516	17,433	15,852
CZ0008040524	8,716	7,926
CZ0008040532	14,644	13,316
CZ0008040540	7,322	6,658
CZ0008041159	7,148	6,500
CZ0008041167	6,004	5,460

The exact amount of the dividend payment from the 2025 profit will be approved by the General Meeting.

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

4.9. Tax assets and liabilities

(CZK'000)	2025	2024
Current tax assets	444,865	401,213
Current tax liabilities	(716,989)	(611,817)
Total current tax asset / (liabilities)	(272,124)	(210,604)

2025 (CZK'000)	Deferred tax asset	Deferred tax liability	Impact on the income statement	Impact on other comprehensive income
Provision for receivables due to policy holders	29,209	-	(10,798)	-
Employee benefits	23,486	-	(202)	-
Tangible and intangible assets	25,699	(2,149)	(5,857)	-
Tangible assets - lease	3,222	-	338	-
Financial instruments	287,056	-	(5,008)	65,383
Taxation on technical provisions	828,254	(242,113)	95,705	(52,012)
Other	434	-	(259)	-
Total	1,197,360	(244,262)	73,919	13,371

2024 (CZK'000)	Deferred tax asset	Deferred tax liability	Impact on the income statement	Impact on other comprehensive income
Provision for receivables due to policy holders	40,007	-	10,868	-
Employee benefits	23,688	-	654	-
Tangible and intangible assets	31,817	(2,410)	(10,389)	-
Tangible assets - lease	2,885	-	441	-
Financial instruments	226,681	-	(2,434)	109,152
Taxation on technical provisions	727,045	(184,597)	52,269	(148,158)
Other	693	-	(53)	-
Total	1,052,816	(187,007)	51,356	(39,006)

(CZK'000)	Note	2025	2024
At 1 January		865,809	853,459
Deferred tax recorded in the income statement (-expense / +income)	4.19	73,919	51,356
Deferred tax recorded in equity	4.19	13,371	(39,006)
At 31 December		953,098	865,809

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

4.10. Liabilities from lease contracts

As at 31 December 2025, the amount of the lease liability was CZK 310,378 thousand (as at 31 December 2024: CZK 301,737 thousand).

In 2025 the Company recognised the interest expense from these liabilities of CZK (10,968) thousand (in 2024: CZK (10,673) thousand) in the income statement and maturity of lease contracts in the cash flow statement amounted to CZK 68,965 thousand and CZK 65,659 thousand in 2025 and 2024, respectively.

(CZK'000)	2025	2024
Current	54,696	51,378
Long-term	255,682	250,359
Total	310,378	301,737

Maturity analysis on contractual discounted cash flows basis

(CZK'000)	2025	2024
Within one year	54,696	51,378
From 1 year to 5 years	182,477	163,910
More than 5 years	73,205	86,449
Total	310,378	301,737

(CZK'000)	Note	2025	2024
As at 1 January		301,737	293,855
Interest expenses	4.15	10,968	10,673
Payments		(68,292)	(65,659)
New leases, revaluation of old leases		65,965	62,868
As at 31 December		310,378	301,737

4.11. Other liabilities

(CZK'000)	2025	2024
Employee benefits	2,642	2,622
Estimate of liabilities due to members of the statutory bodies	4,757	4,539
Liabilities to suppliers	482,612	394,923
Other payables related to financial instruments	1,092	10,855
Other insurance contract liabilities - unmatched payments	1,024,175	954,495
Liabilities to employees	160,327	155,517
Social security and health insurance liabilities	25,975	23,522
Other provisions	-	10,984
Other	8,053	8,147
Total	1,709,633	1,565,604

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

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

4.12. Insurance service result

4.12.1. Revenues from life and non-life insurance contracts

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

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

2025 (CZK'000)	Note	Total	BBA	VFA	PAA
Insurance revenues for BBA and VFA contracts	4.4.2	2,706,391	2,443,493	262,898	-
Amounts related to changes in liabilities for remaining coverage		2,422,067	2,168,905	253,162	-
Expected claims and other insurance service expenses		1,440,596	1,331,823	108,773	-
Changes in risk adjustment for risk expired (non-financial risk)		89,454	77,235	12,219	-
CSM recognized for services provided		892,017	759,847	132,170	-
Recovery of insurance acquisition cash flows		284,324	274,588	9,736	-
Allocated insurance acquisition expenses		30,255	28,875	1,380	-
Allocated insurance acquisition commissions		254,069	245,713	8,356	-
Insurance revenues for PAA contracts	4.4.3	14,009,149	-	-	14,009,149
Total insurance revenues		16,715,540	2,443,493	262,898	14,009,149
2024 (CZK'000)	Note	Total	BBA	VFA	PAA
Insurance revenues for BBA and VFA contracts	4.4.2	2,517,115	2,258,098	259,017	-
Amounts related to changes in liabilities for remaining coverage		2,307,175	2,055,443	251,732	-
Expected claims and other insurance service expenses		1,331,444	1,217,203	114,241	-
Changes in risk adjustment for risk expired (non-financial risk)		80,765	69,884	10,881	-
CSM recognized for services provided		894,966	768,356	126,610	-
Recovery of insurance acquisition cash flows		209,940	202,655	7,285	-
Allocated insurance acquisition expenses		21,266	20,197	1,069	-
Allocated insurance acquisition commissions		188,674	182,458	6,216	-
Insurance revenues for PAA contracts	4.4.3	12,194,549	-	-	12,194,549
Total insurance revenues		14,711,664	2,258,098	259,017	12,194,549

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

4.12.2. Life insurance premium written

(CZK'000)	2025	2024
Total	5,681,174	4 912 810
BBA	4,814,144	3 686 591
Non-Linked traditional insurance	472,245	515 336
Group risk insurance	519,818	552 410
Unit-linked - regular BBA	1,176,425	1 316 298
Náš Život - internal - BBA	390,818	256 978
Náš Život - external - BBA	130,126	77 968
Náš Život - ČSOB - BBA	1,496,338	590 672
Náš Život - ČSOB S - BBA	243,280	179 435
Náš Život - Česká Pošta - BBA	385,094	197 494
VFA	867,030	1 226 219
Unit-linked - single VFA	-	462 665
Unit-linked - regular VFA	341,948	393 010
Náš Život - internal - VFA	38,966	30 047
Náš Život - external - VFA	9,396	325 090
Náš Život - ČSOB - VFA	454,932	8 185
Náš Život - ČSOB S - VFA	9,638	3 446
Náš Život - Česká Pošta - VFA	12,150	3 776
Of which investment contracts with discretionary participation features (DPF)	660,282	66 753
BBA	659,259	59 707
VFA	1,023	7 046

The year-on-year growth in total premiums is primarily thanks to the growing volume of new contracts for the Náš Život product. At the end of 2024, the single unit-linked product Maximal Invest ceased to be sold, but this shortfall in premiums (CZK 462 million) was fully replaced by extraordinary deposits into product Náš Život - ČSOB. The premium of other products decreases year-on-year due to reduction of the insurance portfolio.

The significant year-on-year increase in written premiums for investment contracts with DPF is the result of high extraordinary premium deposits for newly contracted product Náš Život.

For investment contracts with DPF measured by the VFA method, the decrease in written premiums is due to the fact that all investment contracts of Náš Život measured by the VFA method are now classified as investment contracts without DPF.

4.12.3. Non-life insurance profitability

2025 (CZK'000)	Insurance revenues (see 4.12.1.)	Insurance service expenses (see 4.12.4.)	Insurance finance income and expense	Insurance income and expense	Net result from reinsurance contracts held	Total result from insurance and reinsurance contracts
Accident insurance	37,645	(30,840)	(143)	6,662	(9,428)	(2,766)
Motor third party liability insurance	3,725,557	(3,078,101)	(83,778)	563,678	(77,471)	486,207
General third-party liability insurance	272,118	(251,021)	(8,255)	12,842	(3,197)	9,645
Other motor insurance	3,825,053	(3,472,223)	(17,024)	335,806	(8,888)	326,918
Houses and households insurance	1,794,539	(1,144,741)	(18,397)	631,401	6,179	637,580
Travel insurance	600,977	(435,169)	(4,661)	161,147	2,651	163,798
Industrial risk insurance	1,601,785	(1,596,175)	(59,541)	(53,931)	(215,715)	(269,646)
Industrial risk liability insurance	780,213	(636,758)	(25,238)	118,217	(64,265)	53,952
Other insurance	1,371,262	(858,043)	(10,615)	502,604	(177,846)	324,758
Total	14,009,149	(11,503,071)	(227,652)	2,278,426	(547,980)	1,730,446

2024 (CZK'000)	Insurance revenues (see 4.12.1.)	Insurance service expenses (see 4.12.4.)	Insurance finance income and expense	Insurance income and expense	Net result from reinsurance contracts held	Total result from insurance and reinsurance contracts
Accident insurance	28,741	(7,972)	(68)	20,701	(12,999)	7,702
Motor third party liability insurance	3,189,075	(2,786,316)	(95,901)	306,858	24,532	331,390
General third-party liability insurance	238,014	(164,923)	(9,577)	63,514	1,945	65,459
Other motor insurance	3,184,654	(2,952,957)	(20,423)	211,274	12,978	224,252
Houses and households insurance	1,693,642	(2,238,268)	(24,091)	(568,717)	896,983	328,266
Travel insurance	579,284	(459,450)	(6,044)	113,790	1,553	115,343
Industrial risk insurance	1,423,643	(2,031,276)	(48,091)	(655,724)	727,686	71,962
Industrial risk liability insurance	696,260	(516,237)	(27,857)	152,166	(33,129)	119,037
Other insurance	1,161,235	(827,433)	(18,793)	315,009	(97,753)	217,256
Total	12,194,548	(11,984,832)	(250,845)	(41,129)	1,521,796	1,480,667

Non-life insurance contracts make a relatively stable contribution to the Company's overall performance. On the income side, the portfolio is growing steadily. This is of course followed by the insurance services expenses. The exact amount and composition of costs is always dependent on the occurrence of major claims and catastrophes and agreed reinsurance programs. The negative value of total income and expenses from insurance contracts as well as the positive value of the result from reinsurance contracts held in 2024 is caused by floods, for a more detailed description of the impact of floods, see Note 3.1.2.2. Total result of year 2025 is impacted by settlement of flood claims and several big claims in Industrial risk insurance.

4.12.4. Insurance service expenses from insurance contracts issued

2025 (CZK'000)	Note	Total	BBA	VFA	PAA
Incurring claims		(8,357,087)	(1,091,187)	(79,708)	(7,186,192)
Incurring costs other than claims		(1,391,576)	(292,354)	(30,488)	(1,068,734)
Amortised acquisition expenses		(337,520)	(28,875)	(1,380)	(307,265)
Amortised acquisition commissions		(3,513,268)	(245,713)	(8,356)	(3,259,199)
Changes in fulfilment cash flows that relate to future services - loss on and reversals of loss on onerous groups of contracts		22,604	25,018	(2,414)	-
Changes in fulfilment cash flows that relate to past services		660,091	326,732	15,040	318,319
Total Insurance service expenses	4.4.2, 4.4.3	(12,916,756)	(1,306,379)	(107,306)	(11,503,071)

2024 (CZK'000)	Note	Total	BBA	VFA	PAA
Incurring claims		(9,249,870)	(1,070,017)	(88,133)	(8,091,720)
Incurring costs other than claims		(1,294,284)	(310,072)	(32,811)	(951,401)
Amortised acquisition expenses		(299,753)	(20,197)	(1,069)	(278,487)
Amortised acquisition commissions		(2,958,568)	(182,458)	(6,216)	(2,769,894)
Changes in fulfilment cash flows that relate to future services - loss on and reversals of loss on onerous groups of contracts		(48,089)	(35,243)	(12,846)	-
Changes in fulfilment cash flows that relate to past services		509,755	360,679	42,406	106,670
Total Insurance service expenses	4.4.2, 4.4.3	(13,340,809)	(1,257,308)	(98,669)	(11,984,832)

The increase in non-life insurance claims incurred (PAA) in 2024 is caused by floods; for a more detailed description of the impact of floods, see Note 3.1.2.2.

4.13. Net interest income

(CZK'000)	Note	2025	2024
Financial assets at amortised cost		485,266	481,723
Financial assets at fair value through other comprehensive income	4.7.1.3	69,111	-
Financial assets at fair value through profit or loss		625,524	624,296
Hedging derivatives		494	480
Net interest expenses from hedging derivatives		91,185	158,543
Interest expense on financial liabilities at amortised cost – lease liabilities	4.10	(10,968)	(10,673)
Total		1,191,501	1,254,369

4.14. Net unrealised gains / (losses) from financial assets at fair value through profit or loss

(CZK'000)	Note	2025	2024
Instruments held for trading (including changes in fair value of derivatives)		511,117	630,446
Realised gains / (losses)		(7,431)	1,802
Other financial instruments initially designated at fair value through profit or loss		4,389	6,660
Foreign exchange gains (+) and losses (-)		(7)	143
Total		508,068	639,051

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

4.15. Net unrealised gains / (losses) from financial assets at fair value through other comprehensive income

(CZK'000)	2025	2024
Mutual funds units	71	117
Bonds	7,468	12,948
Total	7,539	13,065

4.16. Other income

(CZK'000)	2025	2024
FX gains	180,986	328,014
Other	45,536	36,467
Gains from the sale of assets	1,739	1,515
Rental income	1,360	1,413
Total	229,621	367,409

4.17. Other expense

(CZK'000)	Note	2025	2024
Staff expenses	4.18	(1,075,756)	(995,974)
General administrative expenses		(821,196)	(790,162)
Depreciation and amortisation of fixed assets	4.1, 4.2	(182,690)	(183,624)
Amounts attributable to insurance acquisition cash flows		429,364	398,990
Amortisation of insurance acquisition cash flows		(337,520)	(299 753)
Other acquisition expenses		12,705	(9 442)
Total operating expenses		(1,975,093)	(1,879,965)
Included in line Insurance service expenses from insurance contracts issued		(1,724,812)	(1,632,914)
Included in line Other expense		(250,281)	(247,051)
Other expenses			
Bank fees		(29,394)	(19,306)
FX losses		(182,472)	(330,420)
Other expenses		(5,073)	(9,527)
Operating expenses - the part included in line Other expenses		(250,281)	(247,051)
Total		(467,220)	(606,304)

As a part of general administrative expenses, auditor's remuneration represents CZK 7,368 thousand in 2025 and CZK 6,070 thousand in 2024 (statutory financial statements audit and group reporting audit; no other services were provided by the auditor).

4.18. Employee and executives' information

2025 (CZK'000)	Average number of employees	Wages and salaries	Health insurance	Social insurance	Other costs	Total
Employees	806	(619,395)	(61,222)	(167,619)	(69,378)	(917,613)
Executives	33	(86,702)	(10,985)	(21,274)	(39,182)	(158,143)
Total	839	(706,097)	(72,207)	(188,893)	(108,560)	(1,075,756)

2024 (CZK'000)	Average number of employees	Wages and salaries	Health insurance	Social insurance	Other costs	Total
Employees	762	(565,491)	(58,152)	(158,258)	(68,460)	(850,361)
Executives	33	(84,461)	(9,901)	(19,709)	(31,542)	(145,613)
Total	795	(649,952)	(68,053)	(177,967)	(100,002)	(995,974)

Staff expenses are included in Insurance service expenses from insurance contracts issued (CZK 975,450 thousand in 2025 and CZK 909,708 thousand in 2024) and Other expenses (CZK 100,305 thousand in 2025 and CZK 86,266 thousand in 2024). They are divided between these categories based on allocation keys.

Remuneration of members of statutory bodies

Remuneration of the members of the Board of Directors is subject to the approval of the Supervisory Board. The remuneration of the members of the Board of Directors amounted to CZK 35,729 thousand in 2025 and CZK 28,002 thousand in 2024. The remuneration for members of the Supervisory Board is the subject of the shareholder's approval. In 2025 and 2024 it was not paid.

Retirement benefits or long – term investment product (LTIP)

The Company provides its employees (including senior management) with a pension contribution (voluntary contribution defined retirement scheme) or with LTIP. Participating employees can contribute at least CZK 300 and more of their salaries each month to a pension fund approved by the Czech Ministry of Finance with a contribution of CZK 500 – 3,000 from the Company.

Life insurance benefits

The Company provides its employees (including senior management) with a contribution on life insurance policies. Participating employees can contribute at least CZK 400 of their salaries monthly on their maximum of two policies, with a contribution of CZK 1,000 – 3,000 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.

The total maximum amount of the employer's contribution to supplementary pension insurance or DIP and to life insurance is CZK 3,000 per month.

Severance

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), respectively 15-20 years (two and half of the average monthly salary), 20 and more years (three average monthly salaries) and simultaneously terminated employment agreement in pursuant to § 52 paragraph 1 point. a) to c) of the Labour Code.

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

4.19. Income tax expense

The components of the income tax expense for the years ended 31 December 2025 and 31 December 2024 are as follows:

(CZK'000)	Note	2025	2024
Current year tax expense		(703,275)	(597,395)
Previous year (over) / under payment		19,039	(2,497)
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	4.9	73,919	51,356
Total		(610,317)	(548,536)

Reconciliation between the tax expense and the accounting profit multiplied by the local tax rate for the years ended 31 December 2025 and 31 December 2024 is as follows:

(CZK'000)	2025	2024
Profit before taxation	3,529,288	3,202,874
Applicable tax rates	21%	21%
Taxation at applicable tax rates	(741,150)	(672,604)
Tax related to previous years	19,039	(2,497)
Tax effect of non-taxable income and non-deductible expenses	111,794	126,564
Total	(610,317)	(548,536)

The applicable tax rate for 2025 and 2024 was 21%.

Deferred tax is based on all temporary differences between the accounting and tax value of assets and liabilities and is calculated by the liability method using the tax rate of 21% for 2025 and 2024.

The deferred tax income (expense) recognised in the income statement comprises the following temporary differences:

(CZK'000)	2025	2024
Provision for receivables due to policyholders	(10,798)	10,868
Employee benefits	(202)	654
Tangible and intangible assets	(5,857)	(10,389)
Lease	338	441
Financial instruments	(5,008)	(2,434)
Tax on technical provisions	95,705	52,269
Other	(259)	(53)
Total	4.9	51,356

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

The change of the deferred tax relating to other comprehensive income:

2025 (CZK'000)	Note	Before tax amount	Deferred tax	Net of tax amount
In respect of the revaluation of financial assets FVOCI		(303,659)	63,768	(239,891)
Debt instruments		(303,659)	63,768	(239,891)
In respect of the implementation of financial investments FVOCI		(7,689)	1,615	(6,074)
Impairment		(151)	32	(119)
Realised gains / (losses)		(7,539)	1,583	(5,956)
Insurance contracts		243 218	(51 076)	192 142
Reinsurance contracts		4 458	(936)	3 522
Total	4.9	(63 672)	13 371	(50 301)

2024 (CZK'000)	Note	Before tax amount	Deferred tax	Net of tax amount
In respect of the revaluation of financial assets FVOCI		(506,783)	106,425	(400,358)
Debt instruments		(506,783)	106,425	(400,358)
In respect of the implementation of financial investments FVOCI		(12,988)	2,727	(10,261)
Impairment		78	(16)	62
Realised gains / (losses)		(13,065)	2,744	(10,321)
Insurance contracts		706,987	(148,467)	558,520
Reinsurance contracts		(1,471)	309	(1,162)
Total	4.9	185,745	(39,006)	146,739

Based on EU Council Directive 2022/2523 on ensuring the global minimum level of effective taxation of multinational business groups and large national groups, Act No. 416/2023 Coll., on compensatory taxes for large multinational groups and large national groups, with effect from 2024. In accordance with global rules, the Czech Republic also introduced a domestic (Czech) compensatory tax with this law. As the KBC Group is the subject to the new rules, companies from the KBC Group in the Czech Republic are the subject to the domestic equalization tax. Although the statutory corporate income tax rate in the Czech Republic is 21% since 2024, it is expected that the resulting effective tax rate for KBC Group companies in the Czech Republic will be below the required limit of 15% in 2025, respectively 2024.

In view of the effective tax rate of the Company, the direct impact of the domestic compensating tax on the Company is not expected and no provision has been recorded in this aspect.

5. CONTINGENT LIABILITIES

a) Litigation

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

b) Co-insurance

The Company considers it unlikely that a beneficiary would lodge a legal claim in its whole extent pursuant to Article 30 on Insurance Policy or Article 2817 of the Act No. 89/2012 Coll., Civil Code, as amended, against the Company as the main co-insurer and, therefore, has only created a provision for outstanding claims amounting to its share, which is the part of insurance contract liabilities.

c) Membership of the Czech Insurers' Bureau

According to § 54, paragraph 4 of Act No. 30/2024 Coll., on Motor third-party liability insurance, as amended, the Company, as a member of the Bureau, has committed itself for the debts for which the Bureau does not have adequate assets. Also, for this purpose, the Company contributes the Bureau membership fees to the Guarantee Fund. The amount of the fees is determined by the Bureau.

In cases provided for by law, the Company may be obliged to pay an extraordinary membership contribution to the Guarantee Fund.

d) Membership of the Czech Nuclear pool

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

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

Czech Republic (CZK'000)	31 December 2025	31 December 2024
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 2025	31 December 2024
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.

The Company has no exposure to insured risks outside the EU, Switzerland and Great Britain.

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

6. RELATED PARTIES AND TRANSACTION WITH RELATED PARTIES

The Company's parent company is KBC Verzekeringen NV with its registered seat in Leuven, the Kingdom of Belgium. The Company's ultimate parent company is KBC Group NV with its registered seat in Brussels, the Kingdom of Belgium. The Company holds 100 % investment ownership in two subsidiaries incorporated in the Czech Republic, see Note 4.6.

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

The main related parties of the Company are as follows:

Parent company

KBC Verzekeringen NV

Subject with the significant influence over the Company

Československá obchodní banka, a.s.

Subsidiaries (see Note 4.6)

ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB
Pardubická Rozvojová, a. s.

Other companies within the Group

ČSOB Asset Management, a.s. investiční společnost
ČSOB Hypoteční banka, a.s.
ČSOB Stavební spořitelna, a.s.
ČSOB Penzijní společnost, a. s., člen skupiny ČSOB
ČSOB Leasing, a.s.
ČSOB Pojišťovací makléř, s.r.o.
KBC Group NV
Bankovní informační technologie, s.r.o.
Skip Pay, s. r. o.
ČSOB Advisory, a.s.
ČSOB Factoring, a.s.
KBC Group RE S.A.
Československá obchodná banka a.s.
ČSOB Poistovňa a. s.
KBC Global Services NV
Patria investiční společnost, a. s.
Ušetřeno s.r.o.
Patria Corporate Finance, a.s.
Patria Finance, a. s.
KBC BANK NV

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

6.1. Related parties' transactions

The Company enters 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 because of these contracts.

There are no transactions with management of the Company other than those disclosed in Note 4.18.

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

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

2025 (CZK'000)	Subject with significant influence	Other companies within the group	Subsidiaries	Total
Financial assets	3,194,538	3,966,105	-	7,160,643
Investments in subsidiaries	-	-	304,000	304,000
Reinsurance assets	-	657,952	-	657,952
Receivables	-	-	-	-
Other assets	-	126,580	-	126,580
Cash and cash equivalents	3,603,626	-	-	3,603,626
Total assets	6,798,164	4,750,637	304,000	11,852,801
Liabilities from insurance contracts	1,454	827	-	2,281
Financial liabilities	11,645	-	-	11,645
Other liabilities	39,737	8,817	631	49,185
Total liabilities	52,836	9,644	631	63,111
Insurance revenues	16,415	7,937	-	24,352
Claims from insurance contracts	4,482	(987)	-	3,495
Reinsurance result	-	(439,113)	-	(439,113)
Operating expenses	(368,274)	(47,807)	(2,308)	(418,389)
Fee and commission expense	(817,184)	(417,992)	-	(1,235,176)
Interest income	123,395	11,889	-	135,284
Other income	1,330	1,053	147	2,530
Total income/(expense)	(1,039,836)	(885,020)	(2,161)	(1,927,017)

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

2024 (CZK'000)	Subject with significant influence	Other companies within the group	Subsidiaries	Total
Financial assets	3,445,510	4,944,394	-	8,389,904
Investments in subsidiaries	-	-	279,000	279,000
Reinsurance assets	-	146,713	-	146,713
Receivables	-	-	-	-
Other assets	-	165,464	-	165,464
Cash and cash equivalents	472,166	-	-	472,166
Total assets	3,917,676	5,256,571	279,000	9,453,247
Liabilities from insurance contracts	17,453	384	-	17,837
Financial liabilities	2,768	-	-	2,768
Other liabilities	111,272	7,846	631	119,749
Total liabilities	131,493	8,230	631	140,354
Insurance revenues	16,141	8,076	-	24,217
Claims from insurance contracts	(18,721)	(80)	-	(18,801)
Reinsurance result	-	1,426,814	-	1,426,814
Operating expenses	(367,052)	(39,954)	(2,190)	(409,196)
Fee and commission expense	(775,436)	(375,771)	-	(1,151,207)
Interest income	125,246	21,914	-	147,160
Other income	1,027	1,712	147	2,886
Total income/(expense)	(1,018,795)	1,042,711	(2,043)	21,873

7. SUBSEQUENT EVENTS

As of January 1, 2026, Stanislav Uma ended his mandate as Vice Chairman of the Board of Directors.

Since February 1, 2026, Petr Hošek has been a member of the Board of Directors.

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

ČSOB POJIŠŤOVNA, A. S., ČLEN HOLDINGU ČSOB

REPORT ON RELATIONS

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

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

1. CONTROLLED PARTY

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

2. CONTROLLING PARTY

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

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

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

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

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

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

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

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

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

Graph with ČSOB Group structure is presented in Appendix no. 1 ČSOB Group structure 2025 and basic graph of KBC Group structure is presented in Appendix no. 2 KBC Group NV. The detailed structure of KBC Group is displayed on www.kbc.com.

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

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

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

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

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

The Company presents overview of relations with the parties controlled by the same Controlling Party in reporting period (in alphabetical order):

Company name	Registered Office	Business Registration No.
Bankovní informační technologie, s.r.o.	Radlická 333/150, 150 57 Praha 5, Česká republika	63987686
ČSOB Stavební spořitelna, a.s.	Radlická 333/150, 150 57 Praha 5, Česká republika	49241397
Československá obchodní banka, a. s.	Radlická 333/150, 150 57 Praha 5, Česká republika	00001350
ČSOB Advisory, a.s.	Radlická 333/150, 150 57 Praha 5, Česká republika	27081907
ČSOB Asset Management, a.s., investiční společnost	Radlická 333/150, 150 57 Praha 5, Česká republika	25677888
ČSOB Factoring, a.s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Česká republika	45794278
ČSOB Leasing, a.s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Česká republika	63998980
ČSOB Penzijní společnost, a. s., člen skupiny ČSOB	Radlická 333/150, 150 57 Praha 5, Česká republika	61859265
ČSOB Pojišťovací makléř, s.r.o.	Výmolova 353/3, Radlice, 150 00 Praha 5, Česká republika	27151221
ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB	Masarykovo náměstí 1458, 530 02 Pardubice - Zelené Předměstí, Česká republika	27479714
ČSOB Hypoteční banka, a.s.	Radlická 333/150, 150 57 Praha 5, Česká republika	13584324
Igluu s.r.o.	Radlická 333/150, 150 57 Praha 5, Česká republika	09763465
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, Česká republika	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, Česká republika	05815614
Patria Corporate Finance, a.s.	Výmolova 353/3, Radlice, 150 00 Praha 5 Česká republika	25671413
Patria Finance, a. s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Česká republika	26455064
Patria investiční společnost, a. s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Česká republika	05154197
Radlice Rozvojová, a. s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Česká republika	02451221
Skip Pay, s.r.o.	Výmolova 353/3, Radlice, 150 00 Praha 5, Česká republika	05154197
Ušetřeno s.r.o.	Lomnického 1705/9, Nusle, 140 00 Praha 4, Česká republika	28188667
Ušetřeno.cz s.r.o.	Lomnického 1705/9, Nusle, 140 00 Praha 4, Česká republika	24684295

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

5.1. INSURANCE AND REINSURANCE AGREEMENTS

During the accounting period, the Company entered into, or had entered into in previous accounting periods, insurance agreements (including amendments and other specifications, as well as the clarification of disputed claims related to such agreements) with Ušetřeno s.r.o., Ušetřeno.cz s.r.o., ČSOB Stavební spořitelna, a.s., Československá obchodní banka, a.s., ČSOB Advisory, a.s., ČSOB Leasing, a.s., Radlice Rozvojová, a.s., ČSOB Hypoteční banka, a.s., ČSOB Pojišťovací servis, s.r.o., Igluu s.r.o., and KBC Verzekeringen NV, the subject matter of which included accident insurance, motor insurance, third-party liability insurance arising from the operation of motor vehicles, comprehensive motor insurance, professional liability insurance, business and cyber risk insurance, flood and inundation risk insurance, insurance of movable and immovable property, insurance of transported persons, general liability insurance, travel insurance, and insurance related to consumer loans, leasing and ČSOB mortgage loans (payment protection insurance), payment card insurance, credit card insurance and group life insurance (including amendments).

The consideration provided by the related parties consisted of the payment of insurance premiums. The agreements were concluded on arm's-length terms, and no detriment was incurred by the Company as a result of the performance of these agreements.

During the accounting period, the Company also entered into reinsurance agreements with KBC Group RE S.A. and KBC Verzekeringen NV, the subject matter of which included quota-share reinsurance of aircraft hull insurance and aviation liability insurance, catastrophe excess-of-loss reinsurance and PML insufficiency coverage, aggregate catastrophe excess-of-loss reinsurance, property excess-of-loss reinsurance per risk, excess-of-loss reinsurance for liability, cargo and carrier's liability, stop-loss reinsurance for crops and livestock, sub-layer property excess-of-loss and catastrophe excess-of-loss reinsurance, excess-of-loss reinsurance for accident insurance, medical expenses insurance and life insurance, quota-share reinsurance of the nuclear pool, quota-share reinsurance of aviation hull and aviation liability insurance, quota-share and first surplus reinsurance, and facultative reinsurance of Československá obchodní banka, a.s.; such reinsurance was also provided during the accounting period on the basis of agreements entered into in previous accounting periods.

The consideration provided by KBC Group RE S.A. and KBC Verzekeringen NV consisted of contractual commissions and a share in insurance claims paid. The agreements were concluded on arm's-length terms, and no detriment was incurred by the Company as a result of the performance of these agreements.

5.2. OTHER CONTRACTUAL RELATIONS

5.2.1. LEASE AND SUBLEASE AGREEMENTS

During the accounting period, the Company entered into, or had entered into in previous accounting periods, agreements with Československá obchodní banka, a.s., Radlice Rozvojová, a.s., Skip Pay, s.r.o., ČSOB Pojišťovací servis, s.r.o., a member of the ČSOB holding, and Pardubická rozvojová, a.s., the subject matter of which was the lease (sublease) of non residential premises, parking spaces and movable assets or sets thereof. The consideration provided by the related parties consisted of the leasing of non residential premises and movable assets or parts or sets thereof, and contractual lease payments. The agreements were concluded on arm's length terms and no detriment was incurred by the Company as a result of the performance of these agreements.

5.2.2. BANKING SERVICES AGREEMENTS

During the accounting period, the Company entered into, or had entered into in previous accounting periods, agreements with ČSOB Stavební spořitelna, a.s. and Československá obchodní banka, a.s., the subject matter of which was the use of electronic banking services, provision of bank guarantees, issuance and processing of payment slips, issuance and processing of cheque vouchers, acceptance of payment cards in a public data network environment, cashless payments, settlement of transactions (governed by general terms and conditions applicable to such transactions), rental of terminals, use of safe deposit boxes, current accounts, deposit accounts, savings accounts and term deposits. The consideration provided by the related parties

consisted of the provision of the above mentioned banking services, appreciation of financial funds and account administration. The agreements were concluded on arm's length terms and no detriment was incurred by the Company as a result of the performance of these agreements.

5.2.3. INVESTMENT PRODUCTS AGREEMENTS

During the accounting period, the Company entered into, or had entered into in previous accounting periods, agreements with Československá obchodní banka, a.s., ČSOB Asset Management, a.s., an investment company, ČSOB Hypoteční banka, a.s., and KBC Verzekeringen NV relating to the management of securities, an agreement on the authorisation of instructions for the settlement of securities, agreements on the subscription of shares, agreements on the subscription and purchase of investment certificates, agreements on the settlement of securities transactions and their administration, custody and safekeeping, an agreement on trading on the financial market, agreements on the subscription and purchase of ČSOB mortgage covered bonds, agreements on the transfer of shares for consideration, and a commission agreement for arranging the purchase or sale of investment instruments. The consideration provided by the related parties consisted of the arrangement of the purchase and sale of securities, the management of financial assets and cooperation in the area of asset management. The agreements were concluded on arm's length terms and no detriment was incurred by the Company as a result of the performance of these agreements.

5.2.4. COOPERATION AGREEMENTS - EMPLOYEE BENEFITS

During the accounting period, the Company entered into, or had entered into in previous accounting periods, 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., an investment company, ČSOB Factoring, a.s., ČSOB Leasing, a.s., ČSOB Pojišťovací makléř, s.r.o., ČSOB Penzijní společnost, a.s., a member of the ČSOB Group, KBC Group NV, KBC Group NV Czech Branch, ČSOB Hypoteční banka, a.s., Patria Corporate Finance, a.s., Patria Finance, a.s., Patria investiční společnost, a.s., and Ušetřeno s.r.o., Ušetřeno.cz s.r.o. concerning cooperation in the area of employee benefits, an agreement on the reimbursement of contributions to life insurance for a group of employees insured with the Company, an agreement on accession to the employee benefits management agreement within the Benefit Plus system, and an agreement on cooperation in the provision of catering services. The consideration provided by the related parties consisted of cooperation in the provision of employee benefits. The agreements were concluded on arm's length terms and no detriment was incurred by the Company as a result of the performance of these agreements.

5.2.5. GROUP COOPERATION IN VAT AGREEMENTS

On 9 December 2016, the Company entered into a cooperation agreement with Československá obchodní banka, a.s., ČSOB Stavební spořitelna, a.s., ČSOB Advisory, a.s., ČSOB Asset Management, a.s., an investment company, ČSOB Penzijní společnost, a.s., a member of the ČSOB Group, ČSOB Hypoteční banka, a.s., Patria Finance, a.s., Patria Corporate Finance, a.s., Patria investiční společnost, a.s., and Patria Online, a.s. for the purpose of fulfilling value added tax (VAT) obligations on a group basis; this agreement was valid and effective during the accounting period. The consideration consisted of the processing of the VAT obligation by the representative member of the VAT group. For VAT purposes, the group is regarded as a single taxable person and is represented before the tax authorities by the representative member of the group. The agreement was concluded on arm's length terms and no detriment was incurred by the Company as a result of the performance of this agreement.

5.2.6. BUSINESS REPRESENTATION AGREEMENTS

During the accounting period, the Company entered into, or had entered into in previous accounting periods, 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., a member of the ČSOB Group, ČSOB Pojišťovací servis, s.r.o., a member of the ČSOB holding, and Ušetřeno s.r.o., Ušetřeno.cz s.r.o., the subject matter of which was cooperation in commercial representation and the performance of activities (commercial agency agreements including amendments precisely regulating the specific terms of financial bonuses, commissions and brokerage fees, support, promotion, and the rights and obligations of intermediaries,

etc.), cooperation in the conclusion of insurance contracts including their administration; cooperation in the conclusion of building savings contracts and supplementary pension savings contracts; agreements on the use of software; agreements on customer segmentation and insurance conditions; an agreement on the setup of HEČ; performance of analyses; support of clients in the preparation and implementation of their strategic and business projects; management consulting; marketing and communication services; provision of call centre services; provision of administrative services; and provision of client acceptance services. The consideration provided by the related parties consisted of the above mentioned cooperation and contractual remuneration. The agreements were concluded on arm's length terms and no detriment was incurred by the Company as a result of the performance of these agreements.

5.2.7. OTHER SERVICES AGREEMENTS

During the accounting period, the Company entered into, or had entered into in previous accounting periods, agreements with Československá obchodní banka, a.s., Patria Corporate Finance, a.s., Patria Finance, a.s., Patria investiční společnost, a.s., ČSOB Asset Management, a.s., an investment company, ČSOB Pojišťovací makléř, s.r.o., ČSOB Hypoteční banka, a.s., ČSOB Leasing, a.s., KBC Group NV, KBC Bank NV, KBC Group NV Czech Branch, Pardubická rozvojová, a.s., and ČSOB Penzijní společnost, a.s., a member of the ČSOB Group, the subject matter of which was the provision of tax services, compliance services, ancillary financial services, cooperation in the placement of technical reserves of unit linked life insurance, advisory and consultancy services (e.g. in the area of insurance of natural and legal persons), data processing and reporting, ICT services, cooperation in marketing campaigns and e sales, back office services and processes related to SAP modules, procurement services, accounting methodology services, ALM and account management services, facilities management services, support services in the areas of finance and risk management, human resources and audit (provided by KBC), activities in the area of business architecture supporting decision making of the Company's Board of Directors, e mail campaigns aimed at mitigating risks associated with phishing attacks on employees, audit activities, project management services, services related to the calculation and transfer of Solvency II data, cooperation within the KBC Rainbow programme, Company Management Reporting (KBC data services), cooperation in the HR area, mutual recognition of training, agreements on the conditions of employee transfers, agreements on the processing of collection orders, agreements on the receipt and digitisation of Company documents, and cooperation on transaction monitoring. The consideration provided by the related parties consisted of the mutual provision of the above mentioned services. The agreements were concluded on arm's length terms and no detriment was incurred by the Company as a result of the performance of these agreements.

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

During the accounting period, the Company entered into, or had entered into in previous accounting periods, agreements with KBC Group NV, Československá obchodní banka, a.s., ČSOB Penzijní společnost, a.s., a member of the ČSOB Group, ČSOB Hypoteční banka, a.s., and ČSOB Leasing, a.s., the subject matter of which was the obligation of the contracting parties to protect and maintain confidentiality of all information obtained by the counterparty in the course of mutual cooperation that is not publicly available, the obligation to process personal data in compliance with applicable personal data protection legislation and the GDPR, cooperation in the creation of consolidated reporting, and the definition of mutual rights and obligations in connection with data sharing and data transfer. The agreements were concluded either without consideration or with consideration consisting of the above mentioned cooperation. The agreements were concluded on arm's length terms and no detriment was incurred by the Company as a result of the performance of these agreements.

5.2.9. OTHER UNCLASSIFIED AGREEMENTS AND OTHER LEGAL ACTIONS

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

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

6. ASSESSMENT OF DETRIMENT TO CONTROLLED PARTY

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

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

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

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

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

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

8. DIVIDENDS AND OTHER FACTS

From the retained earnings account, a dividend in the amount of the part of the profit of 2024 of CZK 1,531,735 thousand was paid in 2025.

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

9. REPORTING PERIOD

This Report describes relations for the period from 1 January 2025 to 31 December 2025.

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 and signed on its behalf:



Jiří Střelický

Chairman of the Board of Directors



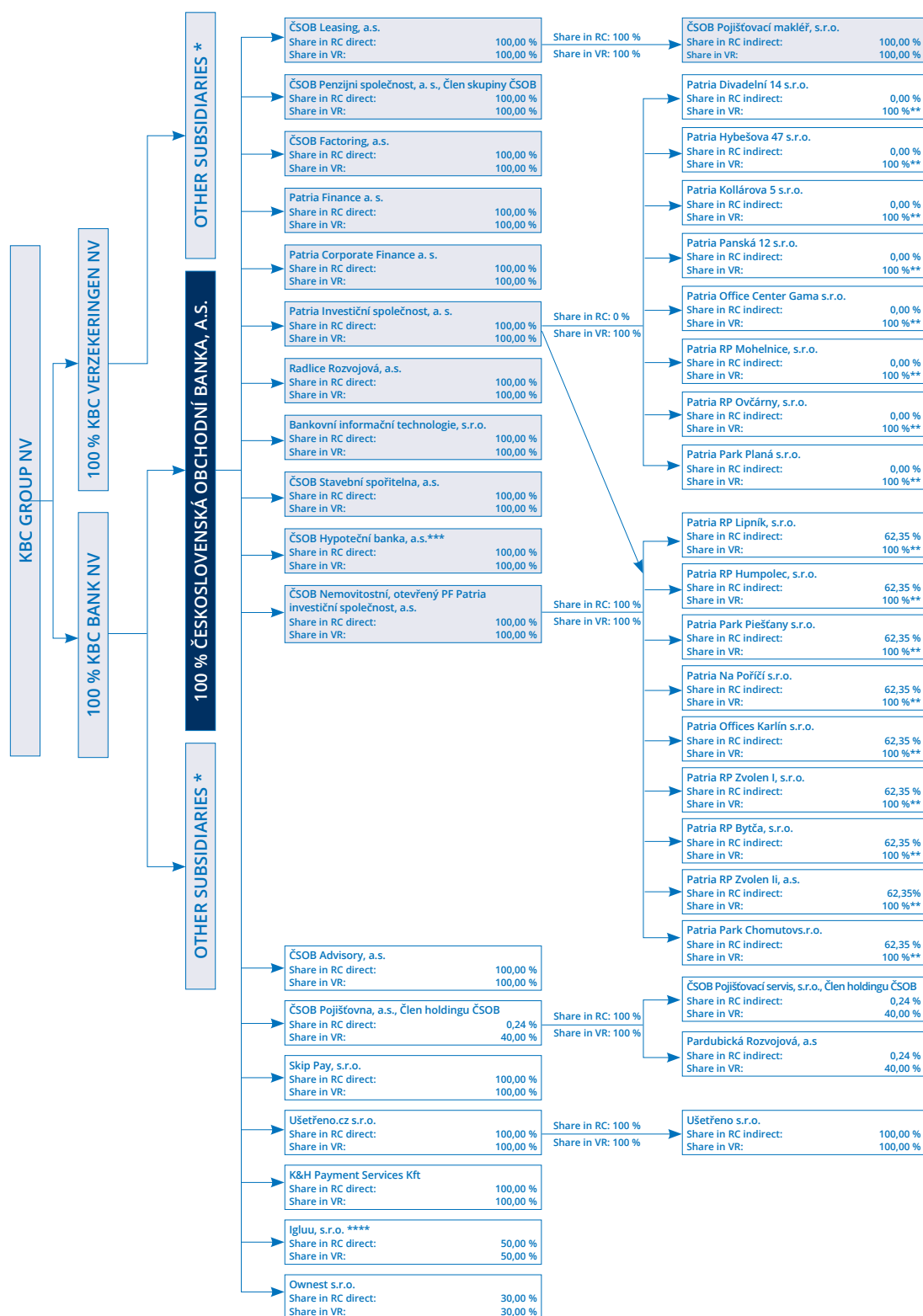
Tomáš Lain

Member of the Board of Directors

Date: 10 March 2026

APPENDIX NO. 1 ČSOB 2025 GROUP STRUCTURE

LIST OF ENTITIES CONTROLLING ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S. AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY (AS OF 31 DECEMBER 2025)



EXPLANATORY NOTES

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

* For complete overview of „Other subsidiaries“ of the KBC Group please refer to KBC's corporate website www.kbc.com, where other details regarding the KBC Group are available.

** The sole shareholder (PIS), controlled by ČSOB, acts on its own behalf on the account of the closed mutual fund of Patria investiční společnost, a.s.

*** The sole shareholder (PIS) acts on its own behalf on the account of the open-ended mutual fund Patria investiční společnost, a.s. ČSOB Nemovitostní

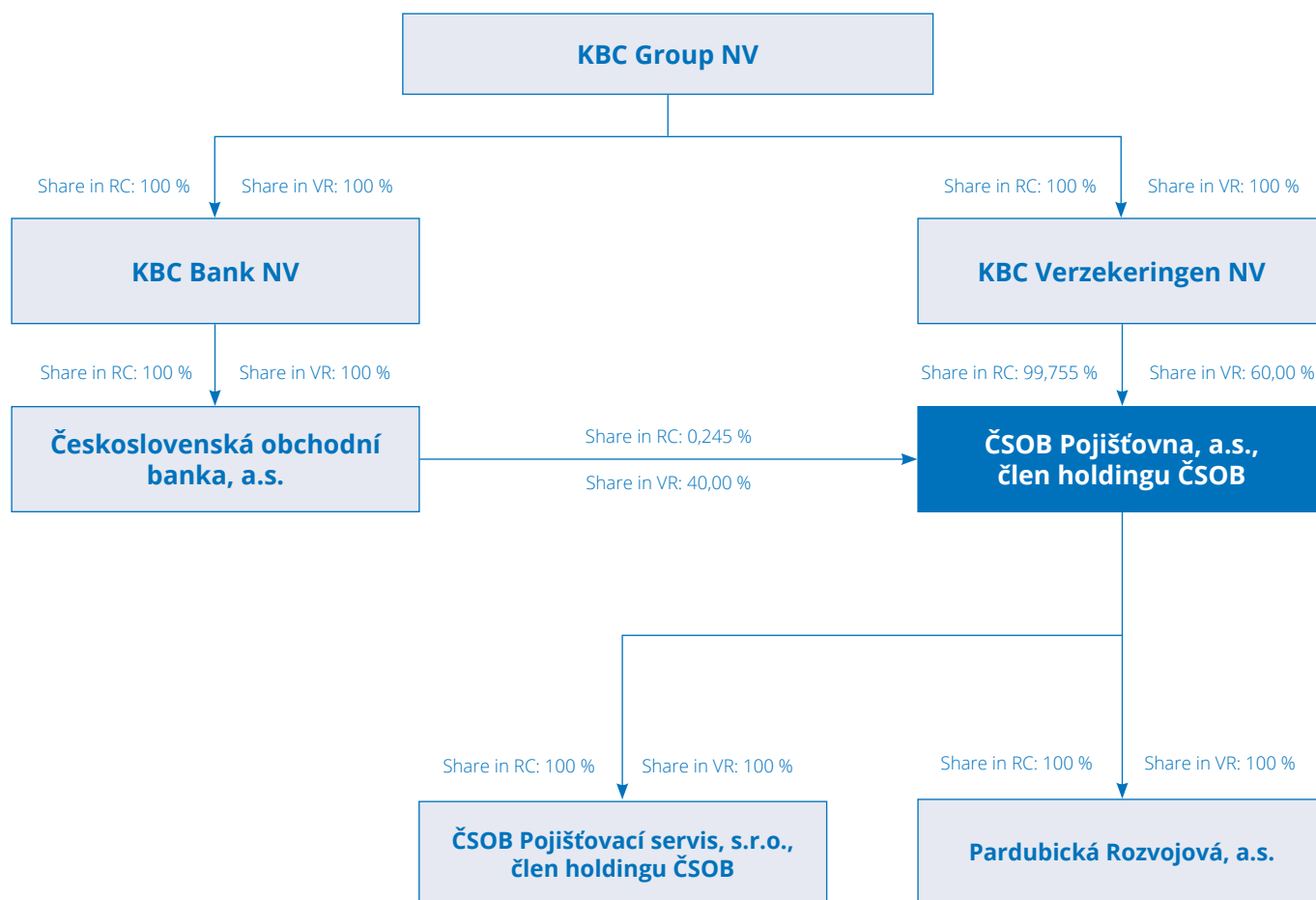
**** Ownest s.r.o. is listed only to provide a complete overview of the group. It is not an entity controlled according to the principles of the Business Corporations Act.

RC: registered capital (deposit)

VR: voting rights

APPENDIX NO. 2 KBC 2025 GROUP STRUCTURE

AS OF 31 DECEMBER 2025



EXPLANATORY NOTES

RC - Registered capital
VR - Voting rights

