

# Financial Statements

## Balance sheet as of 31 December 2021

No.	CZK thousand (rounded to whole figures)	Row no.	2021			2020
			Gross amount	Adjustment	Net amount	Prior period
			1	2	3	4
<b>ASSETS</b>						
<b>B.</b>	<b>Intangible fixed assets, of which:</b>	<b>2</b>	<b>296,937</b>	<b>284,024</b>	<b>12,913</b>	<b>16,848</b>
<b>C.</b>	<b>Investments</b>	<b>4</b>	<b>35,424,115</b>	<b>0</b>	<b>35,424,115</b>	<b>40,086,155</b>
III.	Other investments	12	35,424,115	0	35,424,115	40,086,155
1.	Shares and other variable yield securities, other equity holdings	13	3,010,278	0	3,010,278	2,856,216
2.	Bonds and other fixed income securities	14	31,937,070	0	31,937,070	36,736,424
	a) recognized at fair value	15	31,937,070	0	31,937,070	36,736,424
6.	Deposits placed with financial institutions	19	1,242,000	0	1,242,000	966,000
7.	Other investments	20	-765,233	0	-765,233	-472,485
<b>D.</b>	<b>Investments of life insurance, if investment risk borne by the policyholder</b>	<b>22</b>	<b>14,466,598</b>	<b>0</b>	<b>14,466,598</b>	<b>12,847,593</b>
<b>E.</b>	<b>Debtors</b>	<b>23</b>	<b>1,329,325</b>	<b>21,057</b>	<b>1,308,268</b>	<b>166,931</b>
I.	Receivables arising from direct insurance transactions	24	66,607	21,057	45,550	38,123
1.	Policyholders	25	66,607	21,057	45,550	38,123
II.	Receivables arising from reinsurance transactions	27	26	0	26	0
III.	Other receivables	28	1,262,692	0	1,262,692	128,808
<b>F.</b>	<b>Other assets</b>	<b>29</b>	<b>41,985</b>	<b>25,383</b>	<b>16,602</b>	<b>84,839</b>
I.	Tangible fixed assets, other than on item "C.I. Land and buildings", and inventory	30	31,014	25,325	5,689	10,421
II.	Cash on accounts with financial institutions and cash on hand	31	10,971	58	10,913	74,418
<b>G.</b>	<b>Temporary assets</b>	<b>33</b>	<b>735,506</b>	<b>0</b>	<b>735,506</b>	<b>665,575</b>
II.	Deferred acquisition costs of insurance policies, of which separately:	35	365,454	0	365,454	294,329
	a) Life insurance	36	287,889	0	287,889	233,996
	b) Non-life insurance	37	77,565	0	77,565	60,333
III.	Other temporary assets, of which:	38	370,052	0	370,052	371,246
	<b>TOTAL ASSETS</b>	<b>39</b>	<b>52,294,466</b>	<b>330,464</b>	<b>51,964,002</b>	<b>53,867,941</b>

No.	CZK thousand (rounded to whole figures)	Row no.	2021		2020	
			Gross amount	Net amount	Gross amount	Net amount
<b>LIABILITIES</b>						
<b>A.</b>	<b>Equity</b>	<b>40</b>		<b>1,297,999</b>		<b>3,279,419</b>
I.	Share capital, of which:	41		1,175,398		1,175,398
IV.	Other capital funds	45		-1,706,536		536,310
VI.	Retained earnings or accumulated losses brought forward	47		1,175,023		1,175,018
VII.	Profit or loss for the period	48		654,114		392,693
<b>B.</b>	<b>Subordinated Liabilities</b>	<b>49</b>	<b>910,613</b>	<b>910,613</b>		<b>910,613</b>
<b>C.</b>	<b>Technical provisions</b>	<b>50</b>		<b>33,922,685</b>	<b>0</b>	<b>36,149,393</b>
1.	Provisions for unearned premiums	51				
	of which: a) gross amount	52	172,553	x	127,977	x
	b) reinsurers' share (-)	53	134	172,419	137	127,840
2.	Life insurance provision	54				
	of which: a) gross amount	55	33,128,809	x	35,601,470	x
	b) reinsurers' share (-)	56	1,808,368	31,320,441	2,051,261	33,550,209
3.	Provision for insurance claims	57				
	of which: a) gross amount	58	794,766	x	759,190	x
	b) reinsurers' share (-)	59	49,166	745,600	16,842	742,348
4.	Provision for bonuses and discounts	60				
	of which: a) gross amount	61	1,598,227	x	1,398,209	x
	b) reinsurers' share (-)	62	0	1,598,227	0	1,398,209
6.	Other technical provisions	63				
	of which: a) gross amount	64	85,998	x	330,787	x
	b) reinsurers' share (-)	65	0	85,998	0	330,787
<b>D.</b>	<b>UL life insurance provision</b>	<b>66</b>		<b>14,466,598</b>	<b>0</b>	<b>12,847,593</b>
	of which: a) gross amount	67	14,466,598	x	12,847,593	x
	b) reinsurers' share (-)	68	0	14,466,598	0	12,847,593
<b>E.</b>	<b>Reserves for other risks and losses</b>	<b>69</b>		<b>844,666</b>		<b>117,243</b>
2.	Reserve for taxation	70		832,810		105,980
3.	Other reserves	71		11,856		11,263
<b>G.</b>	<b>Creditors</b>	<b>72</b>		<b>249,302</b>		<b>293,655</b>
I.	Payables arising from direct insurance transactions	73		117,460		90,954
II.	Payables arising from reinsurance transactions	74		4,438		3,580
V.	Other payables, of which:	78		127,404		199,121
	a) Tax liabilities and social security payables	79		25,092		20,841
<b>H.</b>	<b>Temporary liabilities</b>	<b>81</b>		<b>272,139</b>		<b>270,025</b>
II.	Other temporary liabilities, of which:	83		272,139		270,025
	<b>TOTAL LIABILITIES</b>	<b>84</b>		<b>51,964,002</b>		<b>53,867,941</b>

## Profit and Loss statement for the Year 2021

CZK thousand (rounded to whole figures)		Row no.			2021	2020
			Base	Sub-total	Result	Result
		b	1	2	3	3
<b>I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE</b>						
1.	Earned premium, net of reinsurance:	1	x	x	x	x
a)	Gross premium written	2	662,456	x	x	x
b)	Premium ceded to reinsurers	3	45,236	617,220	x	x
c)	Change in the gross balance of the provision for unearned premium (+/-)	4	40,072	x	x	x
d)	Change in the balance of the provision for unearned premium, net of reinsurers' share (+/-)	5	-3	40,075	<b>577,145</b>	510,604
2.	Income from investments transferred from non-technical account (item III.6.)	6	x	x	<b>2,322</b>	1,753
3.	Other technical income, net of reinsurance	7	x	x	<b>612</b>	2,456
4.	Costs of claims, net of reinsurance:	8	x	x	x	x
a)	Costs of claims:	9	x	x	x	x
aa)	Gross amount	10	115,462	x	x	x
ab)	Reinsurers' share	11	18,692	96,770	x	x
b)	Change in the balance of the provision for claims (+/-):	12	x	x	x	x
ba)	Gross amount	13	61,002	x	x	x
bb)	Reinsurers' share	14	5,391	55,611	<b>152,381</b>	101,237
5.	Change in the balance of other technical provisions, net of reinsurance (+/-)	15	x	x	<b>19</b>	-12
6.	Bonuses and discounts, net of reinsurance	16	x	x	<b>35</b>	66
7.	Net operating expenses:	17	x	x	x	x
a)	Acquisition costs of insurance policies	18	x	159,346	x	x
b)	Change in the balance of deferred acquisition costs (+/-)	19	x	-18,483	x	x
c)	Administrative overheads	20	x	157,077	x	x
d)	Commission from reinsurers and shares of profit	21	x	20,372	<b>277,568</b>	265,466
8.	Other technical costs, net of reinsurance	22	x	x	<b>37,805</b>	47,111
10.	Sub-total, balance (result) of the non-life insurance technical account (item III.1.)	23	x	x	<b>112,271</b>	100,945
<b>II. TECHNICAL ACCOUNT – LIFE INSURANCE</b>						
1.	Earned premium, net of reinsurance:	24	x	x	x	x
a)	Gross premium written	25	x	6,680,806	x	x
b)	Premium ceded to reinsurers	26	x	144,466	x	x
c)	Change in the balance of the provision for unearned premium, net of reinsurance (+/-)	27	x	4,505	<b>6,531,835</b>	6,801,905
2.	Income from investments:	28	x	x	x	x
b)	Income from other investments with a special mention of income from controlled entities, of which:	30	x	x	x	x
bb)	Income from other investments	32	1,624,946	1,624,946	x	x
d)	Income from the realisation of investments	34	x	1,034,249	<b>2,659,195</b>	2,347,514
3.	Additions to investments	35	x	x	<b>880,970</b>	1,038,568
4.	Other technical income, net of reinsurance	36	x	x	<b>122,169</b>	126,884
5.	Costs of claims, net of reinsurance:	37	x	x	x	x

CZK thousand (rounded to whole figures)	Row no.			2021	2020
		Base	Sub-total	Result	Result
	b	1	2	3	3
a) Costs of claims:	38	x	x	x	x
aa) Gross amount	39	6,461,284	x	x	x
ab) Reinsurers' share	40	270,140	6,191,144	x	x
b) Change in the balance of the provision for claims (+/-):	41	x	x	x	x
ba) Gross amount	42	-25,427	x	x	x
bb) Reinsurers' share	43	26,933	-52,360	<b>6,138,784</b>	4,607,006
6. Change in the balance of other technical provisions, net of reinsurance (+/-):	44	x	x	x	x
a) Life insurance provision:	45	x	x	x	x
aa) Change in the gross balance	46	-2,646,894	x	x	x
ab) Reinsurers' share	47	-172,337	-2,474,557	x	x
b) Other technical provisions, net of reinsurance	48	x	1,819,005	<b>-655,552</b>	2,014,422
8. Net operating expenses :	50	x	x	x	x
a) Acquisition costs of insurance policies	51	x	290,996	x	x
b) Change in the balance of deferred acquisition costs (+/-)	52	x	-53,855	x	x
c) Administrative overheads	53	x	357,384	x	x
d) Commission from reinsurers and shares of profits	54	x	41,313	<b>553,212</b>	481,611
9. Costs of investments:	55	x	x	x	x
a) Costs of administering investments, including interest	56	x	1,009,051	x	x
c) Costs attributable to the realisation of investments	58	x	1,014,412	<b>2,023,463</b>	1,675,952
10. Disposals of investments	59	x	x	<b>1,218,329</b>	919,787
11. Other technical costs, net of reinsurance	60	x	x	<b>216,757</b>	232,531
12. Income from investments transferred to non-technical account (item III.4.)	61	x	x	<b>18,934</b>	32,144
13. Sub-total, balance (result) of the life insurance technical account (item III.2.)	62	x	x	<b>680,242</b>	351,418
<b>III. NON-TECHNICAL ACCOUNT</b>					
1. Result of the non-life insurance technical account (item I.10.)	63	x	x	<b>112,271</b>	100,945
2. Result of the life insurance technical account (item II.13.)	64	x	x	<b>680,242</b>	351,418
4. Income from investments transferred from the life insurance technical account (item II.12.)	72	x	x	<b>18,934</b>	32,144
6. Income from investments transferred to the non-life insurance technical account (item I.2.)	77	x	x	<b>2,322</b>	1,753
9. Income tax on current activities	80	x	x	<b>154,980</b>	90,030
10. Profit or loss on current activities after taxation	81	x	x	<b>654,145</b>	392,724
15. Other taxes not reported above	86	x	x	<b>31</b>	31
<b>16. Profit or loss for the period</b>	<b>87</b>	<b>x</b>	<b>x</b>	<b>654,114</b>	<b>392,693</b>

## Statement of Changes in Equity for the Year Ended 31 December 2021

(CZK thousand)	Share capital	Treasury shares	Share premium	Reserve funds	Capital funds	Valuation gains or losses	Profit/(loss)	Total
<b>Balance as at 1 January 2020</b>	<b>1,175,398</b>	-	-	-	-	<b>-116,466</b>	<b>1,175,018</b>	<b>2,233,950</b>
FX differences and valuation gains or losses not included in profit/(loss)	-	-	-	-	-	652,776	-	652,776
Net profit/(loss) for the period	-	-	-	-	-	-	392,693	392,693
Dividends	-	-	-	-	-	-	-	-
Transfers to funds	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>1,175,398</b>	-	-	-	-	<b>536,310</b>	<b>1,567,711</b>	<b>3,279,419</b>
<b>Balance as at 1 January 2021</b>	<b>1,175,398</b>	-	-	-	-	<b>536,310</b>	<b>1,567,711</b>	<b>3,279,419</b>
FX differences and valuation gains or losses not included in profit/(loss)	-	-	-	-	-	-2,242,846	-	-2,242,846
Net profit/(loss) for the period	-	-	-	-	-	-	654,114	654,114
Dividends	-	-	-	-	-	-	-392,688	-392,688
Transfers to funds	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2021</b>	<b>1,175,398</b>	-	-	-	-	<b>-1,706,536</b>	<b>1,829,137</b>	<b>1,297,999</b>

# Notes to the Financial Statements for the Year Ended 31 December 2021

## 1. General information

### 1.1. Description of the Business and Principal Activities of the Company

**Komerční pojišťovna, a.s.**, (hereinafter the “Company” or “KP”) was incorporated following its registration in the Commercial Register kept by the Municipal Court in Prague, Section B, File 3362, on 1 September 1995. The Company undertakes insurance activities since 1995.

**The principal operations are as follows:**

The subject of the company’s business is the operation of insurance and related activities within the scope of the licence granted by the Ministry of Finance of the Czech Republic under the Insurance Act as follows:

Insurance activities including activities directly resulting from insurance activities within the meaning of Section 3, paragraph 1, letter f) of Act No. 277/2009 Coll., on Insurance, as amended (hereinafter referred to as the Insurance Act) – in the scope of insurance sectors I., II, III, VI, VII and IX of life insurance listed in Part A of Annex 1 to the Insurance Act, – within the scope of insurance classes 1, 2, 3, 4, 7, 8, 9, 10c, 13, 14, 15, 16 and 18 of non-life insurance listed in Part B of the Appendix 1 to the Insurance Act.

**Share capital:**

The share capital amounts to CZK 1,175,397,600 and consists of 6,580 ordinary registered shares with a nominal value of CZK 145,470 in the book-entry form and 3,000 ordinary registered shares with a nominal value of CZK 72,735 in the book-entry form. The Company’s share capital is fully paid.

**Shareholders as of 31 December 2021:**

**Komerční banka, a.s.**, having its registered office at Prague 1, Na Příkopě 33/969, 114 07, incorporated with the Municipal Court in Prague, Section B, File 1360, Corporate ID: 45 31 70 54; a 48.99 percent shareholder.

**SOGECAP S.A.**, having its registered office at Tour D2, 17 bis place des reflets, 92919 Paris La Défense Cedex, France, identification number: 086380730 R.C.S. NANTERRE; a 51.01 percent shareholder.

**Registered Office of the Company:**

náměstí Junkových 2772/1  
155 00, Prague 5  
IČO: 63998017

The Company has no foreign branch.

## 1.2. Board of Directors and Supervisory Board as of 31 December 2021

	Position	Name
<b>Board of Directors</b>		
	Chairman	Gaël Loaec
	Member	Zdeněk Zavadil
	Member	Šárka Šindlerová
	Member	Zdeněk Doboš
	Member	Helena Indrová
<b>Supervisory Board</b>		
	Chairman	Philippe Perret
	Member	Jan Juchelka
	Member	Laurent Dubrovine
	Member	Miroslav Hiršl

### Acting on behalf of the Company:

The Board of Directors acts on behalf of the Company. No less than two members of the Board of Directors act jointly on behalf of the Board of Directors. The act of signing is conducted in such a manner that no less than two members of the Board of Directors attach their signatures to the written or printed name of the Company.

### The audit committee

The Committee has 3 members appointed by the General Meeting from the membership of the Supervisory Board or third parties.

	Position	Name
<b>Audit committee</b>		
	Chairman	Thomas Jarsaillon
	Vice chairman	Laurent Dubrovine
	Member	Jiří Příbyl

## 1.3. Equity Holdings in Other Businesses

The Company held no significant equity investments in other businesses as of 31 December 2021 or as of 31 December 2020.

## 1.4. Changes and additions to the Company registration in the Commercial Register

In 2021, there were following changes in the Commercial Register.

Mrs. Nathalie Dos Santos Gil's membership in Board of Directors was terminated in 2021 which was entered in Commercial register with termination date as of 31 May 2021.

Mr. Jan Juchelka's membership in Supervisory Board was terminated in 2021 which was entered in Commercial Register with termination date as of 31 December 2021.

On 27 of December 2021 was entered change of registered Office of the Company from address Karolinská 650/1, 186 00, Prague 8 to new one náměstí Junkových 2772/1, Stodůlky, 155 00, Prague 5.

Since 1st of April 2022 membership in Supervisory Board and in Audit committee for Mr. Laurent Dunet has been established alongside with termination of membership in these two institutions for Mr. Laurent Dubrovine as of date 31 March 2022.

## 1.5. Legal Relations

As of the balance sheet date, all of the Company's legal relations comply with the Insurance Act, including the related implementation guidance notes. The Company operates both in life and non-life insurance segments.

## 1.6. Movements in Share Capital

The Company did not report any changes in the share capital in the year ended 31 December 2021 or in the year ended 31 December 2020.

## 1.7. Preparation of financial statements in English

The financial statements have been prepared in Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

# 2. ACCOUNTING POLICIES

## 2.1. Basis of Accounting

In maintaining its accounting books and records and in preparing the financial statements, the Company complied with Accounting Act No. 563/1991 Coll., as amended, Decree No. 502/2002, which provides implementation guidance on certain provisions of the Accounting Act No. 563/1991 Coll., as amended, for reporting entities that are insurance companies (hereinafter “Decree 502”), and with Czech Accounting Standards for reporting entities that maintain their accounts under Decree 502.

The Company’s accounting books and records are maintained in such a manner so as to ensure that the financial statements prepared on the basis of the accounting books and records give a true and fair view of assets, liabilities, equity and the financial position of the Company while complying with the prudence and going concern principles. See section 6. Other events.

The financial statements are prepared on the accruals basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate. Assets that are not revalued at fair value and suffered impairment are stated at net recoverable amount.

The reporting currency used in the financial statements is the Czech koruna (“CZK”) with accuracy to CZK thousand, unless indicated otherwise. The financial statements were prepared as of and for the year ended 31 December 2021.

## 2.2. Tangible and Intangible Fixed Assets

Tangible fixed assets include assets with an acquisition cost greater than CZK 40 thousand on an individual basis and an estimated useful life exceeding one year. Tangible assets costing less than CZK 40 thousand are expensed in the year of acquisition.

Intangible fixed assets include start-up costs greater than CZK 20 thousand and other intangible assets with an acquisition cost greater than CZK 60 thousand on an individual basis and an estimated useful life exceeding one year. Intangible assets costing less than CZK 60 thousand are expensed in the year of acquisition.

The Company creates provisions against tangible and intangible fixed assets if the inventory count highlights that their fair value is lower than their carrying value and the impairment is temporary. No provisions were recognised against fixed assets in the year ended 31 December 2021 and in the year ended 31 December 2020.

Depreciation of fixed assets is recorded on a straight line basis for accounting purposes. Accounting depreciation is based on the expected useful life of the tangible and intangible assets. The depreciation period is indicated below:

Category of assets	Depreciation period in years
Cars	4
Furniture and fixtures	7 – 10
Software	1,5 – 4
AIA and DWH Software	5
Start-up costs	5



As a result of binding statutory requirements regarding the presentation of financial statements of insurance companies, the components of fixed assets shown above are classified on the face of the balance sheet as of 31st December 2021 and as of 31st December 2020 as follows:

- Intangible fixed assets, including their acquisition, are presented in line 2;
- Tangible fixed assets (both depreciable and non-depreciable), including their acquisition, are presented in line 30.

The Company recognised tax depreciation charges for tangible and intangible assets in 2021 and 2020.

## 2.3. Investments

### Deposits with financial institutions

Deposits placed with financial institutions are measured at their nominal value upon acquisition. Deposits denominated in foreign currencies are retranslated into Czech crowns at the ruling exchange rate of the Czech National Bank and any foreign exchange rate difference is included in the valuation. Revaluation is recognised through the profit and loss account

### Debt securities

Debt securities at a settlement date are valued at cost upon acquisition. Acquisition cost is the amount for which a debt security has been acquired. It includes a proportionate part of any accrued interest and expenses directly associated with the acquisition. Premium or discount is recorded to income or expense over the remaining maturity of the debt securities using the effective interest rate method. Accrued interest income on securities is reflected directly in the relevant account of these securities. Debt securities denominated in foreign currencies are retranslated into Czech crowns at the ruling exchange rate of the Czech National Bank.

Since 1<sup>st</sup> January 2018 all debt securities are classified as available for sale securities and at balance sheet date they are revaluated at fair value. Any revaluation differences on a financial asset available-for-sale are recognized in equity, except for impairment adjustments which are recognized in the income statement.

Fair value means the market value derived from quoted market bid prices declared on the domestic or foreign stock market or on any other public (organised) market published by Bloomberg agency. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date). If there is no available price or if this price does not sufficiently represent fair value, fair value is determined based on a qualified estimate. The basic approach for determining a price of the bond through the valuation model is a method of discounting cash flows with using a curve which is taking into account a current level of basic interest rates and a credit quality of the bond's issuer (or issue).

When securities are derecognized, the revaluation differences (gains or losses previously recognized in equity) are recognized in the income statement (as income from the sale of investments/expenses from investments within the technical account – life insurance, or as income from the other investments/expenses from investments within the non-technical account).

### Other investment

#### Derivatives

Derivatives are measured at their fair value. Fair value of the financial derivatives is being measured as a current value of the expected cash flows arising from these derivatives. Derivatives are presented in Balance Sheet in Other investments.

#### Hedging derivatives

As part of the implemented investment strategy, Company hedges cash flows from foreign currency debt securities using cross-currency swaps. The purpose of hedging derivatives is to eliminate the currency risk posed by the holding of foreign-currency debt securities. Pursuant to the current legislation, Company classifies these derivatives as hedging derivatives and the gains or losses from the revaluation of swaps, effectively used for hedged risk, at their fair value are recognised in equity accounts. Revaluation of foreign-currency debt securities arising from changes in exchange rate (CZK/EUR, CZK/USD) is also charged to equity. Cash flows in the foreign currency from the hedged item (bonds) are settled by the cash flows in foreign currency from the hedging instrument. All cash flows from the hedging instrument (cross currency swap) are known in advance and thus the hedged risk is eliminated.

The difference between nominal value and purchase price of the debt securities (premium or discount and purchase accrued interest income) in case that the foreign currency part of the cross currency swap was concluded only as a nominal value of a bond, is recognised in equity as an up-front fee. At the time of the first payment of the coupon, the purchased accrued interest is derecognised against balance sheet accounts. During the holding of the security, premium and discount are amortised through the profit and loss accounts.

If any of the derivative transactions does not fulfil the requirements for hedge accounting derivative is designated upon initial recognition as at fair value through profit or loss and changes in its fair value are recognized as gain/loss from revaluation to income statement.

Within a reform of EUR and USD referential interest rates in 2020, the current referential interest rates EONIA (EUR) and LIBOR (USD) were replaced with alternative benchmarks: ESTER/€STER (Euro Short Term Rate) and SFOR (Secured Overnight Financing Rate).

Based on this methodological changes, the Company has decided to stop use former referential interest rates based on the IBOR/swap rates for the revaluation of its derivatives (currency swaps) and has started to use the alternative benchmark curves derived from ESTER/€STER (alternative risk – free rate) rates for EUR-denominated cash flow, resp. from SFOR rates for dollar-denominated cash flow. Using curves derived from ESTER / €STER, resp. SFOR is now a common market practice in financial markets.

### **Test of effectivity of hedging**

The Company performs regularly tests of effectivity of hedging assets using both prospective and retrospective method.

The tests are performed upon acquisition of the hedging asset and then regularly each month. The effectivity test itself includes both an efficiency test that must be 100% and an inefficiency test that must be 0%.

The basis of testing is therefore the revaluation of both the hedged assets and the hedging instrument by the same interest rate curve corresponding to the currency of the hedged asset and determination of the fair value of the hedged asset and fair value of hedging instrument without any spread resulting from the asset's credit quality, liquidity or other specific factors.

### **Shares, other variable yield securities and other interests**

Shares, mutual funds and real estate fund investments are valued upon acquisition cost at initial recognition. Acquisition cost is the amount for which shares, mutual funds and real estate fund investments have been acquired. It includes expenses directly associated with the acquisition.

These investments are recognized at fair value through profit and loss. These assets were primarily purchased for the purpose of gain from short-term price deviations, portfolio diversification and after that for the purpose of higher income from the portfolio covering life-insurance reserves and the possibility to credit the gain to clients.

As of the balance sheet date shares, mutual funds and real estate fund investments are revaluated to the fair value. Fair value means the market value derived from quoted market bid prices declared on the domestic or foreign stock market or on any other public (organised) market. The company applies the most recent published market prices at the date of the financial statements (balance sheet date) or as close as possible to this day. If there is no available price or if it does not sufficiently represent fair value, fair value is determined based on a qualified estimate. Investments into the real estate fund are valued by expert as market price is not available. The valuation is based on the net asset value of single real estate funds that are set by their founder. This value is set also based on market value of underlying asset (properties) determined by external expert.

The value of shares, mutual funds and real estate fund investments denominated in foreign currencies is determined in relevant foreign currency per unit and it is retranslated into Czech crowns at the ruling exchange rate of the Czech National Bank and any foreign exchange rate difference is included in the valuation.

Dividends are recognized at their payment. Depending on its nature, dividend income is recognized in the income statement either as income from investments with the technical account – life insurance, or as income from investments with the non-technical account.

Any gain or loss arising from a change in fair value is recognized in the income statement in the line Unrealised gains or Unrealised losses on investments in the technical result – life insurance. Shares, mutual funds and real estate fund investments are recognized in Balance sheet in the line Shares and other variable yield securities, other participating interest, line 13.

### **Investments for the benefit of life insurance where the policyholder bears the investment risk**

Investments for the benefit of life insurance, where the policyholders bears the investment risk, is recognised separately from other financial placement components.

As at the balance sheet date the investments of life insurance where the investment risk is carried by the policyholder is revaluated to the fair value. Fair value means current value of unit certificates of collective-investment funds announced as of the date of fair value settlement. All changes of fair values are recognised through the profit and loss accounts.

## **2.4. Debtors (Receivables)**

Receivables are stated at nominal value.

Specific coefficients for provisioning were assigned to individual groups of receivables based on the expected return from these receivables.

In determining debt provisioning levels, the risk (the number of past due days) attached to all amounts due from a specific debtor is considered to be equal to the risk (the number of past due days) of the oldest of these receivables.

## **Operating prepayments**

Bonus prepayments related to collective insurance contracts are being paid in line with concluded contracts and in the agreed frequency (usually once a year) are being settled with real costs.

## **2.5. Permanent or Long-Term Impairment of Assets**

At the balance sheet date, the Company assesses the existence of any objective indications of the potential permanent decrease of value of financial assets.

An objective indications of the decrease of value of assets is based of one or more events that occurred in the period following the purchase of assets, while these loss events have an impact to future cash flows connected with particular financial assets.

In this case, the loss recognized in equity is transferred without undue delay to the profit and loss account, at the expense of losses from financial operations.

If, following the recognition of impairment in the profit and loss account there will be observable increase in the fair value of debt securities, this increase is going to be recognized in profit and loss account up to the value of impairment that was recognized in the profit and loss account.

## **2.6. Cash on accounts with financial institutions and cash on hand (Cash and Cash Equivalents)**

Cash comprises cash on hand and current bank accounts designated to secure the Company's operations. Term deposits are reported as a component of Investments, chapter 2.3.

Cash equivalents comprise vouchers and franking machine credit.

Cash and cash equivalents are stated at nominal value.

## **2.7. Equity**

Share capital of the Company is stated in the amount recorded in the Commercial Register of the Municipal Court. Any increase or decrease of the share capital based on the decision of the Board of the Directors, which has not been registered at the date of the financial statements, is stated as a change of the share capital.

Other capital funds include revaluation of debt securities and derivatives (described in detail in chapter 2.3) and consists of the following items:

- Difference in valuation of securities include the revaluation of debt securities to fair value.
- Difference in valuation of derivatives include revaluation of cross currency swaps to fair value.
- Up-front fee corresponds to the amount of the difference between nominal value and the cost of a debt security when foreign part of cross currency swap was concluded only on the nominal value of the bond.
- Deferred tax is calculated on all temporary differences between tax and accounting values, i.e. in case of revaluation of investments through Other capital funds the value of revaluation is taken as the difference.

## **2.8. Subordinated liabilities**

In 2020, the Company accepted subordinated debt. In the balance sheet, this item is reported in liabilities in section B. "Subordinated liabilities". The amount of subordinated debt and counterparties are stated in Note 4.7 Subordinated liabilities.

## **2.9. Technical Reserves**

The Company records technical reserves pursuant to Insurance Act No. 563/1991 Coll., as amended and degree No. 502, as follows:

### **Life Insurance Reserve**

The life insurance reserve is created as a sum of reserves calculated under individual life insurance policies and represents the sum of the Company's liabilities net of the value of future premiums. The technical reserve includes the allocated share of profit and the costs associated with insurance administration. The life insurance reserve for traditional life insurance products is calculated using the "Zillmer" method where negative values are substituted with zero.

### Unearned Premium Reserve

The unearned premium reserve represents actual (or estimated as appropriate) written premiums that do not relate to the current reporting period and are calculated using a daily 'pro rata' method of the aggregate written premiums according to the number of days that relate to the current reporting period and to the following reporting periods.

### The claim reserve for Outstanding Claims

Provision for outstanding claims, for both life and non-life insurance, consists of a reserve for insurance claims reported but not settled during the year ('RBNS') and a reserve for insurance claims incurred but not reported during the year ('IBNR').

The claim reserve also reflects the amount of the estimated claims handling costs associated with settling claims.

The RBNS is recognised as equal to the sum of reserves for anticipated insurance payments for individual reported, but unsettled claims according to estimated damage amounts arising from claims recorded as of the balance sheet date.

The IBNR is determined using actuarial methods based on an analysis of available information that includes, but is not limited to:

- Supporting evidence underlying the insurance portfolio split by classes of individual insurance activities;
- Historical series relating to individual classes of insurance activities that monitor the moment of claim origination and the moment of claim settlement (the Chain-Ladder method applied to quarterly data) – it is used typically for non-life insurance activities;
- The estimated aggregate claims ratio; and
- The estimated claims need for a determined period of time is usually used for life insurance activities.

While the Board of Directors considers the balance of the reserve for outstanding claims to be fairly presented on the basis of the information available at the balance sheet date, the ultimate balance of liabilities may differ as a result of subsequent information and events and can result in significant changes in the final amounts. Changes in the reserve balance are reflected in the financial statements for the period in which they occur. The adopted approaches and estimates are assessed on a regular basis.

### Reserve for Bonuses and Discounts

The reserve for bonuses and discounts is recorded to cover costs of bonuses and discounts provided to policy holders under insurance policies.

In respect of life insurance, this reserve also reflects a portion of income from investments held for anticipated but not yet awarded profit shares.

In 2021, the Company released part of the provision in amount of CZK 211 million (CZK 211 million created in 2015). This amount has been used for the financing of client's profit share in 2021, and at the same time in 2021 the Company created a reserve for bonuses and discounts by CZK 411 million up to the final amount of CZK 1,598 million.

In 2020, the Company released part of the provision in amount of CZK 324 million (CZK 268 million created in 2013, CZK 51 million created in 2014 and CZK 5 million created in 2015), this amount has been used for the financing of client's profit share in 2020 and at the same time the Company created a reserve for bonuses and discounts by CZK 64 million up to the final amount of CZK 1,398 million.

The amount reflects the obligation of the Company to provide policy holders with relevant insurance claim payments and cannot be used for any other purpose. The Company undertakes to allocate the amount to individual policies by the relevant resolution of the Company adopted with the Company's full authority which complies with the provisions of insurance policies for profit shares in the following years but no later than within eight years from the recognition of this reserve, specifically to those persons who will be the policy holders of the particular products that stipulate the right for the profit share to the policy holder as of the last date of the calendar year in which the Company takes such decision. The Company confirmed this commitment by means of public pledge announced on its web sites on 18 December 2015.

If the Company does not take the above decision within eight years from the recognition of the reserve, it undertakes to allocate this amount (or its so far unallocated part, hereinafter "mandatory part of the provision" or "**PRA**") to policies (i.e. products that stipulate the right for the share in the profit for the policy holder) of individual policy holders who will be the policy holders on the last day of the 8<sup>th</sup> year from the recognition of the reserve. Each policy holder should receive an amount (hereinafter "**PAn**") calculated as an average balance of the reserve of life insurance of the relevant policy holder during the 8<sup>th</sup> calendar year from the recognition of this reserve for bonuses and discounts (hereinafter "**pRŽPn**") divided by the total average value of the reserve of life insurance of these eligible policy holders (hereinafter "**pRŽP**") and multiplied by the mandatory reserve (hereinafter "**PRA**") based on the following formula:

$$PAn = pR\check{z}Pn/pR\check{z}P * PRA$$

The above mentioned reserve for bonuses and rebates was recognised in addition to the profit shares that were allocated to individual policies and that became part of the reserve of life insurance upon the allocation of shares for 2021.

### **Other Technical reserves**

The Company creates a reserve for obligations resulting from life insurance contracts. At the balance sheet date, the Company undertakes a test of the adequacy of life insurance technical reserves (the "liability adequacy test") designed to verify the sufficiency of the total sum of amounts of life insurance reserves. The basic testing method is the model of discounted financial cash flows.

The result of the liability adequacy test is the minimum value of liabilities to the policy holders calculated when using the best estimate of the presumptions of the future development of input parameters adjusted for an additional charge reflecting risk and uncertainty.

The reserves are insufficient when the minimum value of insurance liabilities is greater than the amount of life provisions decreased by the corresponding outstanding acquisition costs. If the result of the liability adequacy test shows insufficiency of technical reserves, the Company creates a reserve equivalent to this deficiency.

### **Technical provisions for Investment life insurance where the policyholder carries the investment risk**

This reserve is held to cover obligations of the insurance company to the policy holders for the life insurance products where it is the policyholder who carries the investment risk on the basis of the insurance contract.

The reserve amount is determined as a sum of the liabilities to the policy holders in the amount of their shares of allocated premiums from individual contracts according to the principles specified in insurance contracts.

In compliance with Section 16 (9) of Decree no 502/2002 Coll. for part of liabilities from these contracts that arise from (a) covering the risk of death and (b) funds placed in guaranteed funds, the reserve is created according to Section 16 (5) of the Decree.

### **Provision (Provision for Other Risks and Losses)**

The Company creates other reserves for risks that are not directly related to its insurance activities.

Specifically, the Company recorded a reserve for anticipated risks and losses associated with legal disputes and similar situations.

## **2.10. Creditors (Payables)**

Payables are stated at nominal value.

Payables to the policyholders principally comprise insurance premium overpayments and prepayments as well as received payments temporary unmatched with the related receivables at the balance sheet date.

## **2.11. Temporary Assets and Liabilities**

Temporary assets and liabilities principally comprise:

- Deferred expenses – primarily deferred acquisition costs of insurance policies and capitalized internal and external cost of selected projects.
- Within information technologies Company incurs expenditure on R & D, mainly related to development studies and implementation of individual projects;
- Accrued income – particularly accrued revenues from term deposits;
- Estimated receivables – primarily estimated funds to be collected from reinsurers (shares of insurance claims, commissions and profit shares) and an estimate for premiums not yet written in the operating systems; and
- Estimated payables – primarily estimated balances of anticipated premiums ceded to the reinsurers, unpaid commissions, fees and unbilled supplies.

## **2.12. Gross Written Premiums**

Gross written premiums include all premiums amounts stated in insurance policies during the period, regardless of whether these amounts relate partly or wholly to the following accounting periods.

Income from written premiums is recognised on an accrual basis by recording a reserve for unearned premiums in accordance with accounting procedures for insurance companies (refer to Note 2.8.).

## 2.13. Costs of Insurance Claims

Costs of insurance claims are recorded as equal to the amounts awarded for the settlement of claims and also include external costs of the Company incurred in processing claims. Costs of insurance claims are reduced by claims of recourse or other similar claims of the Company. The cost is recognised in the current period when the level of a payable to a client is acknowledged.

The costs of insurance claims (specifically life insurance claims) include not only the claims incurred (non-life insurance, death or endowment in respect of life insurance) but also client payments from capital life insurance accounts and the lump-sum settlement when this insurance is cancelled.

In settling non-life insurance claims the Company cooperates with AXA ASSISTANCE CZ, s.r.o., Inter Partner Assistance, branch, Willis Towers Watson Consulting and Mondial Assistance in respect of organisational, economic and technical advice, including investigations into insured events, preparation of full documentation in support of examining and settling these insured events.

## 2.14. Acquisition Costs of Insurance Policies

Acquisition costs of insurance policies include all direct and indirect costs incurred in acquiring insurance policies. Acquisition costs of insurance policies principally comprise:

- Commission paid to insurance policy acquirers; and
- Payment for medical assessments.

Non-life insurance commissions are deferred in line with the proportion of the unearned premiums to premiums written or reflect the estimated period of validity of the policy to which the commission relates. Acquisition commission for product Property distributed by KB, MPSS and broker companies is deferred according to the period for which the broker is obliged to return part of the commission in case of contract cancellation.

Acquisition costs of traditional life insurance products are deferred in the form of Zillmer life insurance reserves.

Commissions on risk life insurance sold by brokerage companies and MPSS, the initial commissions are accrued over a period of 60 months in 2021 and 2020.

Commissions related to investment life insurance are not deferred.

## 2.15. Administrative Costs

Administrative costs consist of costs that are not directly involved in entering into insurance policies, such as consumption of material and fuel, travel expenses, rental expenses, advisory services, postal fees, other fees, wages and other social costs, or depreciation of assets.

If administrative costs are clearly identifiable, they are charged directly to the relevant technical life or non-life accounts during the year.

Other unallocated administrative costs are primarily posted to non-technical cost accounts and, at the year-end, they are re-allocated to life and non-life insurance technical accounts in a proportion that matches the allocation based on the ABC (Activity Based Costing) method, regulating the matching of costs to individual types of insurance. The proportion was 31% for non-life insurance and 69% for life insurance in 2021. In 2020 the proportion was 32% for non-life insurance and 68% for life insurance.

## 2.16. Costs of Investments and Income Recognition

### Recognition of Costs and Income from Investments and their Allocation between Life and Non-life Insurance

The Company has split its portfolio of financial investments into the following four parts, since 2021:

- Portfolio of financial investments covering non-life insurance reserves;
- Portfolio of financial investments covering life insurance reserves;
- Portfolio of financial investments covering risk life insurance reserves; and
- Portfolio of financial investments covering funds of the Company's equity.

Till the end of the year 2020, portfolio was divided between three parts. Since 2021 was newly added Portfolio covering risk life insurance reserves.

Income from and costs of investments are primarily recorded on the life insurance technical accounts. At the year end, net income not related to life insurance is re-allocated to the non-technical accounts and the relevant amount of income is re-allocated from the non-technical accounts to the non-life insurance technical account.

The Company uses the proportion of the average balances of life and non-life insurance technical reserves and equity as a basis for reallocating expenses and income from investment.

#### **Accounting Treatment for the Realisation of Investments**

The Company's accounts for the realisation of investments on a gross basis and accordingly records separately all the revenues arising from realisation as equal to the selling value of the relevant investment instruments and the costs as equal to their carrying value.

### **2.17. Other Technical Costs and Income**

Clearly identifiable costs and income are recorded directly on the life and non-life technical accounts during the year.

Costs that are not clearly identifiable are primarily recorded on the non-technical accounts and subsequently reallocated to the technical life or non-life accounts. As a basis for reallocating the costs and income, the Company uses separate coefficients for life and non-life insurance (refer to Note 2.14).

This treatment does not apply to taxes and fees, and other expenses not related to insurance and reinsurance.

### **2.18. Reinsurance**

Under the terms of reinsurance arrangements, the reinsurer's share of premiums is calculated, invoiced and paid based on the premiums collected from reinsured policies. At the balance sheet date, the Company records an estimated payable in respect of the anticipated reinsurer's share of premiums not yet billed.

Under the terms of reinsurance arrangements, the reinsurer's share of claims is calculated and paid based on the actually settled insurance claims. The Company recognises estimated receivables in respect of the anticipated but not yet paid reinsurer's share of recorded insurance claims.

Under the terms of reinsurance arrangements, reinsurance commissions are calculated and paid based on the paid reinsurer's share of premiums reflecting loss experience.

The Company recognises its share of the reinsurer's profit when the entitlement to this profit share can be determined.

The reinsurer's share of reserves is determined pursuant to the reinsurer's share of collected premiums or insurance claims taking into account other relevant factors.

### **2.19. Income Taxation**

The income tax for the relevant period consists of the due tax and the change in the deferred tax. The due tax consists of the tax calculated from the tax base using the tax rate valid in the current year and all additionally assessed taxes and refunds of the overpaid taxes of previous periods, as well as the reserve for the due tax, including the independent tax base (dividends received from abroad).

#### **Taxation of provisions resulting from the amendment of Act No. 586/1992 Coll. On income taxes**

On 1 January 2020, Act No. 364/2019 Coll. came into force, which amends Act No. 586/1992 Coll., On income taxes, as amended (the "Income Tax Act") and Act No. 593/1992 Coll., On provisions for determining the income tax base, as amended (the "Provisions Act").

The subject of the change is the adjustment of the income tax base by the difference between the change (creation / releasing) of technical provisions in the insurance pursuant to Act No. 277/2009 Coll., On Insurance, as amended (the "Insurance Act"), resp. Directive 2009/138 / EC of the European Parliament and of the Council on the approach to insurance and reinsurance business and its performance ("Solvency II", "Solvency II provisions") and the change (creation / releasing) of technical provisions in insurance pursuant to Act No 563 / 1991 Coll., On accounting, as amended ("Act on Accounting", "Accounting provisions"). Accounting provisions thus become non-deductible for tax purposes and the provisions under Solvency II increased by the balance of deferred acquisition costs thus become tax deductible.

In the first 2 tax periods beginning from the date of entry into force of this Act, the income tax base always increases by one half of the difference between the amount of accounting provisions and provisions according to Solvency II as of 1 January 2020, resp. as of December 31, 2019.

The impact on the calculation of the provision for current and deferred tax is described in Chapter 4.14. Taxes.

## 2.20. Deferred Income Tax

Deferred income tax is provided using the balance sheet method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates effective in the periods in which the temporary tax difference is expected to be realised. The principal temporary differences arise from depreciation on tangible and intangible fixed assets, creation of reserves and revaluation of debt securities.

As at 31 December 2020, the Company recognised a deferred tax liability. To the end of year 2021, Company recognised a deferred tax asset.

## 2.21. Foreign Currency Retranslation

Transactions during the year were retranslated at the Czech National Bank's exchange rate prevailing as of the transaction date or at the rate at which the transaction was realised. Assets and liabilities denominated in foreign currencies at the year-end are retranslated using the Czech National Bank's exchange rate prevailing as of that date. Foreign exchange rate gains and losses are recognised through the profit and loss account, except for the foreign-currency debt securities for which these foreign exchange gains or losses are included in revaluation at fair value recognized in equity in connection with the recognition of Hedging derivatives, which is described in section 2.3.

## 2.22. Consolidation

These financial statements have been prepared on an unconsolidated basis. The Company's financial information is included in the consolidated financial statements of Komerční banka, a.s., having its registered office at Na Příkopě 33/969, Prague 1, 114 07, and SOGECAP S.A., having its registered office at Tour D2, 17 bis place des reflets, 92919 Paris La Défense Cedex, France, which can be obtained at the same place.

## 2.23. Use of Estimates

The presented financial statements for the year ended 31 December 2021 are based on the best estimates available as of the reporting period end which specifically relate to the determination of fair values of financial instruments, impairment of assets and determination of reserves. Management of the Company believes that the financial statements give the truest and fairest view of the Company's financial results and financial position using all relevant and available information at the financial statements date.

## 2.24. Going concern

The financial statements have been prepared under the going concern assumption. See section 6 Other events.

# 3. Risk management

The control system of the Company is set up to allow a continuous and systematic risk management.

The Company is exposed to insurance risk which naturally results from the underwritten insurance contracts as well as other risks, mainly the market risk, credit risk, operational risk, liquidity risk and concentration risk.

The policies and procedures for risk management are comprehensive and interrelated with the policies and procedures for maintenance of the capital determined to cover these risks.

The Company's Board of Directors has the primary responsibility for risk management system effectiveness.

### (a) Life insurance risk

The Company is exposed to risks resulting from an unfavourable development of assumptions compared to their determination at the moment of valuation of products. This involves, for example, the risk of unfavourable development of mortality, morbidity or survival, risk of a unfavourable development of interest rates, risk resulting from an unexpected development of cost inflation or uncertainty



in the expected future claims settlement. In the above cases the Company is exposed to the danger of a loss resulting from the discrepancy between collected premiums and claims paid, investment returns and expenses.

The Company reinsures some of the risks and underwrites them with external reinsurers.

#### **(b) Non-life insurance risk**

The Company is exposed to insurance risk and underwriting risks arising from the sale of non-life insurance products.

Insurance risk relates to uncertainty in respect of the period, frequency and amount of damage covered by insurance contracts or uncertainty in the expected future claims settlement

The most significant components of insurance risk are the risk of underestimated technical provisions and the premium risk. The premium amount is determined using historical assumptions, which may differ from the actual situation. The risk of trend, risk of estimate, change in assumption, etc., may have a significant impact on determining the amount of provisions.

#### **(c) Market risk**

The Company is exposed to market risk, which arises from trading positions in interest rate, currency and equity instruments that are all exposed to common and specific changes in the market.

The main exposure is that the revenues from investments will not be sufficient to cover the liabilities from insurance contracts.

The market risk is constantly monitored, measured and managed using asset/liability management (ALM). The basic method of ALM involves adjusting the due date of assets to the liabilities from insurance contracts.

#### **(d) Credit risk**

The Company is exposed to the credit risk, which arises from the counterparty failing to pay the amounts due in full.

The main areas of the Company's exposure to the credit risk are risk of failure to repay the principal or the income from financial investments and insurance and reinsurance receivables.

#### **(e) Operational risk**

Operational risk is the risk arising from the failure of internal processes, human resources or systems, or the risk of loss that may arise due to external events, including the risk of loss arising from a breach of or noncompliance with a legal standard.

Loss means any harm or damage incurred by the Company.

The Company monitors these risks, modifies work procedures and processes to eliminate the loss events.

#### **(f) Liquidity risk**

The Company is exposed to requirements for liquidity on a daily basis. These requirements are related to claim settlements. The liquidity risk is a risk that the cash necessary for payment of liabilities will not be available at the due date and at adequate cost.

The need for liquidity is continuously monitored in order to ensure necessary resources.

#### **(g) Concentration risk**

Concentration risk arises when the investment portfolio is not well enough diversified. This situation may lead to significant financial losses in case of a counterparty default.

The company invests in the wide spectrum of financial assets observing the rules of its financial strategy that is based on the cautious behaviour principle. In each asset category the investments are diversified according to geographical areas, issuers and sectors.

The strategy implementation is performed using the definition of limits, thresholds and restrictions. The investment with the high concentration risk are regularly overseen and evaluated.

## 4. Additional information to the financial statements

### 4.1. Tangible and Intangible Fixed Assets

The assets shown in the tables below represent tangible and intangible fixed assets reported within the following balance sheet lines:

#### Acquisition cost

(CZK thousand)	Additions	Disposals	31 December 2021	31 December 2020
Tangible assets	1,614	10,737	30,777	39,900
Non-depreciated tangible assets	0	0	236	236
Technical improvements of tangible assets	0	0	0	0
Acquisition of tangible assets	1,614	1,614	0	0
<b>Total</b>	<b>3,228</b>	<b>12,351</b>	<b>31,014</b>	<b>40,137</b>

(CZK thousand)	Additions	Disposals	31 December 2021	31 December 2020
Intangible assets	7,483	0	296,814	289,331
Technical improvements of intangible assets	1,991	2,025	123	157
Acquisition of intangible assets	5,458	5,458	0	0
<b>Total</b>	<b>14,932</b>	<b>7,483</b>	<b>296,937</b>	<b>289,487</b>

#### Accumulated Depreciation

(CZK thousand)	Additions	Disposals	31 December 2021	31 December 2020
Tangible assets	6,346	10,737	25,325	29,716
Intangible assets	11,385	0	284,024	272,639
<b>Total</b>	<b>17,731</b>	<b>10,737</b>	<b>309,349</b>	<b>302,354</b>

#### Net Book Value

(CZK thousand)	31. December 2021	31. December 2020
Tangible assets	5,452	10,184
Non-depreciated tangible assets	236	236
Technical improvements of tangible assets	0	0
Acquisition of assets	0	0
<b>Total</b>	<b>5,689</b>	<b>10,421</b>

(CZK thousand)	31. December 2021	31. December 2020
Intangible assets	12,790	16,692
Technical improvements of intangible assets	123	157
Acquisition of assets	0	0
<b>Total</b>	<b>12,913</b>	<b>16,848</b>

(CZK thousand)	31. December 2021	31. December 2020
Intangible assets (line 2)	5 689	10,421
Tangible movable assets (line 29)	12,913	16,848
<b>Total</b>	<b>18,601</b>	<b>27,269</b>

Major additions to the tangible depreciated assets both in 2021 and 2020 were related to the purchase of hardware (2021: CZK 888 thousand and 2020: CZK 2,615 thousand).

With respect to the amortised intangible assets, the Company invested in 2021 into development of new web pages, system for calculation of non-life insurance reserves (total of CZK 5,292 thousand) and into software Jupiter and DMS (Data Management system) (2021: CZK 2,025 thousand and 2020: CZK 6,968 thousand).

## 4.2. Investments

Group of assets (CZK thousand)	31. December 2021	31. December 2020
Debt securities issued by an EU member state or its central bank	17,144,033	18,134,384
Debt securities issued by financial institutions of EU member states	8,278,918	9,691,533
Listed bonds issued by EU businesses	2,811,223	3,759,057
Listed municipal bonds	0	655,758
Listed debt securities issued by banks and trading companies of non-EU member states	3,702,896	4,495,691
<b>Total fixed income securities</b>	<b>31,937,070</b>	<b>36,736,424</b>
Shares and KB Real estate Fund	3,010,278	2,856,216
Deposits with banks	1,242,000	966,000
Other investments – Cross Currency Swap	-765,233	-472,485
<b>Total investments</b>	<b>35,424,115</b>	<b>40,086,155</b>

42.5% (2020: 39.6%) of investments are allocated to government bonds issued by the Czech Republic. Investments have also been allocated to debt securities issued by banks, bonds issued by businesses (registered both in the Czech Republic and abroad), municipal bonds, shares, KB Real estate Fund and bank deposits.

As of 31 December 2021 and as of 31 December 2020 the bad debt provision to bonds was zero.

Investments in equity funds and bond funds are an additional tool included in the portfolio. At the end of 2021, the volume of these investments reached 5.31% (2020: 4.28%).

At the end of 2021, the volume of investments in real estate funds (KB Realitní fondy) reached 3.19% (2020: 2.85%), which represented an investment of CZK 1,129,437 thousand (2020: CZK 1,142,092 thousand).

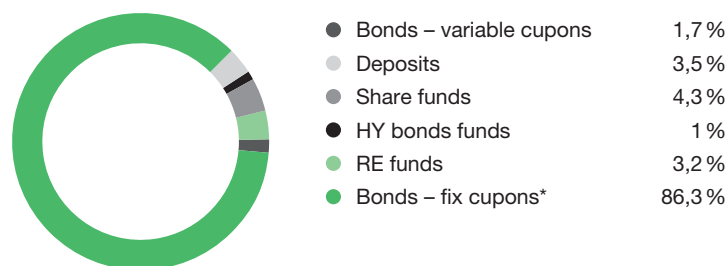
The fair value of the Cross Currency Swaps can be split into swaps with a positive fair value in the total amount of CZK 90,821 thousand (2020: CZK 247,786 thousand) and negative fair value in the total amount of CZK 856,055 thousand (2020: CZK 720,270 thousand).

In 2021, in addition to bonds denominated in CZK (acquisition price CZK 3.6 billion).

In 2020, apart from the bonds denominated in CZK (acquisition cost amounted to CZK 4.05 billion), 4 bonds denominated in EUR were purchased in total amount of CZK 1.16 billion.

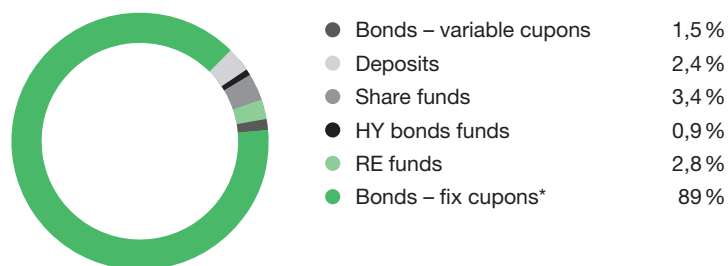
The future foreign-currency cash flows from these investments were hedged against the currency risk by the retranslation of cash flows from the foreign-currency bonds into Czech crowns at a previously stipulated exchange rate using the cross-currency swaps. The foreign-currency bonds were purchased because of their higher yield offered by issuers on the European financial market compared to the domestic market.

### Company portfolio of investments as of 31 December 2021 (%)



\* includes also cross currency swaps

### Company portfolio of investments as of 31 December 2020 (%)



\* includes also cross currency swaps

### Investment life insurance where the policyholder carries the investment risk

As of 31 December 2021, the fair value of Investments to life insurance where the investment risk is carried by the policyholder was CZK 14,466,598 thousand (2020: CZK 12,847,593 thousand). Significant part of the investments to life insurance where the investment risk is carried by policyholder is placed in bond funds.

### 4.3. Debtors (Receivables)

#### Analysis of receivables (gross amount)

(CZK thousand)	31. December 2021	31. December 2020
Receivables from direct insurance from policy holders	66,607	58,483
Receivables from agents (brokers)	0	0
Amounts due from reinsurance transactions	26	0
<b>Total receivables from direct insurance and reinsurance</b>	<b>66,633</b>	<b>58,483</b>
Other receivables from direct insurance and reinsurance	6,998	9,014
Operating prepayments	33,964	34,979
Other debtors	10,167	852
Prepaid income tax	114,684	83,963
Deferred tax asset	1,096,879	0
<b>Total receivables</b>	<b>1,329,325</b>	<b>187,291</b>

(CZK thousand)	31 December 2021	31 December 2020
Total receivables	1,329,325	187,291
Total Bad Debt Provision	-21,057	-20,360
<b>Total Netto Receivables (line 25)</b>	<b>1,308,268</b>	<b>166,931</b>

Direct insurance receivables from policyholders increased due to a higher stock of contracts in force at the end of 2021.

Other receivables from direct insurance and reinsurance as at 31 December 2021 and identically as at 31 December 2020 arose due to the time lag between the remittance of claims payments through the cheque collection system and the AIA4 system and their settlement (i.e. settlement of claims against the relevant policyholder liability account).

As of 31 December 2021, operating prepayments totalling CZK 33,964 thousand (2020: CZK 34,979 thousand) primarily include bonus prepayments related to collective insurance contracts of CZK 20,623 thousand (2020: CZK 25,290 thousand), a prepayment of CZK 5,632 thousand provided to Inter Partner Assistance (2020: CZK 2,241 thousand) and a rental guarantee payment of CZK 4,971 thousand (2020: CZK 4,237 thousand).

As of 31 December 2021, other debtors consist mainly of receivable to excupon in the amount of CZK 9 059 thousand. In 2020 there was a receivable to tax office amounting to CZK 810 thousand.

In the line Prepaid income tax there is indicated advanced income tax payment for 2021 in amount of CZK 114,684 thousand (2020: CZK 83,963 thousand).

At the end of 2021, it was recorded a deferred tax asset in the amount of CZK 1,096,879 thousand (see chapter 4.14. Tax).

As at 31 December 2020, a deferred tax liability is recorded in the amount of CZK 108,868 thousand.

#### Aging Analysis of Receivables from Direct Insurance for Policy Holders:

(CZK thousand)	Months past due date 2021				Total
	0-3	4-6	7-12	Over 12	
Life insurance	24,020	3,351	1,166	6,035	34,573
Non-life insurance	15,919	2,277	705	13,133	32,034
<b>Total</b>	<b>39,939</b>	<b>5,628</b>	<b>1,871</b>	<b>19,168</b>	<b>66,607</b>

(CZK thousand)	Months past due date 2020				Total
	0-3	4-6	7-12	Over 12	
Life insurance	16,866	7,343	1,116	6,376	31,700
Non-life insurance	10,636	2,078	571	13,498	26,783
<b>Total</b>	<b>27,501</b>	<b>9,421</b>	<b>1,686</b>	<b>19,874</b>	<b>58,483</b>

The Company recognised the provisions against receivables only for individual insurance policies. For collective insurance policies, i.e. Merlin, Group risk life insurance, International products or Consumer loans life insurance, the risk of default is on the side of policy holders and no provisions are recognised.

## Ageing Analysis of Bad Debt Provisions

(CZK thousand)	Months past due date 2021				Total
	0-3	4-6	7-12	Over 12	
Life insurance	-	792	877	5,593	7,261
Non-life insurance	-	359	296	13,140	13,795
<b>Total</b>	-	<b>1,151</b>	<b>1,172</b>	<b>18,733</b>	<b>21,057</b>

(CZK thousand)	Months past due date 2020				Total
	0-3	4-6	7-12	Over 12	
Life insurance	-	395	776	5,785	6,956
Non-life insurance	-	148	220	13,036	13,404
<b>Total</b>	-	<b>542</b>	<b>996</b>	<b>18,821</b>	<b>20,360</b>

### 4.4. Cash on accounts with financial institutions and cash on hand (Cash and Cash Equivalents)

(CZK thousand)	31 December 2021	31 December 2020
Current accounts	12,611	76,921
Cash on hand	60	48
Cash equivalents	347	541
Cash in transit	-2,048	-3,034
Provision against UB	-58	-58
<b>Total</b>	<b>10,913</b>	<b>74,418</b>

The Company recognised a full provision against its current account maintained with Union banka, amounting to CZK 96 thousand in 2003. In 2004, 2010 and 2017 this outstanding receivable was partly settled in the amount of CZK 38 thousand (2021 no settlement). The underlying provision was reduced by the same amount. The Company will record the provision until the liquidation of Union banka is completed.

Item cash in transit contains unconverted transaction related to investments. As at the year end of 2021 (and 2020 as well) the purchases were higher than sales, the cash in transit is negative (all transactions were settled after the year-end).

### 4.5. Temporary Assets

#### Analysis of temporary assets

(CZK thousand)	31 December 2021	31 December 2020
<b>Deferred acquisition costs</b>	<b>365,454</b>	<b>294,329</b>
of which: Non-life insurance commissions	77,565	60,333
of which: Life insurance commissions	287,889	233,996
<b>Other deferred expenses</b>	<b>233,876</b>	<b>225,054</b>
of which: capitalized expenses of selected projects	220,311	215,116
of which: other deferred expenses	13,564	9,938
<b>Estimated receivables</b>	<b>136,176</b>	<b>146,192</b>
of which: premiums	28,358	30,726
reinsurer's commission and share in claims	79,173	76,425
other commissions	28,645	39,041
<b>Total</b>	<b>735,506</b>	<b>665,575</b>

Deferred acquisition costs from Life insurance increased mainly due to ELÁN product (risk life insurance sold by brokers) CZK 177,975 thousand in 2021 (2020: CZK 109,535 thousand).

The accrual of acquisition costs for non-life insurance increased to EUR 77 565 thousand in 2021 (2020: CZK 60,333 thousand) mainly due to sales of the property insurance product through other distribution channels.

The most important project of the year 2021 created by own and extern force and finished in 2021 includes IT transformation (AIA3 and VVS migration into AIA4) in total amount of CZK 31,007 thousand (2020 CZK 29,049 thousand), AML project CZK 6, 130 thousand (2020 CZK 10,878 thousand), GDPR CZK 3,046 thousand and other project in total amount of CZK 8,877 thousand (2020 CZK 25,125 thousand).

The balance of estimated receivables from premiums as of 31 December 2021 of CZK 28,358 thousand (2020: CZK 30,726 thousand) results from the contracts settlement of reinsurance balances which are not entered into system to the closing date of the accounts.

The balance of estimated receivables from reinsurer's commission and share of reinsurer as of 31 December 2021 of CZK 79,173 thousand (2020: CZK 76,425 thousand) results from the settlement of reinsurance balances mainly for the last quarter of 2021.

Other estimated receivables results mainly from not invoiced management fees related to sale of Certus and Protective funds amounting to CZK 25,463 thousand (2020: CZK 27,304 thousand).

#### 4.6. Equity

(CZK thousands)	31. December 2021	31. December 2020
Share capital	1,175,398	1,175,398
Other capital funds	-1,706,536	536,310
– valuation gains and losses of securities	-1,367,911	1,088,336
– valuation gains and losses of derivatives	-735,015	-428,480
– up-front fees	-3,909	2,255
– deferred tax	400,299	-125,801
Retained earnings	1,175,023	1,175,018
Profit/(loss) for the period	654,114	392,693
<b>Total</b>	<b>1,297,999</b>	<b>3,279,418</b>

The year-on-year change in other capital funds, or the revaluation of securities and derivatives, is mainly related to the increase in interest rates in 2021.

The planned profit distribution is subject to the approval of the Company's General Meeting.

Dividends in amount of CZK 392,688 thousand were paid in 2021 from the 2020 profits. The remainder of the profit after payment of the dividend was transferred to Retained earnings of previous years. No dividends were paid from the profit of 2019 in 2020. The entire profit for 2019 was transferred to the item Retained earnings of previous years.

#### 4.7. Subordinated liabilities

The company accepted a subordinated debt in the amount of CZK 900,000 thousand in 2020. Subordinated debt is for a period of 10 years and an annual interest rate is 2.83%. The amount of the principal of the subordinated debt as at 31 December 2021 was CZK 900,000 thousand (31 December 2020: CZK 900,000 thousand) and the amount of the aliquot interest expense for 2021 was CZK 25,541 thousand (31 December 2020: CZK 10,613 thousand). The counterparty to the transaction is the companies in the SG group.

##### Subordinated debt – counterparties

(CZK thousand)	31 December 2021	31 December 2020
SOGECAP S.A.	459,000	459,000
Komerční banka, a.s.	441,000	441,000
<b>Total</b>	<b>900,000</b>	<b>900,000</b>

#### 4.8. Technical Reserves

(CZK thousand)	31. December 2021			30. December 2020
Name of reserve	Gross balance	Reins. share	Net balance	Net balance
<b>Life insurance reserve</b>	<b>33,128,809</b>	<b>1,808,368</b>	<b>31,320,441</b>	<b>33,550,209</b>
<b>Life insurance reserve where the investment risk is assumed by the policy holder</b>	<b>14,466,598</b>	<b>0</b>	<b>14,466,598</b>	<b>12,847,593</b>
<b>IBNR reserve</b>	<b>338,090</b>	<b>2,066</b>	<b>336,023</b>	<b>266,489</b>
of which:				
Non-life insurance	129,601	2,066	127,534	82,954
Life insurance	208,490	0	208,490	183,535
<b>RBNS reserve</b>	<b>456,676</b>	<b>47,100</b>	<b>409,576</b>	<b>475,859</b>
of which:				
Non-life insurance	86,255	14,105	72,149	61,118
Life insurance	370,421	32,994	337,427	414,741
<b>Reserve for bonuses and discounts</b>	<b>1,598,227</b>	<b>0</b>	<b>1,598,227</b>	<b>1,398,209</b>
of which:				
Non-life insurance	227	0	227	209
Life insurance	1,598,000	0	1,598,000	1,398,000
<b>Reserve for unearned premiums</b>	<b>172,553</b>	<b>134</b>	<b>172,419</b>	<b>127,840</b>
of which:				
Non-life insurance	139,958	134	139,824	99,749
Life insurance	32,595	0	32,595	28,091
<b>Other technical reserve</b>	<b>85,998</b>	<b>0</b>	<b>85,998</b>	<b>330,787</b>
<b>Technical reserve – life insurance total</b>	<b>35,424,313</b>	<b>1,841,363</b>	<b>33,582,950</b>	<b>35,905,364</b>
<b>Technical reserve – non-life insurance total</b>	<b>356,040</b>	<b>16,306</b>	<b>339,735</b>	<b>244,030</b>
<b>Technical reserve – Life insurance reserve where the investment risk is assumed by the policy holder</b>	<b>14,466,598</b>	<b>0</b>	<b>14,466,598</b>	<b>12,847,593</b>

#### 4.9. Result of Non-Life Insurance Claims Settlement – Run-Off Analysis (Net)

(CZK thousand)	2021	2020
Balance of the reserve for claims as of 1 January	143,138	126,411
Claims paid in the current period arising from claims from the prior period	19,639	21,292
Balance of the reserve for claims as of 31 December	114,762	76,402
<b>Result of claims settlement</b>	<b>8,737</b>	<b>28,717</b>

#### 4.10. Result of Life Insurance Claims Settlement – Run-off Analysis (Net)

(CZK thousand)	2021	2020
Balance of the reserve for claims as of 1 January	304,855	281,410
Claims paid in the current period arising from claims from the prior period	100,506	91,049
Balance of the reserve for claims as of 31 December	183,401	178,469
<b>Result of claims settlement</b>	<b>20,949</b>	<b>11,892</b>

The run-off analysis (net) of life insurance products is presented for risk and accident riders. The run-off in respect of insurance capital products is zero.

#### 4.11. Reserves (Reserves for Other Risks and Losses)

(CZK thousand)	31 December 2021	31 December 2020
Reserve for corporate income tax	832,810	105,980
Other reserves	11,856	11,263
<b>Total reserve for other risks and losses</b>	<b>844,666</b>	<b>117,243</b>

The year-on-year increase in the provision for corporate income tax is mainly related to the taxation of provisions under Solvency II, which enter the tax base. In connection with the increase in interest rates in 2021, the technical provisions under Solvency II were reduced and therefore the tax base increased.

Other reserves include particularly reserve for unused holidays, annual letters and reserve for the audit.

#### 4.12. Creditors (Payables)

(CZK thousand)	31 December 2021	31 December 2020
Payables from direct insurance to the policy holders	117,460	90,954
Payables to insurance brokers	0	0
Payables from reinsurance transactions	4,438	3,580
<b>Total payables from direct insurance and reinsurance</b>	<b>121,898</b>	<b>94,533</b>
Payables to staff from dependent activities	21,656	19,687
Settlement balances with social security and health insurance institutions	12,308	12,125
Other payables	80,655	49,725
Other direct taxes	9,863	5,416
Other indirect taxes and fees	2,921	3,300
Deferred tax liability	0	108,868
<b>Total payables</b>	<b>249 302</b>	<b>293,655</b>

Payables from direct insurance to the policy holders predominantly include premium overpayments CZK 69,600 thousand (2020: CZK 68,900 thousand) and unmatched premium payments CZK 16,370 thousand (2020: CZK 9,114 thousand).

As of 31 December 2021, the Company records overdue payables from direct insurance to the policy holders older than 5 years in the amount of CZK 8,620 thousand (2020: CZK 7,334 thousand). These consist of premiums overpayments.

Other payables that do not relate to insurance predominantly include liabilities from business intercourse and liabilities to brokers for unpaid commissions. The increase compared to 2020 is mainly due to an increase in Suppliers (KB) and Suppliers (MPSS) due to unpaid commissions for the end of 2021.

None of the Company's payables were secured by a pledge or any other charge as of 31 December 2021 and as of 31 December 2020.

The Company recorded a Deferred Tax Asset at the end of 2021 – see section 4.14. Tax.

#### 4.13. Temporary Liabilities

##### Analysis of Temporary Liabilities

(CZK thousand)	31 December 2021	31 December 2020
of which: Reinsurer's share in premiums	49,166	41,165
Commissions to acquirers	143,950	151,505
Insurance claims	8,633	5,858
Other	70,390	71,498
<b>Total temporary liabilities</b>	<b>272,139</b>	<b>270,025</b>

Estimated commissions payables to distributors of CZK 143,950 thousand (2020: CZK 151,505 thousand) represent an estimate of unpaid commissions. This balance predominantly consists of bonuses not paid to ESSOX amounting to CZK 26,260 thousand (2020: CZK 33,517 thousand) and bonuses not paid to Komerční banka, a.s. totalling CZK 77,296 thousand (2020: CZK 82,228 thousand).



Other temporary liabilities of CZK 70,390 thousand (2020: CZK 71,498 thousand) principally comprise unbilled supplies of CZK 60,501 thousand (2020: CZK 62,586 thousand) and costs of staff bonuses for 2021 amounting to CZK 8,846 thousand (2020: CZK 8,040 thousand).

#### 4.14. Taxation

The income tax due was calculated as follows:

(CZK thousand)	2021	2020
Profit /(Loss) before taxation	809,125	482,754
Revenues exempted from taxation (rate of 19%) (except technical provisions below)	-48,993	-62,998
Tax non deductible expenses (except technical provisions below)	36,121	41,287
Tax non deductible expenses (+)/revenues (-) – technical provisions according to CAS GAAP (netto)	-607,702	2,176,866
Solvency II technical provisions (netto)	4,176,228	-2,106,559
<b>Tax base</b>	<b>4,364,778</b>	<b>531,349</b>
Income tax due in amount of 19%	829,308	100,951
Tax arising from independent tax base	3,502	5,030
<b>Income tax due</b>	<b>832,810</b>	<b>105,980</b>
Impact to P&L arising from last year income tax report (provision vs. final tax)	1,817	-2,006
<b>Total income tax due</b>	<b>834,627</b>	<b>103,974</b>

The line “Non-tax deductible expenses/revenues – accounting provisions (netto)” quantifies the net impact on the income statement resulting from the change in accounting provisions in 2021, which became non-deductible from 1 January 2021.

The line “Solvency II technical provisions (netto)” quantifies the net impact on the income statement resulting from the change in Solvency II provisions in 2021 and also the impact from the inclusion of half of the initial balance of provisions, i.e. the difference between the amount of accounting provisions and provisions according to Solvency II as at 1 January 2021, resp. as of December 31, 2020.

The year-on-year increase in the provision for corporate income tax is mainly related to the taxation of provisions under Solvency II, which enter the tax base. In connection with the increase in interest rates in 2021, the technical provisions under Solvency II have decreased and therefore the tax base or tax payable has increased. At the same time, we recognise deferred tax on the difference between the tax (Solvency II) and accounting technical provisions.

Deferred tax asset (+)/ liability (-) is being analysed accordingly:

(CZK thousand)	31 December 2021	31 December 2020
<b>Deferred tax payable:</b>		
Net book value of tangible and intangible fixed assets	0	-64
Non current financial assets	0	-125,801
<b>Deferred tax payable total</b>	<b>0</b>	<b>-125,865</b>
<b>Deferred tax receivable:</b>		
Net book value of tangible and intangible fixed assets	1,295	0
Non current financial assets	400,299	0
Technical Reserves	691,378	13,358
Other Reserves	2,226	2,111
Bonuses	1,681	1,528
<b>Deferred tax asset total</b>	<b>1,096,879</b>	<b>16,996</b>
<b>Net deferred tax asset/liability (+/-) as of December 31</b>	<b>1,096,879</b>	<b>-108,868</b>

The year-on-year change in deferred tax on financial investments, or revaluation of securities and derivatives, is mainly related to the increase in interest rates in 2021.

The year-on-year change in deferred tax on provisions is also related to the increase in interest rates in 2021, which subsequently reduced the value of technical provisions under Solvency II.

At the same time, the Company performed a recoverability test of the deferred tax asset, based on which it recognised the deferred tax asset in full, i.e. in the amount of CZK 1 096 879 thousand. The Company expects to achieve sufficient tax bases to make it realizable.

The deferred tax asset recoverability test took into account current macroeconomic developments (including current forecasts for the next few years) and the Company's expected business and financial plan over the next 10 years. The calculation was based on the Company's detailed plan for the next 4 years and a simplified model based on the projection of revenues and expenses according to their further expected year-on-year development over a 5-10 year horizon.

At the same time, various stress scenarios were tested in the event that the Company's plan was not met, namely in particular with regard to the development of interest rates and the achievement of the business plan. The scenarios tested were (i) a rise in rates above the current forecast, (ii) the ORSA stress scenario of the business plan, (iii) failure to meet the year-on-year growth in the risk life and non-life business and (iv) forced asset sales.

The change in the net deferred tax asset/liability can be analysed as follows.

(CZK thousand)	2021	2020
<b>Net deferred tax receivable/payable (+/-) as of January 1</b>	<b>-108,868</b>	<b>30,308</b>
Change of deferred tax recognized in profit and loss statement	679,648	13,944
Change of deferred tax recognized in equity	526,100	-153,120
<b>Net deferred tax receivable/payable (+/-) as of December 31</b>	<b>1,096,879</b>	<b>-108,868</b>

Total Current income tax:

(CZK thousand)	2021	2020
Total income tax due	834,627	103,974
Change of deferred tax recognized in profit and loss statement	-679,648	-13,944
<b>Income tax due</b>	<b>154,980</b>	<b>90,030</b>

As at 31 December 2021, the Company has recognised a deferred tax receivable in the amount of CZK 1 096 879 thousand.

As at 31 December 2021, the Company has recognised a deferred tax payable in the amount of CZK 108 868 thousand.

#### 4.15. Non-life insurance

Line	Insurance class	Year	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsurance balance
			2	2, 4	10	18, 19, 20	3, 5, 11, 14, 21
Accident and sickness	1, 2	2021	30,434	30,590	7,259	20,331	-859
		2020	31,486	31,687	8,191	22,493	-877
Insurance against fire and other damage to property	7, 8, 9	2021	290,627	244,359	68,388	150,410	4,146
		2020	183,457	162,411	28,365	109,435	-11,644
Other non/life insurance	18	2021	341,395	347,435	39,815	127,200	-4,072
		2020	349,994	353,250	55,333	146,624	-7,254
<b>Total</b>		<b>2021</b>	<b>662,456</b>	<b>622,384</b>	<b>115,462</b>	<b>297,941</b>	<b>-785</b>
		<b>2020</b>	<b>564,937</b>	<b>547,348</b>	<b>91,889</b>	<b>278,551</b>	<b>-19,776</b>

#### 4.16. Life insurance

(CZK thousand)	2021	2020
<b>Gross written premium</b>	<b>6,680,806</b>	<b>6,935,488</b>
Earned premium	6,676,301	6,934,865
Gross costs of insurance claims	6,461,284	4,641,400
Reinsurance balance	21,583	35,327
Acquisition costs of insurance policies	237,141	197,948
– commissions	290,996	229,492
– change in deferred expenses and accrued income	-53,855	-31,544
<b>Administrative overhead</b>	<b>357,384</b>	<b>329,330</b>

## Summary of life insurance, written premium

(CZK thousand)	2021	2020
Individual contracts	6,564,516	6,811,696
of which: insurance contracts where the investment risk is borne by the policy holder	2,678,833	2,238,266
Collective contracts	116,290	123,792
<b>Life insurance – total</b>	<b>6,680,806</b>	<b>6,935,488</b>
Single premium	5,601,351	5,923,738
of which: insurance contracts where the investment risk is borne by the policy holder	2,656,858	2,214,969
Regular premium	1,079,455	1,011,751
of which: insurance contracts where the investment risk is borne by the policy holder	21,975	23,296
<b>Life insurance – total</b>	<b>6,680,806</b>	<b>6,935,488</b>
Insurance contracts without premium	865,986	834,995
Insurance contracts with premium	5,814,819	6,100,493
of which: insurance contracts where the investment risk is borne by the policy holder	2,678,833	2,238,266
<b>Life insurance – total</b>	<b>6,680,806</b>	<b>6,935,488</b>

## 4.17. Territorial Analysis of Total Premium Written

The Company entered into insurance contracts in the Czech Republic, Bulgaria, Romania and Germany.

(CZK thousand)	2021	2020
Written premium arise from contracts into which the Company entered:		
in the EU member state where it has its registered office	7,251,399	7,383,741
in other EU member states	91,863	116,685
<b>Total premiums written</b>	<b>7,343,262</b>	<b>7,500,425</b>

## 4.18. Summary of Commissions

The total balance of commissions in respect of direct insurance amounted to CZK 359,980 thousand in 2020 (2019: CZK 334,848 thousand) and was segmented as follows:

(CZK thousand)	Life insurance		Non-life insurance	
	2021	2020	2021	2020
Expenses on commissions	290,996	229,492	159,346	130,488

## 4.19. Income and Expense Related to Investments of Technical Reserves

For the year ended 31 December 2021, the net income on the Company's investments amounted to CZK 847,854 thousand (2020: CZK 594,438 thousand), of which the net income from assets generated from technical reserves amounted to CZK 831,242 thousand (2020: CZK 564,048 thousand).

As discussed in Note 2.15, income and expense from investments are recorded primarily on the life insurance technical account during the reporting period.

At the year-end, net financial income unrelated to life insurance is reallocated to the non-technical accounts (2021: CZK 18,934 thousand, 2020: CZK 32,144 thousand) and subsequently re-allocated to the non-life insurance technical accounts (2021: 2,322 thousand, 2020: CZK 1,753 thousand).

Year	2021		2020	
	Life insurance	Non-life insurance	Life insurance	Non-life insurance
Year-end net balances of reserves	35,338,316	356,041	37,631,899	254,948
Year-end net balances of reserves – investment risk is borne by the policy holder	14,466,598	0	12,847,593	0
Income from reserves	828,919	2,322	562,294	1,753

#### 4.20. Change in other technical provisions, net of reinsurance

In accordance with the procedures set forth in item 2.8. the Company accounted for the following changes in technical provisions:

(CZK thousand)	2021	2020
Change in life insurance premium (line C.2. in Balance sheet)	-2,229,768	-159,367
Change in other technical provisions (line C.6 in Balance sheet)	-244,789	147,622
<b>Subtotal Change in life insurance premium – net amount in Profit and Loss statement</b>	<b>-2,474,557</b>	<b>-11,745</b>
Change in provision for bonuses and discount (line C.4 in Balance sheet)	200,018	-260,012
Change in Unit link life insurance provision (line D. in Balance sheet)	1,619,005	2,286,167
<b>Subtotal Change in other technical reserves in Profit and Loss Statement</b>	<b>1,819,023</b>	<b>2,026,155</b>
Change in provision for unearned premium – life insurance business (line C.1a) in Balance sheet)	4,504	623
Change in provision for unearned premium – non-life insurance business (line C.1b) in Balance sheet)	40,075	17,628
<b>Subtotal Change in provision for unearned premium – net amount in Profit and Loss statement</b>	<b>44,579</b>	<b>18,251</b>
Change in provision for outstanding insurance claims – life business (line C.3a) in Balance sheet)	-52,360	127,826
Change in provision for outstanding insurance claims – non-life business (line C.3b) in Balance sheet)	55,612	16,378
<b>Subtotal Change in provision for unearned premium – net amount in Profit and Loss statement</b>	<b>3,252</b>	<b>144,204</b>
<b>Total Change in technical provisions – net amount in Profit and Loss statement</b>	<b>-607,703</b>	<b>2,176,865</b>

#### 4.21. Unrealized gains and losses on investments

Unrealized gains and losses on investments include revaluation of Life insurance reserve where the investment risk is carried by the policyholder and the revaluation of KB Real estate funds and shares.

(CZK thousand)	2021	2020
Unrealised gains/losses on shares (+/-)	218,044	-70,086
Unrealised gains/losses from revaluation of KB Real Estate funds (+/-)	-3,714	-3,825
Unrealised gains/losses from investment where the investment risk is assumed by the policy holder (+/-)	-549,480	195,905
<b>Total</b>	<b>-335,150</b>	<b>121,994</b>

Realized gains from sale of securities.

(CZK thousand)	2021	2020
Realised gains/losses from sale on shares (+/-)	8,733	0
Realised gains/losses from sale on bonds (+/-)	8,895	-21,110
<b>Total</b>	<b>17,628</b>	<b>-21,110</b>

#### 4.22. Administrative Expenses

The total amount of administrative expenses was CZK 514,461 thousand in 2021 (2020: CZK 484,476 thousand). The administrative expenses are analysed as follows:

(CZK thousand)	2021	2020
Staff cost (wages, social security and health insurance)	290,924	274,800
Training	2,363	1,980
Advisory services	55,705	57,375
Telecommunication	1,951	1,779
IT costs	35,593	34,584
Tangible and Intangible asset Depreciation	17,730	16,920
Depreciation of capitalised cost of selected projects	43,864	29,275
Rental	22,631	22,862
Banking and postal fees	10,390	9,362
Other administrative costs	33,311	35,537
<b>Total</b>	<b>514,461</b>	<b>484,476</b>

The costs of the audit of the financial statements amounted to CZK 2,623 thousand in 2021 (2020: CZK 2,539 thousand). No other services were provided by audit service company in 2021 and 2020.

#### **4.23. Other Technical Income and Expenses and Non-Technical Account**

Other technical income on non-life insurance amounted to CZK 612 thousand (2020: CZK 2,456 thousand). The most significant item in 2021 was foreign exchange gains in the amount of CZK 565 thousand. In the year 2020 most significant item was foreign exchange gains in the amount of CZK 2,195 thousand.

Other technical expenses of non-life insurance amounting to CZK 37,805 thousand (2020: CZK 47,111 thousand) mainly include cost of bonuses totalling CZK 34,457 thousand (2020: CZK 41,974 thousand).

Other technical income of life insurance in total amount of CZK 122,169 thousand (2020: CZK 126,884 thousand) primarily includes the management fee for the sale of Certus and Protective fund amounting to CZK 48,297 thousand (2020: CZK 65,656 thousand).

Other technical expenses of life insurance in total amount of CZK 216,757 thousand (2020: CZK 232,531 thousand) include items relating to the cost of bonuses in the amount of CZK 33,233 thousand (2020: CZK 39,845 thousand) and management fees in the amount of CZK 173,951 thousand (2020: 176,431 thousand).

#### **4.24. Reallocation of Costs between Technical and Non-Technical Accounts**

The aggregate balance of costs re-allocated between the life insurance technical accounts, the non-life insurance technical accounts and the non-technical accounts on the basis as disclosed in Note 2.15 as of 31 December 2021 amounted to CZK 514,461 thousand (2020: CZK 484,476 thousand).

#### 4.25. Transactions with Related Parties

Income from companies within the group (CZK thousand)	2021	2020
<b>Gross written premiums</b>	<b>440,969</b>	<b>456,323</b>
Income from investments (cross currency swaps and accrued interest)	514,173	593,177
Other income	80,270	70,094
Profit sharing – reinsurer	25,366	26,277
Direct premiums ceded to reinsurer	-90,290	-87,562
Reinsurers share of provision for life insurance	-256,173	-119,166
Reinsurers share of claims provision	-179,525	-16,799
<b>Total income</b>	<b>534,791</b>	<b>922,344</b>
<b>Costs towards companies within the group</b>		
Commissions/variable bonuses	523,533	518,181
Reinsurers share on costs for insurance claims	-251,904	-145,259
Costs linked to investments (cross currency swaps)	714,864	821,932
Reinsurers share of provision for life insurance	-83,836	-85,614
Reinsurers share of claim provision	-204,830	-11,899
Other costs	46,221	56,150
<b>Total costs</b>	<b>744,048</b>	<b>1,153,490</b>
<b>Receivables from companies within the group</b>		
Securities and other investments	1,286,189	2,074,021
Current accounts and deposits	1,254,544	1,042,854
Receivables from insurance	45,511	48,300
Estimated receivables	261,007	239,883
<b>Total receivables</b>	<b>2,847,251</b>	<b>3,405,058</b>
<b>Payables to companies within the group</b>		
Payables from reinsurance and other payables	962,808	939,392
Fair value – cross currency swaps	765,233	472,485
Reinsurers share of provision for life insurance	-1,808,368	-2,051,261
Reinsurers share of claims provision	-20,701	-1,169
Estimated payables	153,672	167,202
<b>Total payables</b>	<b>52,644</b>	<b>-473,351</b>

The increase in the Reinsurer's share of provision for life insurance and claims provision is due to higher surrenders mainly on the Vital Premium EUR and Vital Premium USD products.

#### 4.26. Profit/(Loss)

(CZK thousand)	2021	2020
Non-life insurance	112,271	100,945
Life insurance	680,242	351,418
Non-technical account (before tax)	16,612	30,391
<b>Profit/(loss) before tax</b>	<b>809,125</b>	<b>482,754</b>
Income tax and other taxes	155,011	90,061
<b>Profit/(loss) for the accounting period</b>	<b>654,114</b>	<b>392,693</b>

#### 4.27. Staff Costs and Similar Costs

Staff and similar costs paid by the Company were as follows:

2021				
(CZK thousand)	Average recalculated headcount	Wages and salaries	Social security and health insurance	Total staff costs
Staff	226	201,898	62,336	264,234
Management	5	21,842	4,847	26,690
<b>Total</b>	<b>231</b>	<b>223,740</b>	<b>67,184</b>	<b>290,924</b>

2020				
(CZK thousand)	Average recalculated headcount	Wages and salaries	Social security and health insurance	Total staff costs
Staff	229	186,530	59,178	245,708
Management	6	24,016	5,076	29,092
<b>Total</b>	<b>235</b>	<b>210,547</b>	<b>64,254</b>	<b>274,800</b>

As of 31 December 2021 the Company enables twenty employees to use business cars for both business and private purposes (as of 31 December 2020 twenty employees). The Company has provided no other advances, borrowings or loans to the members of its statutory, executive and supervisory bodies in addition to this benefit.

#### 4.28. Reinsurance

##### The aggregate reinsurance result

(CZK thousand)	2021	2020
Reinsurer's share of premiums	-189,702	-212,666
Reinsurer's share of insurance claims	288,832	241,459
Commissions	61,685	54,697
<b>Reinsurance balance</b>	<b>160,815</b>	<b>83,490</b>
Reinsurer's share on the creation and use of reserves	-140,016	-57,892
<b>Reinsurance result</b>	<b>20,799</b>	<b>25,598</b>

##### The amounts due from and to reinsurers:

(CZK thousand)	31 December 2021	31 December 2020
Receivable from reinsurers	26	0
Estimated receivable	79,173	68,399
Payable to reinsurers	-4,438	-8,681
Estimated payable	-49,166	-44,631
<b>Net receivable (payable) from reinsurers</b>	<b>25,595</b>	<b>15,088</b>

## 5. Off-balance sheet commitments

The Company is not aware of any off-balance sheet commitments.

## 6. Other events

### Interest rates

During 2021, the CNB base rate (two-week repo rate) was increased several times, reaching 3.75% at the end of 2021 (0.25% as at 31 December 2020). Subsequently, there were increases in CZK interest rates on the financial markets. Impact on the Company was the decrease in fair value of investments, primarily bonds and swaps, see section 4.6 Equity and the increase in deferred tax asset due to negative revaluation of bonds and swaps, see section 4.14 Taxes. The Company has assessed regulatory compliance and the increase in interest rates has no impact on the Company's going concern.

## 7. Significant post balance sheet events

The Company is not aware of any significant subsequent events that occurred after the balance sheet date and that would affect the financial statements.

### War in Ukraine

The Company's management has considered the potential impact of the war in Ukraine on its operations and business and has concluded that it will not have a material impact on the Company's results in 2021 or subsequent events after the date of the financial statements. The Company does not hold any investments in Russia.

In connection with the new sanctions measures, the Company monitors its insurance tribe and its suppliers and intermediaries on a daily basis.