

Komerční pojišťovna, a.s.

ANNUAL REPORT

2019



Komerční pojišťovna, a.s. is a universal insurance company that specializes primarily in the provision of life insurance services.

- The total assets of the insurance company increased by 3.9%.
- Technical provisions reached CZK 48.9 billion.
- In 2019, the gross written premiums amounted to CZK 8.3 billion.
- Appreciation for KP's clients ranged from 1.0–1.5% in 2019.

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Additional Information

For more information
on KP's products and services,
visit www.kb-pojistovna.cz.

Technical provisions (gross, CZK thousand)

2015	45,428,778
2016	47,449,991
2017	48,554,350
2018	47,452,817
2019	48,899,752

Written premiums (gross, CZK thousand)

2015	6,577,143
2016	6,660,083
2017	6,149,823
2018	5,146,804
2019	8,310,265

Introduction

Company Profile	2
Foreword of the Chairman of the Board of Directors	3

Report of the Board of Directors

Macroeconomic overview of 2019	4
Komerční pojišťovna's strategy	4
Trends in the insurance market in the Czech Republic	5
Position of KP on the insurance market	5
What's new in 2019	5
Product portfolio	6
Internal Processes	6
Internal control system and Risk management	7
People in KP	8
Subsequent events	8
Comments on the Financial Results	10

Additional Information

Statutory Bodies	12
Organisational Structure as of 31 December 2019	15
Shareholders' Decisions at General Meetings	16
Report of the Supervisory Board	17
Management affidavit	18

Financial section

Independent Auditor's Report	21
Balance sheet as of 31 December 2019	26
Profit and Loss statement for the Year 2019	28
Statement of Changes in Equity for the Year Ended 31 December 2019	30
Notes to the Financial Statements for the Year Ended 31 December 2019	31
Report on Relations among Related Entities for the Year Ended 31 December 2019	55

	Units	2019	2018	2017	2016	2015
Total assets	CZK thousand	49,663,044	47,797,166	49,951,862	48,109,578	46,687,061
Share capital	CZK thousand	1,175,398	1,175,398	1,175,398	1,175,398	1,175,398
Shareholder's equity	CZK thousand	2,233,950	1,936,468	2,940,345	2,597,615	2,983,090
Profit/loss	CZK thousand	580,677	547,949	525,768	486,960	372,781
Written premium (gross)	CZK thousand	8,310,265	5,146,804	6,149,823	6,660,083	6,577,143
Cost of claims (gross)	CZK thousand	6,723,820	5,023,746	4,508,360	4,211,505	4,322,183
Technical reserves (gross)	CZK thousand	48,899,752	47,452,817	48,554,350	47,449,991	45,428,778
Number of employees	Persons	222	210	186	179	166

| Company Profile

Business name

Komerční pojišťovna, a.s.

Legal form

Joint-stock company

Date of registration

1 September 1995

Registered office

Karolinská 650/1, Prague 8, postal code 186 00

Identification No.

63998017, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3362

Shareholders

SOGECAP, S.A., with its registered office at Tour D2, 17 bis, place des Reflets, 92919 Paris la Défense Cedex, France (holds a 51% ownership interest), Komerční banka, a.s., with its registered office at Na Příkopě 33, Prague 1 (holds a 49% ownership interest)

Registered capital

CZK 1,175,397,600

Scope of business

- Insurance activities
- Operations related to insurance and reinsurance

Since the acquisition of Komerční banka, a.s. (hereinafter “KB” or “Komerční banka”) by Société Générale S.A. (hereinafter “SG” or “Société Générale”) in 2001, Komerční pojišťovna, a.s. (hereinafter “KP”, “Komerční pojišťovna” or the “Company”) has implemented SG’s bank-insurance business model. KP therefore co-operates primarily with companies that form part of the KB Group. In addition to KB’s largest network, other sales networks comprise ESSOX, s.r.o. (hereinafter “ESSOX”), Modrá pyramida stavební spořitelna, a.s (hereinafter “MPSS”) and Penzijní společnost Komerční banky, a.s. (hereinafter “KB PS”).

Insurance brokers joining the ranks of KP’s external business partners since 2009 have also become an important part of the Company’s distribution network, while co-operation with them has continued to expand successfully.

KP uses its status of a universal insurance company to provide services in the segments of life and non-life insurance in the Czech Republic, as well as across the EU under a single licence. Since 2008, KP has successfully cooperated with foreign companies in the SG Group and provides its services in Bulgaria, Romania and Germany.

The majority owner of KP’s shares is insurance company SOGECAP S.A. (hereinafter “SOGECAP”), SG’s wholly-owned subsidiary, which holds a 51% ownership interest; KB is a minority shareholder with a 49% ownership interest. Due to this structure, KP has direct access to top know-how and long-term experience in the field of financial advisory.

Komerční pojišťovna is a member of the Komerční banka Financial Group and the Société Générale Financial Group. KP’s products are offered to Komerční banka’s clients in particular, thus complementing KB’s services so that clients can obtain comprehensive financial advisory, including insurance.

Komerční pojišťovna has no foreign branch.

Foreword of the Chairman of the Board of Directors

In 2019, Komerční pojišťovna recorded better result than in the previous year on the back of growth of majority of partners, with the best increase at Komerční banka. The result was hard to obtain in a difficult environment, with a decrease in long-term rates and a reverse yield curve that did not help life insurance business at all.

Lots of things were done in 2019 to enhance synergies between Komerční pojišťovna and Komerční banka, e.g. trainings of relationship managers, a launch of the new investment product for the private banking clients (Vital Platinum Private), a new version of our protection product Merlin, new marketing campaigns organized directly from Komerční pojišťovna using better data science. All common sales processes were reviewed and improved.

For our partner Modrá Pyramida, we sped up the commission processes, the product Elan was adapted for the Modrá Pyramida clients' needs. Furthermore, KP delivered a new 100% on-line solution to property insurance for our brokers. We took care of our partners and the result came. Therefore, we will continue in this effort also in 2020.

On the internet, we have decided to stop selling Cubiq insurance that didn't meet our expectations, but we will continue to sell the success product Mutumutu and we believe that it will become equally successful at the European level soon.

We will try to continue to build innovative products and we intend to continue to develop multi-channel integrated solutions for sales of insurance products.

In 2019, we had a very important regulatory agenda. Komerční pojišťovna started to implement the second part of the General Data Protection Regulation, and reinforced the number of staff for facing increasing controls notably linked to Aramis (IT security program) and Lafayette (new compliance program of the Group).

As for the results of the clients' satisfaction survey, the positive trend we observed during previous years was again confirmed. Clients' satisfaction and loyalty were again measured by the net promoter score, the metric to assess the willingness of clients to recommend a certain company, product or service to their friends, relatives or colleagues. KP scored +30, which is well above standard on the market and it rewards the attention we pay to clients' needs.

This was also confirmed by the fact that KP was named Best Customer Oriented Life Insurance Company for 2019 on the market and took the second place in the category the Best Life Insurer for 2019 (Hospodářské noviny Best Insurance House award).



Gaël Loaec
Chairman of the Board of Directors and CEO

| Report of the Board of Directors

Komerční pojišťovna, a member of the Soci t  G n rale Financial Group, provides life and non-life insurance products and other types of insurance that complement the banking and financial products of partners in the SG Group. KP products are mostly distributed by members of the KB Financial Group, in particular the KB and MPSS distribution network, but also by external business partners. Komerční pojišťovna uses a single licence to provide its services throughout the European Union territory and co-operates with partner companies in the Soci t  G n rale Group in Bulgaria, Romania and Germany.

Macroeconomic overview of 2019

According to preliminary figures, growth of the Czech economy slowed to 2.4%¹ in 2019, where the key growth driver was domestic demand. The average inflation rate was 2.8%². In December, consumer prices climbed by 3.2%³ year-on-year. Employment reached an all-time high in 2019. Compared to the previous year, the unemployment rate fell to 2.9% at the year-end.

Komerční pojišťovna's strategy

Vision

- Be a respected and reliable insurer that offers attractive and transparent products;
- To develop, innovate and maintain long-term, sustainable growth with the objective of meeting the needs of the clients, distributors, shareholders and KP employees;
- Continuously improve the comfort and quality of services for KP clients and partners;
- Create a corporate culture that encourages employees' engagement, open communication, team spirit and co-operation.



¹ <https://www.czso.cz/csu/czso/ari/gdp-preliminary-estimate-4-quarter-of-2019>

² <https://www.czso.cz/csu/czso/ari/consumer-price-indices-inflation-december-2019>

³ <https://www.mpsv.cz/web/cz/mesicni>

Trends in the insurance market in the Czech Republic

In 2019, the total written premiums in the Czech insurance market increased by 7.2% year on year to CZK 163.2 billion. The total volume of premiums in life insurance amounted to CZK 57.8 billion (year-on-year increase of 6.6%). The total volume of non-life insurance amounted to CZK 105.4 billion and increased by 7.6% compared to the previous year. All of these values have been derived using the original methodology of the Czech Insurance Association (ČAP)¹.

Position of KP on the insurance market

In 2019, Komerční pojišťovna achieved good business results, generating CZK 8.3 billion in the volume of written premiums. Depending on the product type, KP ensured appreciation of 1.0 – 1.5% for its clients in 2019. Komerční pojišťovna has ranked among the five top insurance companies on the Czech market in the segment of life insurance for more than eight years. At the end of 2019, Komerční pojišťovna's market share accounted for 13.5% (calculated as the ratio of gross life insurance premiums written to total gross life insurance premiums written of ČAP¹ members according to Czech accounting standards).

In the Best Bank and Best Insurance Company 2019 competition conducted by the *Hospodářské noviny* daily, Komerční pojišťovna won the prestigious award of the Best Customer Friendly Life Insurance Company 2019 and it placed second in both the Best Life Insurance Company 2019 category and the Insurance Innovator 2019 category.

In the segment of non-life insurance in 2019, Komerční pojišťovna focused on growth in payment cards and personal belongings insurance. For example, it significantly improved the Merlin and Profi Merlin products. In total, written premiums generated in non-life insurance increased by 12% compared to 2018.

Komerční pojišťovna's life insurance product offer was expanded to include an optional Payment Protection Insurance for Komerční banka's latest credit card (4U card). It also launched a new product for private clients – investment life insurance Vital Platinum Private.

Komerční pojišťovna continued successful co-operation with external partners from the ranks of insurance brokers. As a result, the volume of total written premiums in risk life insurance sold by these partners has been increasing for several consecutive

years. In 2019, it rose by 6%. Distribution of risk life insurance was productive also in the Komerční banka and MPSS sales networks. In total, written premiums in risk life insurance grew by 6% in 2019 compared to 2018.

Long-standing co-operation in the non-life insurance segment with partner companies in the Société Générale Group continued in 2019. The overall volume of written premiums from non-life insurance products provided by foreign partners climbed by 4% year-on-year.

What's new in 2019

In 2019, Komerční pojišťovna worked hard on making the existing products more attractive with the aim to boost KP's competitiveness and be able to meet the clients' needs.

In non-life insurance, Komerční pojišťovna improved the Merlin insurance product, which covers risks arising from the consequences of misuse of payment cards if lost or stolen, the risk of unauthorized cash withdrawal or the risk of theft of personal belongings, including identification documents and keys.

Komerční pojišťovna's life insurance product offer was expanded to include the optional Payment Protection Insurance for Komerční banka's latest credit card (4U card).

In the segment of investment life insurance, Komerční pojišťovna focused on expanding the range of funds offered in the Vital Invest investment life insurance. In 2019, the Company introduced new guaranteed funds – Protective 5, Protective 6 and Protective 7, allowing clients to make attractive investments in structured bonds with the potential of appreciation exceeding the guaranteed return on investment. In addition, Komerční pojišťovna initiated the sale of a new product for private clients, Vital Platinum Private.

Innovation platform

The innovation platform in Komerční pojišťovna promotes support for the innovative corporate environment that boosts and develops creative and open thinking of employees. The aim is to continuously create space for seeking and providing new customer-oriented opportunities in products, services and internal processes. In 2019, the innovation platform focused on seeking new business opportunities, improving the sales processes and creating an environment conducive to initiating co-operation with start-ups.

¹ According to the non-public statistics of the Czech Insurance Association distributed to CAP members.

Product portfolio

1. Investment and Capital Life Insurance – Vital Product family

Komerční pojišťovna offers a range of products that enable clients to create financial reserves for the future.

These products include:

- **Vital Invest investment life insurance** with a wide range of funds, including a fund with guaranteed appreciation and a guaranteed return on investment in the event of death of the insured;
- **Program Vital capital life insurance**, which enables employers to assist their employees in securing themselves for their retirement using tax benefits;
- **Vital Premium** life insurance with guaranteed appreciation, which is offered to KB's VIP clients in two tranches – EUR and USD;
- **Vital Platinum Private investment life insurance** for KB's private clients offering a broad range of funds, including guaranteed appreciation and guaranteed return on investment in the event of death of the insured.

2. Risk Life Insurance

Risk life insurance is an important part of the Komerční pojišťovna offer, it covers key life risks of clients and helps them overcome financial losses in case of unexpected events, such as disability, death, long illness or involuntary loss of employment. Risk insurance includes:

- **MojeJistota/ Elán universal life insurance** with a broad range of insurance risks, among which the client can freely choose, there is also option to insure children;
- **Risk life insurance for consumer loans and mortgages**, which pays the loan instalments or repays the loan balance for the client in case of unexpected events.

3. Non-life Insurance

The key product in this segment is MojePojištění majetku. This comprehensive property, household, liability and accident insurance is unique in the Czech property insurance market in many respects, primarily due to the non-application of the underinsurance principle in property insurance.

KP provides **Merlin, Merlin Junior, Profi Merlin, Vega and Super Vega non-life insurance policies** protecting against the loss and misuse of KB payment (credit/debit) cards. In addition to card misuse, this insurance also covers other risks, such as theft and misuse of a mobile phone, loss of keys or ID documents, etc. This insurance is offered with KB payment cards as well as payment cards issued by other companies in the SG Group (ESSO, major banks in Bulgaria, Romania and Germany).

Other types of non-life insurance include **MojePojištění plateb** and **ProfiPojištění plateb**, i.e. payment insurance that secures funds for the payment of regular monthly expenses from the current or business account of the KB client.

The product offer is complemented with **travel insurance** covering the full range of risks related to travelling. Clients may take out separate travel insurance for the whole year or for individual trips at any branch of Komerční banka, via the internet or via the increasingly used KB mobile application Mobilní Banka.

Travel insurance is also offered with payment cards issued by KB and by other banks comprised in the Société Générale Group within the European Union.

Internal processes

In 2019, KP continued streamlining and optimization of internal processes in order to speed up customer service and increase customer satisfaction.

In addition to the annual customer satisfaction survey, an online survey of customer satisfaction after transaction execution was implemented in 2019, where KP garnered very interesting results. The overall NPS score reached an above-average market value of 32. Loss adjustment was indisputably the best rated segment with an even higher NPS score of 38.

Komerční pojišťovna applies a responsible approach to business. It participates in the Zelená firma (Green Company) project aimed at environmental protection. In research and development, Komerční pojišťovna focuses on developing new products, including the information systems in which the products are managed.

Internal control system and Risk management

Corporate governance

In accordance with the requirements of Directive 2009/138/ EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), KP introduced four key functions: actuarial function, compliance function, risk management function and internal audit function. These key functions are supported by a set of committees, which are part of the risk management system as well as the internal control system. The key functions closely co-operate both at the local level in KP in the Czech Republic, and at the group level. The group key functions provide local functions with methodical instructions, tools and procedures.

KP complies with the legal framework regarding personal data protection in the European Economic Area (GDPR) with the aim to protect the rights of EU citizens against unauthorized processing of their data, including personal data. To ensure the full recognition of data subjects' rights, KP created a new position, Data Protection Correspondent, who co-operates with KB Group's Data Protection Officer.

KP's internal standards system, which clearly and precisely defines the responsibilities of individual employees, ensures compliance with the principle of avoiding conflicts of interests and enhances the effectiveness of the internal control system and the risk management system.

Risk management system

The KP risk management system consists of three types of components: organisational framework, technical means and human resources.

The organisational components include the organisational structure, which ensures the independence of the risk management functions from the operational functions, and direct access of the function to the Company's Board of Directors. It enables the risk management function to implement risk management strategies, policies and tools.

Risk management system technical means comprise tools for the identification, analysis and assessment of existing or potential risks and tools for their monitoring, reduction and reporting.

Human resources play a key role in the entire risk management system. They include all and any interactions between the KP staff, three lines of defence as well as all stakeholders, such as KP shareholders, suppliers and business partners, and state authorities. In connection with the human resources component, KP views as important the values based on open communication, team spirit, social responsibility, professionalism, knowledge and skills.

The KP risk management system has four building blocks:

- Risk identification;
- Risk analysis and assessment;
- Risk management and monitoring;
- Reporting.

For these four processes, risk management uses risk management tools; in addition, it is closely linked with the internal control system. The risk management system and internal control system support each other. The internal control system principles serve as a basis for the identification, assessment, monitoring and management of risks as well as for their reporting.

The relationship between the internal control system and the risk management system is secured by the system organisation, which enables permanent management of key risks that may affect the solvency of KP and, subsequently, of the SOGECAP Group.

The risk management system processes provide an overview of the main risks faced by KP, and they also provide the background for informed decision-making of KP's Board of Directors so that the KP risk exposure stays within the required range. The risk management system processes have been set up in a way that allows an early warning of the Board of Directors, who, if necessary, can take action to implement corrective measures or action plans in order to prevent or mitigate materialisation of the relevant risk.

Appropriate risk management and risk mitigation measures are managed on the basis of the framework established by risk management policies, risk management strategies and the Company's risk appetite. The primary responsibility for the functionality of the risk management system lies with KP's Board of Directors.

People in KP

In 2019, Komerční pojišťovna was faced with challenges arising from the conditions on the Czech labour market, the digitization trend, and changes in the organization of work relating to, in particular, agile management and efficiency management.

The key objectives for 2019 included recruitment-related activities, support for internal mobility, i.e. transfer of employees to new positions and their retention, as well as the implementation of organisational changes. Komerční pojišťovna also welcomed two new members to the Board of Directors: Nathalie Dos Santos Gil, responsible for the Information Technology Delivery and Strategic Transformation section, and Zdeněk Doboš, responsible for the Development section. In 2019, the ongoing HR administration digitization initiative continued and, following KP's participation in a group tender for the selection of cafeteria and electronic meal voucher supplier, implementation of the project commenced.

Other tasks in the human resources area comprised orientation of new employees and staff training. KP again allocated funds from the budget for training in 2019 to support professional growth, development of soft skills, and individual language teaching. In addition, the HR team focused on internal communication tools, regularly reported on HR cycle processes, news and change initiatives. KP in 2019 also paid particular attention to remuneration and, in cooperation with a consulting company, carried out an audit of remuneration and benefits, including position mapping.

Hiring of new staff was one of the 2019 top priorities. Similarly to other companies, KP was affected by low unemployment and the related lack of applicants for job openings. The HR team kept up the trend of effective communication with the job applicants whose feedback praised, in particular, the quality of job advertisements. In 2019, KP gathered a strong portfolio of suppliers in the field of recruitment services, which was another contributing factor to the successful outcome of most hirings.

As in previous years, Komerční pojišťovna utilised synergies with Komerční banka, SOGECAP and Société Générale groups. Well-established co-operation across the Group had positive effects, e.g. on staff recruitment and mobility between Komerční banka and Komerční pojišťovna, the participation of selected KP employees in development programs of SOGECAP and KB and, in particular, on effective co-operation in payroll outsourcing.

In the long run, KP ranks among stable and trustworthy employers and offers its employees a broad portfolio of benefits that promote the work-life balance (for example, five days of sick leave, extra paternity leave, flexible working hours, work from home and a cafeteria).

Subsequent events

Taxation of technical provisions

Based on amended Act no. 586/1992 Coll., on Income Taxes and amended Act no. 593/1992 Coll., on provisions for the determination of the income tax base, as amended by subsequent legislation, as at 1 January 2020 there is the change in setting the technical provision tax deductibility. Newly will be taken into account as tax-deductible expenses the creation of technical provisions pursuant to the Insurance Act, which is based on the Solvency II Directive and not technical provisions created according to the accounting legal regulations. This change has no impact to financial statement as at 31 December 2019. The change will be allowed for 2020 financial statements.

COVID-19

At the time of publishing this annual report, the baseline assumptions for the development of business in 2020 have been put under review, due to a rapid evolution related to the outbreak of COVID-19 pandemic disease, which threatens the health of employees and clients and is disrupting economic activity in the country. In accordance with prepared operational risk management procedures and business continuity plans, Komerční pojišťovna has adopted a set of measures to ensure proper operations. The measures comprise rules for quarantine and work from home for employees who are vulnerable due to health conditions and for those colleagues who have returned from epicentres of the infection, replacing face-to-face meetings with telecommunications, adjusting the customary etiquette of personal contact, including with the clients, as well as the rules of hygiene, physical separation of teams, providing workplace backup, increased intensity of cleaning and disinfection of spaces, and other measures. Vulnerable employees who cannot work from home have been provided a leave of absence for reasons of obstacles on the side of the employer.

The Company tries to simplify the processes of claims handling, contract conclusion, communication with clients and other necessary activities to secure going concern principle taking into account that any regulatory requirements cannot be broken by KP in relation with clients. The KP's clients are regularly informed of any related measures (e.g. restrictions of KB branches availability or the client services operation). As the current situation limits the possibility to make the new business, KP is preparing a web portal for its clients and other solutions (including remote contracts conclusion) that would mitigate this impact. KP ensures at the moment all operational activities.

The economic impacts will depend upon the intensity and duration of the epidemic phase of spreading of the coronavirus causing the COVID-19 illness. It is expected that slowdown of economic activity will lead to lower number of new contracts as well as to increase in claims.

However, the changes on the financial markets (a decline in interest rates and an overall drop in bond yields, risk premium developments, generally high volatility and uncertainty as well as decrease in share prices and CNB repo rates) will be crucial for KP. The Czech koruna depreciation has no major impact on Komerční pojišťovna given the fact that most foreign currency positions are hedged. Furthermore, a sufficient part of investments is still held in short-term deposits, i.e. these funds are immediately available in the event of larger claims payments. The value of investments in shares (in equity and similar funds) is monitored and will be regularly tested for impairment. Currently, KP does not register any such indication.

The management of the Company considered the potential impact of COVID-19 on its activities and business, and concluded that they did not have a significant effect on the assumption on going concern principle. Accordingly, the financial statements as of December 31, 2019 were prepared on a going concern principle basis.

Comments on the Financial Results

Comparison of the year-on-year trend in gross written premiums – life insurance (CZK thousand)

2018	4,685,421
2019	7,792,888

+66.3%

Comparison of the year-on-year trend in gross written premiums – non-life insurance (CZK thousand)

2018	461,383
2019	517,377

+12.1%

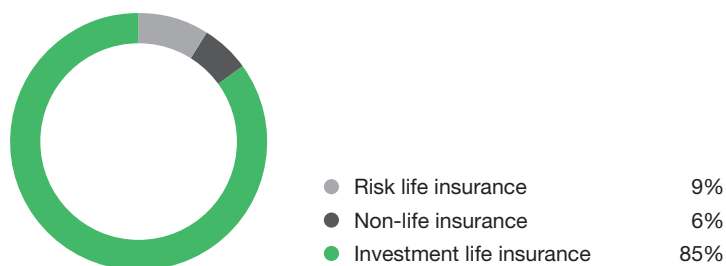
Profit

The profit of Komerční pojišťovna according to Czech Accounting Standards totalled CZK 581 million in 2019. According to the International Financial Reporting Standards (IFRS) used for the purposes of consolidation with KB, KP's profit amounted to CZK 622 million (unaudited).

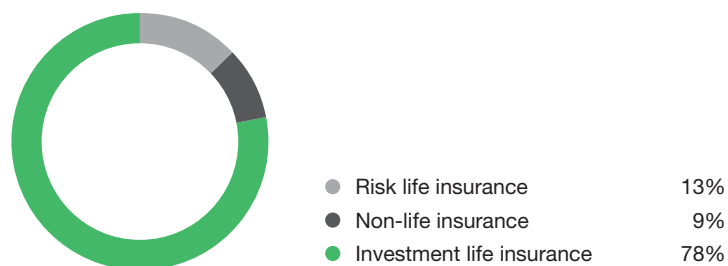
Gross Written Premiums

The total volume of gross written premiums in 2019 amounted to CZK 8,310 million. Gross written premiums in the life insurance segment totalled CZK 7,793 million in 2019, which accounts for a year-on-year increase of 66.3% due to a greater volume of investment life insurance, which also included transfers of private clients' funds between products in the amount of CZK 1,911 million. Excluding the transfers, gross premiums written would amount to CZK 5,882 million, representing a 29.9% year-on-year increase. In the segment of non-life insurance, Komerční pojišťovna generated written premiums in the amount of CZK 517 million. Compared to 2018, written premiums climbed by 12.1%.

Structure of gross written premiums in 2019 (%)



Structure of gross written premiums in 2018 (%)



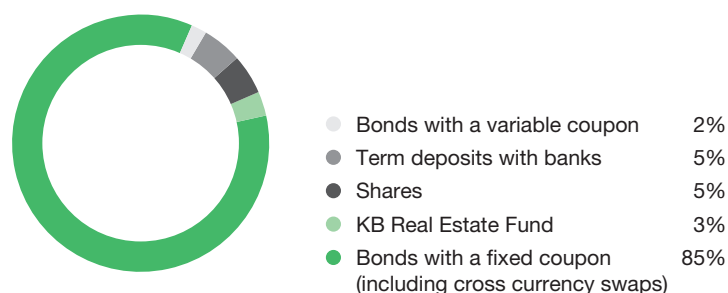
Structure of Gross Written Premiums

The structure of gross written premiums changed in 2019 as written premiums generated from investment life insurance rose by 76% year-on-year; excluding transfers, it grew by 34%. Non-life insurance climbed by 12% compared to the previous year. Risk life insurance also showed a year-on-year increase of 6%. The major part of the portfolio is comprised of investment life insurance products sold by Komerční banka, in particular products with guaranteed appreciation. In 2019, the Company introduced new guaranteed funds – Protective 5, Protective 6 and

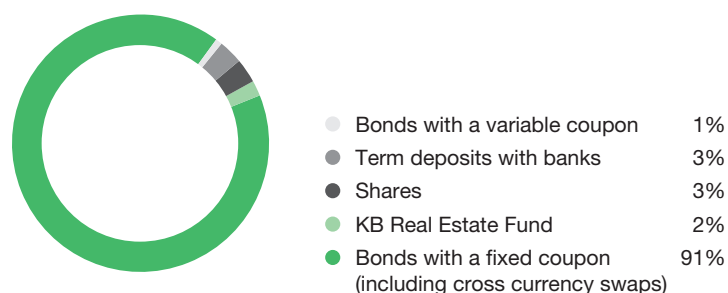
Protective 7. Komerční pojišťovna launched the sale of the Vital Platinum Private product for private clients, including guaranteed funds Protective Private, Protective Private 2 and Protective Private 3.

In 2019, the Forte 4, Forte 5, Forte 6, Forte 7, Forte 8, Forte 9, Certus a Certus 2 funds matured in the total amount of CZK 1,624 million.

Komerční pojišťovna portfolio structure as at 31 December 2019 (%)



Komerční pojišťovna portfolio structure as at 31 December 2018 (%)

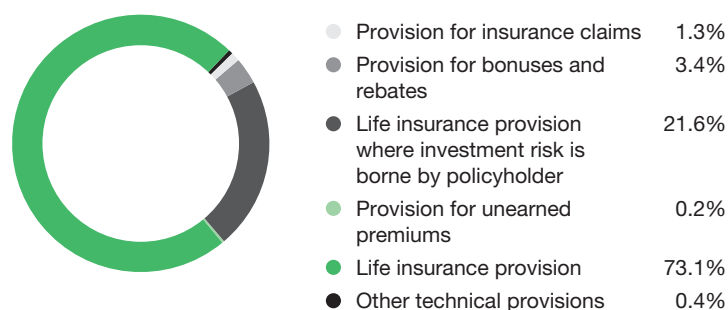


Portfolio Structure

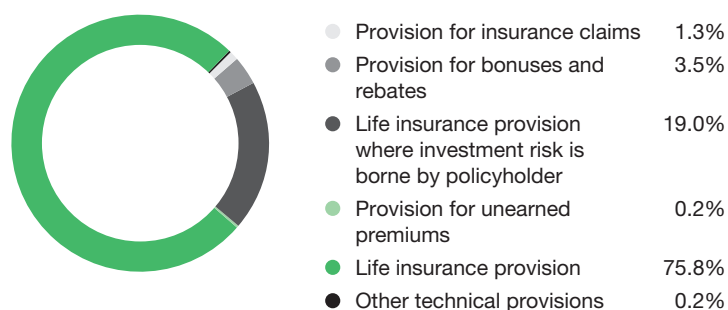
The structure of the investment portfolio is almost the same as in previous years. Komerční pojišťovna focuses mainly on conservative items. Bonds with a fixed coupon (including cross currency swaps) account for 85% of the portfolio, thus guaranteeing clients strong return on their investments.

A significant part of the portfolio is composed of Czech government bonds and bonds issued by banks and corporations based in the EU. The portfolio also includes term deposits and shares and, marginally, bonds with a variable coupon.

Technical provisions structure as at 31 December 2019 (%)



Technical provisions structure as at 31 December 2018 (%)



Technical Provisions

The volume of technical provisions increased by 3.0% compared to 2018 and amounted to CZK 48,900 million as at 31 December 2019.

During 2019, Komerční pojišťovna did not acquire any treasury shares.

The total balance sheet sum amounted to CZK 49,663 million as at 31 December 2019, i.e. a year-on-year increase of 3.9%.

Equity

Equity amounted to CZK 2,234 million as at 31 December 2019, representing a 15% increase as a result of higher profits and a lower revaluation loss compared to 2018.

| Statutory Bodies

Board of Directors

Gaël Loaec

Chairman of the Board of Directors and CEO

He was born on 20 July 1966 in France, is a French citizen and currently lives in Prague. He was elected Chairman of the Board of Directors effective 1 October 2018. He is a graduate of Sorbonne Université where he majored in economics. He is also a member of the French Institute of Actuaries. From 1991 to 2000 he held various actuarial positions in the CARDIF group and from 2000 to 2004 in BNP Paribas. In 2005, he was appointed the Director of Actuarial Science at Société Générale Group. In 2007 he participated in the founding of an insurance company in Croatia, where he subsequently worked for six years. In 2013–2018, he was CEO of the insurance company La Marocaine Vie in Morocco.

Jiří Koutník

(membership terminated as of 31 October 2019)

Member of the Board of Directors and Head of Project and Information Technology Management Section

He was born on 8 October 1969 and lives in Prague. He was elected member of the Board of Directors effective 19 April 2011. He had been working in Komerční banka in top IT positions since 2003, most recently as the Head of Distribution Channel Software Development. In April 2011 he joined KP as the Head of Projects and Information Technology Management section. He graduated from the Faculty of Electrical Engineering of Czech Technical University in Prague.

Nathalie Dos Santos Gil

(membership commenced as of 1 December 2019)

Member of the Board of Directors and Head of Information Technology Delivery and Strategic Transformation Section

She was born on 8 October 1977 in France, is a French citizen and currently lives in Prague. She was elected member of the Board of Directors effective 1 December 2019. She is a graduate of Sorbonne Université where she majored in economics. In January 2009 she joined the Société Générale Group. She joined Komerční pojišťovna in January 2018 as Head of the Projects and IT Transformation Section, and on 1 December 2019 she was appointed Head of the Information Technology Delivery and Strategic Transformation Section.

Helena Indrová

Member of the Board of Directors and Head of Financial Section

She was born on 14 August 1980 and lives in Prague. She was elected member of the Board of Directors effective 22 January 2014. She started her career at Ernst & Young. Since 2006, she had been working for Komerční banka in the Financial Group Management Section. She joined Komerční pojišťovna in 2009 as Head of the Controlling and Planning Section; in February 2011, she was appointed the Deputy Head of the Financial Section. She graduated from the Faculty of Economics of Technical University of Liberec and is a member of the UK-based Association of Chartered Certified Accountants.

Šárka Šindlerová

Member of the Board of Directors and Head of Client Service and Operations Section

She was born on 11 January 1973 and lives in Velké Popovice. She was elected member of the Board of Directors effective 1 July 2007. She has been working in the financial sector since 1996, namely at Deloitte and ING. She joined Komerční pojišťovna as CFO in November 2002 and in February 2014 she was appointed Head of the Client Service and Operations Section. She graduated from the School of Economics of Silesian University in Opava.

Catherine de la Croix

(membership terminated as of 31 January 2019)

Member of the Board of Directors and Head of Development Section

She was born on 28 February 1970 in France, is a French citizen. She was elected member of the Board of Directors effective 1 December 2016. She joined the Société Générale Group in August 2002. Since 2008 she continued her career abroad. Most recently, she was the Chairwoman of the Management Board in Société Générale Osiguranje, a life insurance company based in Croatia. She joined Komerční pojišťovna on 1 September 2016 as Head of the Development Section. She is a graduate of International Private Law at the Jean Monnet Faculty of Law (Paris-Sud University), and she earned a master's degree in Wealth Management at the Faculty of Law of Rennes University.

Zdeněk Doboš

(membership commenced as of 1 February 2019)

Member of the Board of Directors and Head of Development Section

He was born on 1 February 1977 in Prague, is a Czech citizen and lives in Škvorec. He was elected member of the Board of Directors effective 1 February 2019. He joined the Société Générale Group in 2001, first in the KB Financial Group Management division with the task to restructure the subsidiaries after Société Générale entered the Czech market. He subsequently moved on to Modrá pyramida, where he headed product development and was responsible for introducing KB Group's retail products into Modrá pyramida's offer and, later, for Marketing. He joined Komerční pojišťovna on 1 February 2019 as Head of the Development Section. He graduated from the Czech University of Life Sciences, Faculty of Economics and Management.

Zdeněk Zavadil

Member of the Board of Directors and Head of External Partnership Section

He was born on 22 April 1969 and lives in Prague. He was elected member of the Board of Directors effective 10 May 2001. He began his professional career at Motokov in 1992 and then worked for several leasing companies. He joined Komerční pojišťovna as the Head of Client Services and Operations Section in May 2001 and in February 2014 he was appointed Head of the External Partnership Section. He graduated from the Faculty of Business Administration of University of Economics in Prague.

Supervisory Board

Philippe Perret

Chairman of the Supervisory Board

He was born on 11 January 1963 in France, is a French citizen and currently lives in Paris. He was elected member of the Supervisory Board effective 4 March 2006, and he became the Chairman of the Supervisory Board on 4 December 2009. Since 1987 he has worked in the financial sector, initially at NATIO-VIE (a member of the BNP group); he joined SOGECAP in 1997. He has been the company's CEO since 1 December 2009. He graduated from the National School of Statistics and Economic Management and is a member of the Executive Committee of the Association of French Insurance Companies and the French Institute of Actuaries.

Laurent Doubrovine

Member of the Supervisory Board

He was born on 23 February 1969 in France, is a French citizen and currently lives in Paris. He was elected member of the Supervisory Board effective 1 December 2017. He holds a diploma from the National Statistical and Economic Administration (ENSAE), the French Institute of Actuaries and the Institute of Advanced Business Studies (IHEE). Between 2008 and 2016, he was the Director of Natixis Assurances. From October 2016 to April 2017, he worked as an adviser to SOGECAP's Chairman and CEO. From May 2017 to October 2017, he held the position of the Director of Bank Insurance in the same company. In October 2017 he was appointed SOGECAP's International Operations Director.

Jan Juchelka

Member of the Supervisory Board

He was born on 19 September 1971 in the Czech Republic and lives in Prague. He was elected member of the Supervisory Board effective 19 October 2017. He graduated from Silesian University in Opava. In 1995, he began to work in the National Property Fund of the Czech Republic. Between 2002 and 2005, he also acted as Chairman of its Executive Committee. From 1999 to 2006, he was a member of the Supervisory Board of Komerční banka. In 2006, he joined Komerční banka, first as the Director of the Corporate Banking Business Division in Prague, and then in the same year as a member of the Board of Directors responsible for management of Top Corporations and Investment Banking. In 2012, he started to work at the Société Générale headquarters in Corporate and Investment Banking as the Managing Director, Head of Coverage with responsibility for corporate clients in Central and Eastern Europe, the Middle East and Africa. He also simultaneously acted as a Senior Banker for Central and Eastern Europe. Since August 2018, he has been Chairman of the Board of Directors and Chief Executive Officer of Komerční banka.

Miroslav Hiršl

Member of the Supervisory Board

He was born on 1 November 1972 and lives in Hradec Králové. He was elected member of the Supervisory Board effective 30 November 2018. He is a graduate of University of Economics in Prague where he majored in foreign trade and banking, followed by the Graduate School of Banking in Boulder, Colorado, in the US. From 1996 to 2006, he worked on various positions within Komerční banka, initially at the branch in Hradec Králové, and later at a regional branch and KB headquarters in Prague. In 2006 – 2014, he worked at Modrá pyramida stavební spořitelna, a.s., first as the Director for Business Synergies, later as a member of the Board of Directors, Deputy CEO, Executive Director for Business and Marketing, and finally as the Vice-chairman of the Board of Directors, First Deputy CEO, Executive Director for Business and Marketing. From 2014 to 2018, he served as the CEO and a member of the Board of Directors of SG Montenegro banka, a.d. in Montenegro. Since August 2018, he has been a member of the Board of Directors of Komerční banka responsible for Retail Banking.

Audit Committee

The Audit Committee consists of three members. Audit Committee members shall be appointed by the General Meeting from the members of the Supervisory Board or third parties.

Composition of the Audit Committee

Thomas Jarsaillon

Membership commenced as of 1 November 2019

Chairman of the Audit Committee

Etienne Loulergue

Membership terminated as at 7 September 2019

Chairman of the Audit Committee

Laurent Doubrovine

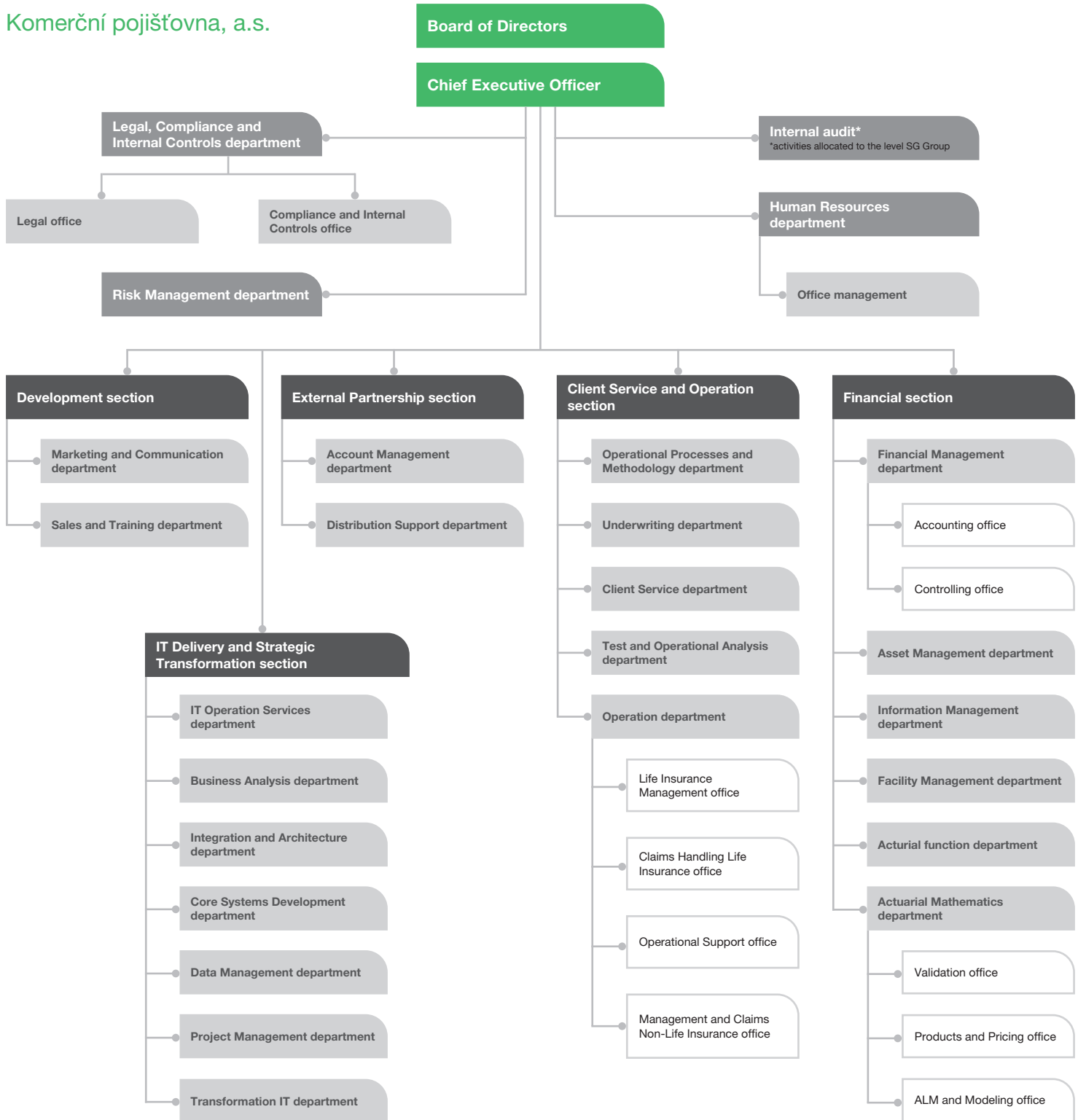
Vice-chairman of the Audit Committee

Jiří Přibyl

Member of the Audit Committee

Organisational Structure as of 31 December 2019

Komerční pojišťovna, a.s.



Shareholders' Decisions at General Meetings

Pursuant to Section 421(2) of Act No. 90/2012 Coll. on Business Corporations and Cooperatives (the Business Corporations Act), the following decisions of the General Meeting were made:

On 24 April 2019, the General Meeting:

- Considered the Report of the Board of Directors on the Company's business operations and assets in 2018;
- Considered the submitted financial statements and the proposal of the Board of Directors for the distribution of profits for 2018;
- Reviewed the Report of the Supervisory Board on the results of the audit activities and reviewed the Board of Directors' Report on Related Parties;
- Approved the annual financial statements of the Company for 2018;
- Decided to distribute the 2018 profit so that from the profit after taxes amounting to CZK 547,948,878.61, the dividend paid for 2018 amounts to CZK 478,336,000.00, and the amount of CZK 69,612,877.61 is transferred to the account of retained earnings.
- Appointed Ernst & Young Audit, s.r.o., Na Florenci 2116/15, 110 00 Prague 1 – Nové Město, to perform an audit of the Company for the financial year 2019;
- Elected Jiří Koutník a member of the Board of Directors for another four-year term, effective as of 29 April 2019.

Dividends were paid out under the following conditions:

1. The total amount of dividends paid was CZK 478,336,000.00. The amount of dividend per share with a nominal value of CZK 72,735 was CZK 29,600. The amount of dividend per share with a nominal value of CZK 145,470 was CZK 59,200.
2. The dividend payment was made via bank transfer. The amount of the dividend paid out to SOGECAP, S.A. was CZK 243,963,200. The amount of the dividend paid out to Komerční banka, a.s. was CZK 234,372,800.
3. The relevant date for the dividend payment was 25 April 2019.
4. The dividends were payable as of 2 May 2019.
5. The dividends were paid out at the expense of the Company.

In 2019, the General Meeting also:

- Elected Zdeněk Doboš a member of the Board of Directors for a four-year term, effective as of 1 February 2019;
- Elected Miroslav Hiršl a member of the Supervisory Board, effective as of 1 February 2019;
- Elected Šárka Šindlerová a member of the Board of Directors for another four-year term, effective as of 26 September 2019;
- Elected Thomas Jarsaillon a member of the Audit Committee, effective as of 1 November 2019;
- Elected Nathalie Dos Santos Gil a member of the Board of Directors, effective as of 1 December 2019.

| Report of the Supervisory Board

Throughout 2019, the Supervisory Board carried out the tasks stipulated by law and by the Articles of Association. It performed its supervision over the activities of the insurance company and submitted its proposals to the Board of Directors.

Having reviewed the Company's financial statements for the year ended 31 December 2019, and on the basis of the external auditor's report on these financial statements, the Supervisory Board acknowledges that accounting records were maintained in a transparent manner, in compliance with the generally binding regulations governing the bookkeeping of insurance companies, and in compliance with the Company's Articles of Association, and that the financial statements provide a true and fair view of the Company's financial position in all material respects.

The statutory external auditor performed an audit of the Company's financial statements for the year ended 31 December 2019; the audit states that the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of the Company as at 31 December 2019, as well as the result of its operations for 2019 in accordance with the relevant regulations of the Czech Republic.

The Supervisory Board recommends that the General Meeting approve the financial statements for 2019, as submitted by the Board of Directors.

The Supervisory Board reviewed the Related Party Report for 2019 prepared by the Company pursuant to the provisions of Section 82 et seq. of the Business Corporations Act, and stated, based on the presented documents, that Komerční pojišťovna, a.s. did not suffer any damage in the accounting period from 1 January 2019 to 31 December 2019.

Prague, 9 April 2020

On behalf of the Supervisory Board Komerční pojišťovna, a.s.



Philippe Perret
Chairman of the Supervisory Board

| Management affidavit

Komerční pojišťovna, a.s. declares that all information and data contained in this Annual Report are accurate and complete. Komerční pojišťovna, a.s. further declares that no subsequent events occurred prior to the date of preparing this Annual Report that would have a material negative impact on the Company's financial position.

Prague, 13 April 2020

Signed on behalf of the Board of Directors by:



Gaël Loaec
Chairman of the Board of Directors and CEO



Helena Indrová
Member of the Board of Directors
and Head of Financial Section

FINANCIAL SECTION

| Contents

Financial Section

Independent Auditor's Report	21
Balance sheet as of 31 December 2019	26
Profit and Loss statement for the Year 2019	28
Statement of Changes in Equity for the Year Ended 31 December 2019	30
Notes to the Financial Statements for the Year Ended 31 December 2019	31
Report on Relations among Related Entities for the Year Ended 31 December 2019	55

Independent Auditor's Report to the Shareholders of Komerční pojišťovna, a.s.



(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Komerční Pojišťovna, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Komerční pojišťovna, a.s. (hereinafter also the "Company") prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2019 and the profit and loss statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Komerční pojišťovna, a.s. as at 31 December 2019 and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Fair value of investments

The Company's investments portfolio, disclosed in Note 4.2 Investments to the financial statements, represents a major part of the Company's total assets. These investments are carried at fair value (an in nominal value in case of term deposits) as disclosed in Notes 2.3 Investments and Note 4.2 Investments to the financial statements. The Company assesses the market activity in order to determine the appropriate valuation method for investments in its investment portfolio. Fair value of liquid investments should be based on actual market observable inputs, reflecting real market activity, such as actual trade prices. Fair values of illiquid or non-quotable investments should be based on valuation models that use inputs and assumptions that are either observable or unobservable. The determination of the fair value of investments involves higher degree of management judgment, focus and estimate applied in the valuation models, or in valuation methods. Due to those facts this area requires significant audit effort and was assessed as a key matter for our audit.

We assessed the governance and process over the valuation of investments. We tested the design of internal controls over the process of valuation of investments and the operating effectiveness of internal controls over the process of valuation of bonds, and shares, including selection of the valuation method.

With assistance of valuation specialists, we reviewed the methodology applied by the Company to assess the market activity of investments in its portfolio.

For a selected sample of instruments across the whole portfolio of investments we tested that illiquid or non-quoted instruments were correctly identified and valuation method correctly selected.

For a sample of liquid and quoted financial instruments we compared their value to the market price as of 31 December 2019. With the assistance of valuation specialists, we evaluated the models, inputs and assumptions used by the Company in determining fair values of illiquid or non-quoted instruments, including also investments in real estate funds. For a sample of these instruments we performed independent revaluation of fair value. In case of non-observable inputs, we used valuation specialists in the assessment of their reasonableness, such as review and analysis of the projected cash flows, corroboration of the assumptions used, or review of valuation reports determining fair value of underlying properties in real estate funds.

We also assessed the adequacy of the Company's disclosures regarding investments in Notes 2.3 Investments, and 4.2 Investments of the financial statements in accordance with accounting principles generally accepted in the Czech Republic.

Estimates used in calculation of technical reserves and Liability Adequacy Test

The Company's technical reserves, disclosed in Notes 2.8 Technical Reserves, and 4.7 Technical Reserves of the financial statements, represent a significant part of the Company's total liabilities. Technical reserves are valued in accordance with accounting principles generally accepted in the Czech Republic. Consistent with the insurance industry, the Company uses actuarial models to support the valuation of the insurance contract liabilities, as disclosed in Note 2.8. Technical Reserves. Economic and actuarial assumptions, such as investment return, costs, interest rates, mortality, morbidity, claims settlement expectations and patterns and customer behavior are key inputs used to estimate these long-term liabilities, as disclosed in Note 3 Risk Management.

We used actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered more complex or requiring significant judgement in the setting of assumptions such as mortality, morbidity, claims development, variables related to profit sharing and the model adjustments related to profit-sharing principles.

We assessed the governance and process over the calculation of technical reserves. We tested the design and the operating effectiveness of internal controls over the actuarial process including governance and approval process for setting of economic and actuarial assumptions.

We also assessed the process over the Company's actuarial analyses including estimated versus actual results and experience studies. For the assumption

This area involves significant management estimate and judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long-term policyholder liabilities, which requires significant audit effort.

As a consequence we considered it a key audit matter for our audit.

setting process, we assessed the experience analyses performed by the Company. Our assessments also included, as necessary, review of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied along with comparison to applicable industry experiences.

We evaluated actuarial judgements used in the models, which may vary depending on the product and the specifications of the product, and also the compliance of the models with the accounting principles generally accepted in the Czech Republic. Furthermore, we performed audit procedures on sample basis to determine the models were calculating the technical reserves accurately and completely.

We verified the validity of management's liability adequacy testing which is a test performed to check that the technical reserves are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included review of the projected cash flows and of the assumptions adopted in the context of both the Company and industry experience and specific product features.

We also assessed the adequacy of the disclosures regarding technical reserves in Notes 2.8 Technical Reserves, and 4.7 Technical Reserves of the financial statements to determine they were in accordance with accounting principles generally accepted in the Czech Republic.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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

Responsibilities of the Company's Board of Directors and Supervisory board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



We communicate with the Board of Directors, the Audit Committee, and the Supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 24 April 2019 and our uninterrupted engagement has lasted for 5 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 9 April 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

Statutory auditor responsible for the engagement

Lenka Bízová is the statutory auditor responsible for the audit of the (consolidated) financial statements of the Company as at 31 December 2019, based on which this independent auditor's report has been prepared.

Ernst & Young Audit, s.r.o.
License No. 401

Lenka Bízová, Auditor
License No. 2331

Tomáš Němec
Partner

9 April 2020
Prague, Czech Republic

Financial Statements

Balance sheet as of 31 December 2019

No.	CZK thousand (rounded to whole figures)	Row no.	2019			2018
			Gross amount	Adjustment	Net amount	Prior period
			1	2	3	4
ASSETS						
B.	Intangible fixed assets, of which:	2	285,629	260,047	25,582	38,504
C.	Investments	4	38,227,731	0	38,227,731	37,781,556
III.	Other investments	12	38,227,731	0	38,227,731	37,781,556
1.	Shares and other variable yield securities, other equity holdings	13	2,943,133	0	2,943,133	1,965,035
2.	Bonds and other fixed income securities	14	34,216,390	0	34,216,390	35,505,987
	a) recognized at fair value	15	34,216,390	0	34,216,390	35,505,987
6.	Deposits placed with financial institutions	19	2,045,000	0	2,045,000	1,104,000
7.	Other investments	20	(976,792)	0	(976,792)	(793,466)
D.	Investments of life insurance, if investment risk borne by the policyholder	22	10,561,426	0	10,561,426	9,001,621
E.	Debtors	23	250,273	24,594	225,679	287,246
I.	Receivables arising from direct insurance transactions	24	82,177	24,594	57,583	42,150
1.	Policyholders	25	82,177	24,594	57,583	42,150
II.	Receivables arising from reinsurance transactions	27	0	0	0	2,633
III.	Other receivables	28	168,096	0	168,096	242,463
F.	Other assets	29	100,853	26,046	74,807	266,614
I.	Tangible fixed assets, other than on item "C.I. Land and buildings", and inventory	30	37,068	25,988	11,080	11,183
II.	Cash on accounts with financial institutions and cash on hand	31	63,785	58	63,727	255,431
G.	Temporary assets	33	547,819	0	547,819	421,625
II.	Deferred acquisition costs of insurance policies, of which separately:	35	255,654	0	255,654	215,155
	a) Life insurance	36	202,452	0	202,452	162,089
	b) Non-life insurance	37	53,202	0	53,202	53,066
III.	Other temporary assets, of which:	38	292,165	0	292,165	206,470
	TOTAL ASSETS	39	49,973,731	310,687	49,663,044	47,797,166

No.	CZK thousand (rounded to whole figures)	Row no.	2019		2018	
			Gross amount	Net amount	Gross amount	Net amount
LIABILITIES						
A.	Equity	40		2,233,950		1,936,468
I.	Share capital, of which:	41		1,175,398		1,175,398
IV.	Other capital funds	45		(116,466)		(311,606)
VI.	Retained earnings or accumulated losses brought forward	47		594,341		524,727
VII.	Profit or loss for the period	48		580,677		547,949
C.	Technical provisions	50		36,258,695		36,297,289
1.	Provisions for unearned premiums	51				
	a) gross amount	52	109,766		96,311	
	b) reinsurers' share (-)	53	177	109,589	166	96,145
2.	Life insurance provision	54				
	a) gross amount	55	35,762,993		35,983,367	
	b) reinsurers' share (-)	56	2,053,417	33,709,576	2,075,484	33,907,883
3.	Provision for insurance claims	57				
	a) gross amount	58	624,181		594,982	
	b) reinsurers' share (-)	59	26,037	598,144	78,257	516,725
4.	Provision for bonuses and discounts	60				
	a) gross amount	61	1,658,221		1,662,266	
	b) reinsurers' share (-)	62	0	1,658,221	0	1,662,266
6.	Other technical provisions	63				
	a) gross amount	64	183,165		114,270	
	b) reinsurers' share (-)	65	0	183,165		114,270
D.	UL life insurance provision	66		10,561,426		9,001,621
	a) gross amount	67	10,561,426		9,001,621	
	b) reinsurers' share (-)	68		10,561,426		9,001,621
E.	Reserves for other risks and losses	69		148,218		104,426
2.	Reserve for taxation	71		136,221		91,811
3.	Other reserves	72		11,997		12,615
G.	Creditors	74		199,556		242,611
I.	Payables arising from direct insurance transactions	75		95,368		92,752
II.	Payables arising from reinsurance transactions	76		8,681		60,886
V.	Other payables, of which:	80		95,507		88,973
	a) Tax liabilities and social security payables	81		20,041		19,907
H.	Temporary liabilities	83		261,199		214,751
II.	Other temporary liabilities, of which:	85		261,199		214,751
	TOTAL LIABILITIES	86		49,663,044		47,797,166

Profit and Loss statement for the Year 2019

CZK thousand (rounded to whole figures)	Row no.	2019			2018	
		Base	Sub-total	Result	Result	
	b	1	2	3	3	
I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE						
1.	Earned premium, net of reinsurance:	1	x	x	x	x
a)	Gross premium written	2	517,377	x	x	x
b)	Premium ceded to reinsurers	3	34,398	482,979	x	x
c)	Change in the gross balance of the provision for unearned premium (+/-)	4	11,975	x	x	x
d)	Change in the balance of the provision for unearned premium, net of reinsurers' share (+/-)	5	11	11,964	471,015	421,159
2.	Income from investments transferred from non-technical account (item III.6.)	6	x	x	4,458	2,035
3.	Other technical income, net of reinsurance	7	x	x	3,086	3,386
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	89,944	x	x	x
ab)	Reinsurers' share	11	8,651	81,293	x	x
b)	Change in the balance of the provision for claims (+/-):	12	x	x	x	x
ba)	Gross amount	13	19,231	x	x	x
bb)	Reinsurers' share	14	(358)	19,589	100,882	82,992
5.	Change in the balance of other technical provisions, net of reinsurance (+/-)	15	x	x	(46)	9
6.	Bonuses and discounts, net of reinsurance	16	x	x	101	126
7.	Net operating expenses:	17	x	x	x	x
a)	Acquisition costs of insurance policies	18	x	116,527	x	x
b)	Change in the balance of deferred acquisition costs (+/-)	19	x	(4,131)	x	x
c)	Administrative overheads	20	x	152,991	x	x
d)	Commission from reinsurers and shares of profit	21	x	16,063	249,324	220,911
8.	Other technical costs, net of reinsurance	22	x	x	39,441	46,166
10.	Sub-total, balance (result) of the non-life insurance technical account (item III.1.)	23	x	x	88,857	76,376
II. TECHNICAL ACCOUNT – LIFE INSURANCE						
1.	Earned premium, net of reinsurance:	24	x	x	x	x
a)	Gross premium written	25	x	7,792,888	x	x
b)	Premium ceded to reinsurers	26	x	178,268	x	x
c)	Change in the balance of the provision for unearned premium, net of reinsurance (+/-)	27	x	1,481	7,613,139	4,505,263
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	1,916,910	1,916,910	x	x
d)	Income from the realisation of investments	34	x	20,732	1,937,642	2,046,416
3.	Additions to investments	35	x	x	1,157,105	384,982

CZK thousand (rounded to whole figures)		Row no.			2019	2018
			Base	Sub-total	Result	Result
		b	1	2	3	3
4.	Other technical income, net of reinsurance	36	x	x	101,243	109,184
5.	Costs of claims, net of reinsurance:	37	x	x	x	x
a)	Costs of claims:	38	x	x	x	x
	aa) Gross amount	39	6,633,876	x	x	x
	ab) Reinsurers' share	40	232,808	6,401,068	x	x
b)	Change in the balance of the provision for claims (+/-):	41	x	x	x	x
	ba) Gross amount	42	9,968	x	x	x
	bb) Reinsurers' share	43	(51,863)	61,831	6,462,899	4,596,138
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	(135,093)	x	x	x
	ab) Reinsurers' share	47	(5,683)	(129,410)	x	x
b)	Other technical provisions, net of reinsurance	48	x	1,555,805	1,426,395	(980,607)
8.	Net operating expenses :	50	x	x	x	x
a)	Acquisition costs of insurance policies	51	x	218,321	x	x
b)	Change in the balance of deferred acquisition costs (+/-)	52	x	(40,363)	x	x
c)	Administrative overheads	53	x	304,587	x	x
d)	Commission from reinsurers and shares of profits	54	x	38,634	443,911	410,121
9.	Costs of investments:	55	x	x	x	x
a)	Costs of administering investments, including interest	56	x	1,137,379	x	x
c)	Costs attributable to the realisation of investments	58	x	17,724	1,155,103	1,216,292
10.	Disposals of investments	59	x	x	471,392	979,950
11.	Other technical costs, net of reinsurance	60	x	x	219,680	225,070
12.	Income from investments transferred to non-technical account (item III.4.)	61	x	x	43,817	45,975
13.	Sub-total, balance (result) of the life insurance technical account (item III.2.)	62	x	x	585,932	552,906
III.	NON-TECHNICAL ACCOUNT					
1.	Result of the non-life insurance technical account (item I.10.)	63	x	x	88,857	76,376
2.	Result of the life insurance technical account (item II.13.)	64	x	x	585,932	552,906
4.	Income from investments transferred from the life insurance technical account (item II.12.)	72	x	x	43,817	45,975
6.	Income from investments transferred to the non-life insurance technical account (item I.2.)	77	x	x	4,458	2,035
9.	Income tax on current activities	80	x	x	133,443	125,230
10.	Profit or loss on current activities after taxation	81	x	x	580,705	547,992
15.	Other taxes not reported above	86	x	x	28	43
16.	Profit or loss for the period	87	x	x	580,677	547,949

Statement of Changes in Equity for the Year Ended 31 December 2019

(CZK thousand)	Share capital	Treasury shares	Share premium	Reserve funds	Capital funds	Valuation gains or losses	Profit/(loss)	Total
Balance as at 1 January 2018	1,175,398	-	-	61,264	-	803,091	900,592	2,940,345
FX differences and valuation gains or losses not included in profit/(loss)	-	-	-	-	-	(1,114,698)	-	(1,114,698)
Net profit/(loss) for the period	-	-	-	-	-	-	547,949	547,949
Dividends	-	-	-	-	-	-	(437,128)	(437,128)
Transfers to funds	-	-	-	(61,264)	-	-	61,264	-
Balance as at 31 December 2018	1,175,398	-	-	-	-	(311,606)	1,072,676	1,936,468
Balance as at 1 January 2019	1,175,398	-	-	-	-	(311,606)	1,072,676	1,936,468
FX differences and valuation gains or losses not included in profit/(loss)	-	-	-	-	-	195,140	-	195,140
Net profit/(loss) for the period	-	-	-	-	-	-	580,677	580,677
Dividends	-	-	-	-	-	-	(478,336)	(478,336)
Transfers to funds	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	1,175,398	-	-	-	-	(116,466)	1,175,018	2,233,950

Notes to the Financial Statements for the Year Ended 31 December 2019

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:

As of 31 December 2019, the Company is licensed to undertake insurance activities and activities relating to insurance activities as follows:

Insurance activities pursuant to Section 13 (1) of the Insurance Act No. 277/2009 Coll., as amended (hereinafter the “Insurance Act”):

- To the extent of life insurance segments I, II, III, VI, VII and IX as set out in Part A of the Appendix 1 to the Insurance Act; and
- To the extent of non-life insurance segments 1, 2, 3, 4, 7, 8, 9, 10c, 13, 14, 15, 16 and 18 as set out 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 2019:

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:

Karolinská 1/650
186 00, Prague 8
IČO: 63998017

The Company has no foreign branch.

1.2. Board of Directors and Supervisory Board as of 31 December 2019

	Position	Name
Board of Directors		
	Chairman	Gaël Loaec
	Member	Ing. Zdeněk Zavadil
	Member	Nathalie Dos Santos Gil
	Member	Ing. Šárka Šindlerová
	Member	Ing. Zdeněk Doboš
	Member	Ing. Helena Indrová
Supervisory Board		
	Chairman	Philippe Perret
	Member	Ing. Jan Juchelka
	Member	Laurent Dubrovine
	Member	Ing. 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
Audit committee		
	Chairman	Thomas Jarsaillon
	Vice chairman	Laurent Dubrovine
	Member	Mgr. Ing. Jiří Příbyl

1.3. Equity Holdings in Other Businesses

The Company held no significant equity investments in other businesses as of 31 December 2019 or as of 31 December 2018.

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

The following changes to the Commercial Register were made in 2019:

Catherine Renée Claude de la Croix's membership in the Board of Directors was terminated in 2019. This change was recorded in the Commercial Register with effect from 31 January 2019.

Mr. Zdeněk Doboš, permanent address Nad Rybníkem 376, Škvorec, 250 83, became a member of the Board of Directors with effect from 1 February 2019.

Jiří Koutník's membership in the Board of Directors was terminated in 2019. This change was recorded in the Commercial Register with effect from 28 April 2019.

Mr. Nathalie Dos Santos Gil, permanent address Liliová 1069/16, Staré město, Praha 1 110 00, became a member of the Board of Directors with effect from 1 December 2019.

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 2019 or in the year ended 31 December 2018.

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.

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 crown (“CZK”) with accuracy to CZK thousand, unless indicated otherwise. The financial statements were prepared as of and for the year ended 31 December 2019.

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 2019 and in the year ended 31 December 2018.

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	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 2019 and as of 31st December 2018 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 2019 and 2018.

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 1st 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.

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 Prague public transport tickets.

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.

In the past years the Company was creating the reserve fund from its profit. Its creation and release is governed by the Articles of the Company.

2.8. 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 2019, the Company released part of the provision in amount of CZK 337 million (CZK 143 million created in 2011, 194 million created in 2012 and 0.2 million created in 2013), this amount has been used for the financing of client's profit share in 2019 and at the same time the Company created a reserve for bonuses and discounts by CZK 333 million up to the final amount of CZK 1,658 million.

In 2018, the Company reversed part of the provision in amount of CZK 176 million (CZK 145 million created in 2010 and CZK 31 million created in 2011) and created a reserve for bonuses and discounts in the amount of CZK 165 million up to the final amount of CZK 1,662 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 8th 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 8th 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 2019.

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.

2.9. 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.

2.10. 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.

2.11. 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.).

2.12. 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 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.

2.13. 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 and MPSS 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 2019 and 2018.

Commissions related to investment life insurance are not deferred.

2.14. 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 33.4% for non-life insurance and 66.6% for life insurance. In 2018 the proportion was 30.2% for non-life insurance and 69.8% for life insurance.

2.15. 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 three parts:

- i) Portfolio of financial investments covering non-life insurance reserves;
- ii) Portfolio of financial investments covering life insurance reserves; and
- iii) Portfolio of financial investments covering funds of the Company's equity.

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.

2.16. 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.

2.17. 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.

2.18. 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).

2.19. 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.

In 2019 and 2018 the Company recognised a deferred tax asset.

2.20. 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.

2.21. 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.

2.22. Use of Estimates

The presented financial statements for the year ended 31 December 2019 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.

2.23. Going concern

The financial statements have been prepared under the going concern assumption.

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 2019	31 December 2018
Depreciated tangible assets	5,836	4,950	36,688	35,802
Non-depreciated tangible assets	0	0	236	236
Technical improvements of tangible assets	1,144	1,144	0	0
Acquisition of tangible assets	4,836	4,692	143	0
Total	11,816	10,786	37,068	36,038

(CZK thousand)	Additions	Disposals	31 December 2019	31 December 2018
Amortized intangible assets	1,023	0	282,363	281,340
Technical improvements of intangible assets	848	1,023	0	175
Acquisition of intangible assets	3,267	0	3,266	0
Total	5,138	1,023	285,629	281,515

Accumulated Depreciation

(CZK thousand)	Additions	Disposals	31 December 2019	31 December 2018
Tangible assets	6,083	4,950	25,988	24,854
Intangible assets	32,353	15,317	260,047	243,012
Total	38,437	20,267	286,035	267,866

Net Book Value

(CZK thousand)	31 December 2019	31 December 2018
Depreciated tangible assets	10,701	10,948
Non-depreciated tangible assets	236	236
Technical improvements of tangible assets	0	0
Acquisition of tangible assets	143	0
Total	11,080	11,183

(CZK thousand)	31 December 2019	31 December 2018
Amortized intangible assets	22,316	38,329
Technical improvements of intangible assets	0	175
Acquisition of intangible assets	3,266	0
Total	25,582	38,504

(CZK thousand)	31 December 2019	31 December 2018
Tangible assets (line 30)	11,080	11,183
Intangible assets (line 2)	25,582	38,504
Total	36,662	49,687

Major additions to the tangible depreciated assets both in 2019 and 2018 were related to the purchase of new cars (2019: CZK 3,642 thousand and 2018: CZK 2,333 thousand) and purchase of hardware (2019: CZK 2,018 thousand and 2018: CZK 1,228 thousand).

With respect to the amortised intangible assets, the most significant item was the investment into data warehouse and support of software AIA4 (2019: CZK 848 thousand and 2018: CZK 14,371 thousand).

4.2. Investments

Group of assets (CZK thousand)	31 December 2019	31 December 2018
Debt securities issued by an EU member state or its central bank	14,878,313	16,691,642
Debt securities issued by financial institutions of EU member states	10,196,136	9,107,391
Listed bonds issued by EU businesses	3,567,654	4,081,400
Listed municipal bonds	658,939	670,846
Listed debt securities issued by banks and trading companies of non-EU member states	4,915,347	4,954,708
Total fixed income securities	34,216,390	35,505,987
Shares and KB Real estate Fund	2,943,133	1,965,035
Deposits with banks	2,045,000	1,104,000
Other investments – Cross Currency Swap	(976,792)	(793,466)
Total investments	38,227,731	37,781,556

33% (2018: 39.3%) 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 2019 and as of 31 December 2018 the bad debt provision to bonds was zero.

Investments in shares represent an additional instrument added to the portfolio. At the end of 2019, the volume of stock investments amounted to 4.2% (2018: 3.1%).

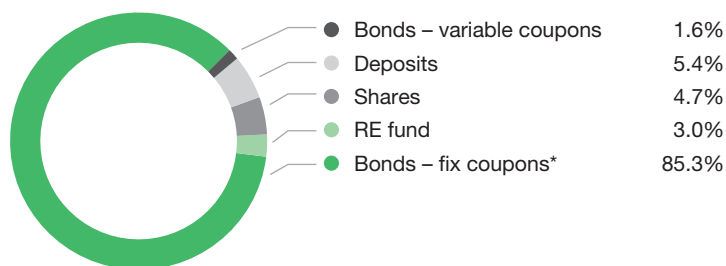
Investments in the KB Real estate fund amounted to 3.0% at the end of 2019 (2018: 2.1%) and represent amount of CZK 1,158,923 thousand (2018: CZK 784,380 thousand).

The fair value of the Cross Currency Swaps can be split into swaps with a positive fair value in the total amount of CZK 66,305 thousand (2018: CZK 197,400 thousand) and negative fair value in the total amount of CZK 1,043,097 thousand (2018: CZK 990,866 thousand).

In 2019, apart from the bonds denominated in CZK (acquisition cost amounted to CZK 0.399 billion), 6 bonds denominated in EUR and USD were purchased in total amount of CZK 1.451 billion. In 2018, apart from the bonds denominated in CZK (acquisition cost: CZK 3.074 billion), no other bond denominated in foreign currency were purchased.

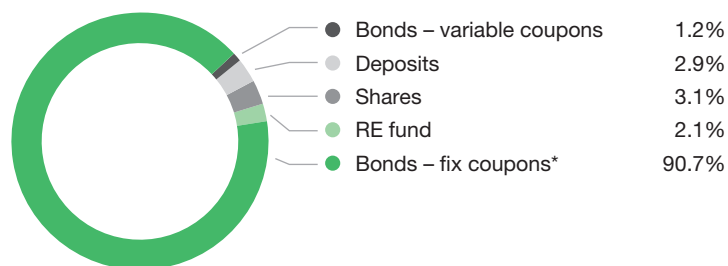
The future foreign-currency cash flows from these investments were hedged against the currency risk by the retranslation of cash flows from the foreign-currency bonds into Czech crowns at a previously stipulated exchange rate using the cross-currency swaps. The foreign-currency bonds were purchased because 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 2019 (%)**



* includes also cross currency swaps

**Company portfolio of investments
as of 31 December 2018 (% , restated)**



* includes also cross currency swaps

Investment life insurance where the policyholder carries the investment risk

As of 31 December 2019, the fair value of Investments to life insurance where the investment risk is carried by the policyholder was CZK 10,561,426 thousand (2018: CZK 9,001,621 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 2019	31 December 2018
Receivables from direct insurance from policy holders	82,176	68,684
Amounts due from reinsurance transactions	0	2,633
Total receivables from direct insurance and reinsurance	82,176	71,317
Other receivables from direct insurance and reinsurance	8,238	14,505
Operating prepayments	39,179	38,588
Other debtors	7,151	18,200
Prepaid income tax	113,529	171,170
Total receivables	250,272	313,780

(CZK thousand)	31 December 2019	31 December 2018
Total receivables	250,273	313,780
Total Bad Debt Provision	(24,594)	(26,534)
Total Netto Receivables (line 25)	225,679	287,246

As of 31 December 2019 and as of 31 December 2018, other receivables from direct insurance and reinsurance arise from the delay between the transfer of insurance claim payments through the client payment check system and their settlement (i.e. the settlement of receivables against the related account payables to the policy holders).

As of 31 December 2019, operating prepayments totalling CZK 39,179 thousand (2018: CZK 38,588 thousand) primarily include bonus prepayments related to collective insurance contracts of CZK 26,518 thousand (2018: CZK 27,998 thousand), a prepayment of CZK 1,704 thousand provided to AXA ASSISTANCE (2018: CZK 1,707 thousand) and a rental guarantee payment of CZK 4,202 thousand (2018: CZK 4,313 thousand).

As of 31 December 2019, other debtors consist mainly of receivable to tax office – overpayment for 2018 corporate tax amounting to CZK 6,291 thousand (2018: CZK 0 thousand).

As of 31 December 2018 other debtors consisted mainly of receivable from excoupons of CZK 2,870 thousand and outstanding commissions to Company SGCIB amounting to CZK 14,339 thousand.

In the line Prepaid income tax and deferred tax receivable there is indicated advanced income tax payment for 2019 in amount of CZK 83,196 thousand (2018: CZK 95,586 thousand) and deferred tax receivable in the amount of CZK 30,308 thousand (2018: CZK 75,563 thousand).

Aging Analysis of Receivables from Direct Insurance for Policy Holders:

(CZK thousand)	Months past due date 2019				Total
	0–3	4–6	7–12	Over 12	
Life insurance	40,366	4,216	1,093	10,776	56,451
Non-life insurance	10,016	1,931	516	13,261	25,725
Total	50,382	6,147	1,610	24,037	82,176

(CZK thousand)	Months past due date 2018				Total
	0–3	4–6	7–12	Over 12	
Life insurance	22,974	6,979	1,194	12,328	43,475
Non-life insurance	7,548	1,401	748	15,512	25,209
Total	30,522	8,380	1,942	27,840	68,684

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.

Bad Debt Provision

(CZK thousand)	Months past due date 2019				Total
	0-3	4-6	7-12	Over 12	
Life insurance	0	445	736	10,273	11,453
Non-life insurance	0	158	198	12,784	13,140
Total	0	603	934	23,056	24,594

(CZK thousand)	Months past due date 2018				Total
	0-3	4-6	7-12	Over 12	
Life insurance	0	309	550	10,519	11,378
Non-life insurance	0	262	664	14,231	15,157
Total	0	570	1,214	24,750	26,534

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

(CZK thousand)	31 December 2019	31 December 2018
Current accounts	63,513	255,346
Cash on hand	65	83
Cash equivalents	783	233
Cash in transit	(576)	(173)
Provision against UB	(58)	(58)
Total	63,727	255,431

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 (2019 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 2019 (and 2018 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 2019	31 December 2018
Deferred acquisition costs	255,654	215,155
of which: Non-life insurance commissions	53,202	53,066
Life insurance commissions	202,452	162,089
Other deferred expenses	169,333	99,151
of which: capitalized expenses of selected projects	156,343	91,317
other deferred expenses	12,990	7,834
Estimated receivables	122,832	107,319
of which: premiums	31,033	33,972
reinsurer's commission and reinsurer in claims	68,399	57,679
other commissions	23,400	15,668
Total	547,819	421,625

Deferred acquisition costs increased mainly due to ELÁN product (risk life insurance sold by brokers) CZK 89,776 thousand (2018: CZK 77,024 thousand).

The balance of estimated premium receivables as of 31 December 2019 of CZK 37,406 thousand (2018: CZK 36,603 thousand) represents premiums for policies that have been concluded but not recorded in the operating system by the closing date.

The most important project created by own force includes IT transformation (AIA and VVS) in total amount of CZK 75,936 thousand, AML project CZK 11,695 thousand, Elán in AIA4 CZK 9,916 thousand, Property in AIA4 CZK 7,506 thousand and other project in total amount of CZK 18,411 thousand. (2018: IT transformation CZK 24,938 thousand, Cubiq CZK 4,975 thousand, Property CZK 7,506 thousand, AML CZK 4,302 thousand and other projects CZK 9,704 thousand).

The balance of estimated receivables from reinsurer's commission and share of reinsurer as of 31 December 2019 of CZK 68,399 thousand (2018: CZK 57,679 thousand) results from the settlement of reinsurance balances mainly for the last quarter of 2019.

Other estimated receivables results mainly from not invoiced managerial fees related to sale of Certus and Protective funds amounting to CZK 16,984 thousand (2018: CZK 13,036 thousand).

4.6. Equity

(CZK thousand)	31 December 2019	31 December 2018
Share capital	1,175,398	1,175,398
Other capital funds	(116,466)	(311,606)
– valuation gains and losses of securities	765,449	296,838
– valuation gains and losses of derivatives	(916,423)	(715,637)
– up-front fees	7,189	34,100
– deferred tax	27,319	73,093
Retained earnings	594,341	524,727
Profit/(loss) for the period	580,677	547,949
Total	2,233,950	1,936,468

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

4.7. Technical Reserves

(CZK thousand)	31 December 2019			31 December 2018
	Gross balance	Reins. share	Net balance	Net balance
Life insurance reserve	35,762,993	2,053,417	33,709,576	33,907,883
Life insurance reserve where the investment risk is assumed by the policy holder	10,561,426	0	10,561,426	9,001,621
IBNR reserve	235,121	2,778	232,343	165,852
of which:				
Non-life insurance	70,340	2,001	68,339	53,772
Life insurance	164,781	777	164,004	112,081
RBNS reserve	389,060	23,259	365,801	350,872
of which:				
Non-life insurance	71,282	11,928	59,355	54,333
Life insurance	317,778	11,331	306,447	296,539
Reserve for bonuses and discounts	1,658,221	0	1,662,266	1,662,266
of which:				
Non-life insurance	221	0	221	266
Life insurance	1,658,000	0	1,658,000	1,662,000
Reserve for unearned premiums	109,766	177	109,589	96,145
of which:				
Non-life insurance	82,298	177	82,121	70,157
Life insurance	27,468	0	27,468	25,988
Other technical reserve	183,165	0	183,165	114,270
Technical reserve – life insurance total	38,114,186	2,065,525	36,048,660	36,118,760
Technical reserve – non-life insurance total	224,140	14,105	210,035	178,529
Technical reserve – Life insurance reserve where the investment risk is assumed by the policy holder	10,561,426	0	10,561,426	9,001,621

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

(CZK thousand)	2019	2018
Balance of the reserve for claims as of 1 January	106,417	92,834
Claims paid in the current period arising from claims from the prior period	17,433	13,573
Balance of the reserve for claims as of 31 December	66,875	48,792
Result of claims settlement	22,109	30,469

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

(CZK thousand)	2019	2018
Balance of the reserve for claims as of 1 January	229,127	182,972
Claims paid in the current period arising from claims from the prior period	84,339	69,505
Balance of the reserve for claims as of 31 December	162,710	122,451
Result of claims settlement	(17,922)	(8,984)

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.

4.10. Reserves (Reserves for Other Risks and Losses)

(CZK thousand)	31 December 2019	31 December 2018
Reserve for corporate income tax	136,221	91,811
Other reserves	11,996	12,615
Total reserve for other risks and losses	148,218	104,426

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

4.11. Creditors (Payables)

(CZK thousand)	31 December 2019	31 December 2018
Payables from direct insurance to the policy holders	95,368	92,752
Payables from reinsurance transactions	8,681	60,886
Total payables from direct insurance and reinsurance	104,049	153,637
Payables to staff from dependent activities	17,590	15,865
Settlement balances with social security and health insurance institutions	10,879	9,992
Other payables	57,876	53,199
Other direct taxes	4,716	4,393
Other indirect taxes and fees	4,446	5,525
Total payables	199,556	242,611

Payables from direct insurance to the policy holders predominantly include premium overpayments CZK 72,857 thousand (2018: CZK 66,978 thousand) and unmatched premium payments CZK 7,683 thousand (2018: CZK 17,544 thousand).

Payables from reinsurance transactions has decreased due to higher reinsurance payment obtained from reinsurer Sogecap France in total amount of CZK 51,867 thousand as of 31 December 2018.

As of 31 December 2019, the Company records overdue payables from direct insurance to the policy holders older than 5 years in the amount of CZK 17,439 thousand (2018: CZK 21,557 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.

None of the Company's payables were secured by a pledge or any other charge as of 31 December 2019 and as of 31 December 2018.

4.12. Temporary Liabilities

Analysis of Temporary Liabilities

(CZK thousand)	31 December 2019	31 December 2018
Reinsurer's share in premiums	44,631	12,165
Commissions to acquirers	147,997	147,434
Insurance claims	4,727	3,659
Other	63,844	51,494
Total temporary liabilities	261,199	214,751

Estimated commissions payables to distributors of CZK 147,997 thousand (2018: CZK 147,343 thousand) represent an estimate of unpaid commissions. This balance predominantly consists of bonuses not paid to ESSOX amounting to CZK 38,475 thousand (2018: CZK 40,409 thousand) and bonuses not paid to Komerční banka, a.s. totalling CZK 74,674 thousand (2018: CZK 32,753 thousand).

Other temporary liabilities of CZK 63,844 thousand (2018: CZK 51,494 thousand) principally comprise unbilled supplies of CZK 52,034 thousand (2018: CZK 41,934 thousand) and costs of staff bonuses for 2019 amounting to CZK 11,276 thousand (2018: CZK 9,164 thousand).

4.13. Taxation

The income tax due was calculated as follows:

(CZK thousand)	2019	2018
Profit /(Loss) before taxation	714,148	673,222
Revenues exempted from taxation (rate of 19%)	(59,619)	(49,858)
Tax non-deductible expenses	24,474	25,090
Tax base	679,003	648,455
Restatement of tax base from last year*	0	(199,344)
Income tax due in amount of 19%	129,005	85,530
Tax arising from independent tax base	7,216	6,231
Income tax due	136,221	91,811
Impact to P&L arising from last year income tax report (provision vs. final tax)	(2,259)	(3,663)
Total Income tax due	133,962	88,148

* The creation of deficiency reserve in 2017 connected to the change of accounting method in 2018 had a direct impact to 2018 year in total amount of CZK 199,344 thousand.

Deferred tax receivable (+)/ payable (-) is being analysed accordingly:

CZK thousand)	31 December 2019	31 December 2018
Deferred tax payable:		
Net book value of tangible and intangible fixed assets	(1,401)	(1,530)
Deferred tax payable total	(1,401)	(1,530)
Deferred tax receivable:		
Reserves	2,248	2,258
Bonuses	2,143	1,742
Financial investments	27,319	73,093
Deferred tax receivable total	31,710	77,093
Net deferred tax receivable/payable (+/-) as of December 31	30,308	75,563

Change of net deferred tax receivable/payable is being analysed accordingly:

(CZK thousand)	2019	2018
Net deferred tax receivable/payable (+/-) as of January 1	75,563	175,460
Change of deferred tax recognized in profit and loss statement	519	(37,082)
Change of deferred tax recognized in equity	(45,774)	(62,815)
Net deferred tax receivable/payable (+/-) as of December 31	30,308	75,563

Total income tax:

(CZK thousand)	2019	2018
Total income tax due	133,962	88,148
Change of deferred tax recognized in profit and loss statement	(519)	37,082
Income tax due	133,443	125,230

The Company recorded deferred tax receivable as of 31 December 2019 in full amount of CZK 30,308 thousand (as of 31 December 2018 CZK 75,563 thousand) due to the expected achievement of a sufficient tax base that enables its tax deductibility.

4.14. Non-life insurance

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	2019	31,768	32,012	8,780	21,495	(793)
	2018	32,344	32,745	6,640	20,502	(746)
Insurance against fire and other damage to property	2019	124,719	111,604	17,563	72,316	(8,246)
	2018	84,696	73,992	11,873	63,486	(4,660)
Other non/life insurance	2019	360,889	361,786	63,601	171,576	(992)
	2018	344,343	343,260	59,474	150,350	(1,594)
Total	2019	517,377	505,402	89,944	265,387	(10,031)
	2018	461,383	449,997	77,987	234,338	(7,000)

4.15. Life insurance

(CZK thousand)	2019	2018
Gross written premium	7,792,888	4,685,421
Earned premium	7,791,407	4,684,630
Gross costs of insurance claims	6,633,876	4,945,759
Reinsurance balance	35,628	35,061
Acquisition costs of insurance policies	177,958	164,928
– commissions	218,321	215,793
– change in deferred expenses and accrued income	(40,363)	(50,865)
Administrative overhead	304,587	292,841

The increase of Gross written premium was caused by the distribution of Vital Private Platinum product that was launched in February 2019.

Summary of life insurance, written premium

(CZK thousand)	2019	2018
Individual contracts	7,666,256	4,556,544
of which: insurance contracts where the investment risk is borne by the policy holder	2,259,561	1,920,805
Collective contracts	126,631	128,877
Life insurance – total	7,792,888	4,685,421
Single premium	6,806,318	3,720,113
of which: insurance contracts where the investment risk is borne by the policy holder	2,233,278	1,892,457
Regular premium	986,569	965,307
of which: insurance contracts where the investment risk is borne by the policy holder	26,283	28,384
Life insurance – total	7,792,888	4,685,421
Insurance contracts without premium	798,297	673,038
Insurance contracts with premium	6,994,590	4,012,383
of which: insurance contracts where the investment risk is borne by the policy holder	2,259,561	1,542,059
Life insurance – total	7,792,888	4,685,421

4.16. Territorial Analysis of Total Premium Written

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

(CZK thousand)	2019	2018
Written premium arise from contracts into which the Company entered:		
in the EU member state where it has its registered office	8,187,643	5,029,090
in other EU member states	122,621	117,714
Total premiums written	8,310,265	5,146,804

4.17. Summary of Commissions

The total balance of commissions in respect of direct insurance amounted to CZK 334,848 thousand in 2019 (2018: CZK 328,976 thousand) and was segmented as follows:

(CZK thousand)	Life insurance		Non-life insurance	
	2019	2018	2019	2018
Expenses on commissions	218,321	215,793	116,527	113,183

4.18. Income and Expense Related to Investments of Technical Reserves

For the year ended 31 December 2019, the net income on the Company's investments amounted to CZK 1,084,582 thousand (2018: CZK 720,951 thousand), of which the net income from assets generated from technical reserves amounted to CZK 1,045,223 thousand (2018: CZK 677,012 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 (2019: CZK 43,817 thousand, 2018: 45,975 thousand) and subsequently re-allocated to the non-life insurance technical accounts (2019: 4,458 thousand, 2018: CZK 2,035 thousand).

Year	2019		2018	
	Life insurance	Non-life insurance	Life insurance	Non-life insurance
Year-end net balances of reserves	37,931,021	224,140	38,143,946	192,980
Year-end net balances of reserves – investment risk is borne by the policy holder	10,561,426	0	9,001,621	0
Income from reserves	1,040,765	4,458	674,977	2,035

4.19. 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)	2019	2018
Change in life insurance premium (line C.2. in Balance sheet)	(198,307)	243,491
Change in other technical provisions (line C.6 in Balance sheet)	68,895	(85,074)
Subtotal Change in life insurance premium – net amount in Profit and Loss statement	(129,412)	158,417
Change in provision for bonuses and discount (line C.4 in Balance sheet)	(4,045)	(10,991)
Change in Unit link life insurance provision (line D. in Balance sheet)	1,559,805	(1,128,021)
Subtotal Change in other technical reserves in Profit and Loss Statement	1,555,760	(1,139,012)
Change in provision for unearned premium – life insurance business (line C.1a) in Balance sheet)	1,480	791
Change in provision for unearned premium – non-life insurance business (line C.1b) in Balance sheet)	11,964	11,257
Subtotal Change in provision for unearned premium – net amount in Profit and Loss statement	13,444	12,048
Change in provision for outstanding insurance claims – life business (line C.3a) in Balance sheet)	61,831	39,841
Change in provision for outstanding insurance claims – non-life business (line C.3b) in Balance sheet)	19,589	13,696
Subtotal Change in provision for unearned premium – net amount in Profit and Loss statement	81,420	53,537
Total Change in technical provisions – net amount in Profit and Loss statement	1,521,212	(915,010)

4.20. 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)	2019	2018
Unrealised gains/losses on shares value (+/-)	258,174	(140,872)
Unrealised gains/losses from revaluation of KB Real Estate funds (+/-)	43,869	31,700
Unrealised gains/losses from investment where the investment risk is assumed by the policy holder (+/-)	383,670	(485,872)
Total	685,713	(595,044)

4.21. Administrative Expenses

The total amount of administrative expenses was CZK 457,578 thousand in 2019 (2018: CZK 419,747 thousand). The administrative expenses are analysed as follows:

(CZK thousand)	2019	2018
Staff cost (wages, social security and health insurance)	252,564	237,479
Training	3,484	3,556
Advisory services	46,093	36,329
Telecommunication	2,085	1,841
IT costs	33,831	26,335
Tangible and Intangible asset Depreciation	23,119	22,561
Depreciation of capitalised cost of selected projects	26,127	10,171
Rental	19,898	18,722
Banking and postal fees	8,488	9,824
Other administrative costs	41,889	52,928
Total	457,578	419,747

The costs of the audit of the financial statements amounted to CZK 2,125 thousand in 2019 (2018: CZK 2,168 thousand). No other services were provided by audit service company in 2019.

4.22. Other Technical Income and Expenses and Non-Technical Account

Other technical income on non-life insurance amounted to CZK 3,086 thousand (2018: CZK 3,386 thousand). The most significant item was release of allowances for receivables in the amount of CZK 2,012 thousand.

Other technical expenses of non-life insurance amounting to CZK 39,441 thousand (2018: CZK 46,166 thousand) mainly include cost of bonuses totalling CZK 34,833 thousand (2018: CZK 40,027 thousand).

Other technical income of life insurance in total amount of CZK 101,243 thousand (2018: CZK 109,184 thousand) primarily includes the management fee for the sale of Forte funds amounting to CZK 55,917 thousand (2017: CZK 55,315 thousand).

Other technical expenses of life insurance in total amount of CZK 219,680 thousand (2018: CZK 225,070 thousand) include items relating to the cost of bonuses in the amount of CZK 44,396 thousand (2018: CZK 47,105 thousand) and management fees in the amount of CZK 169,618 thousand (2018: 166,499 thousand).

4.23. 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 2.14 as of 31 December 2019 amounted to CZK 457,578 thousand (2018: CZK 419,747 thousand).

4.24. Transactions with Related Parties

	2019	2018
Income from companies within the group (CZK thousand)		
Gross written premiums	456,266	441,258
Income from investments (cross currency swaps and accrued interest)	642,121	666,858
Other income	56,025	55,453
Profit sharing – reinsurer	29,901	36,650
Direct premiums ceded to reinsurer	(139,067)	(144,734)
Reinsurers share of provision for life insurance	(138,219)	(494,682)
Reinsurers share of claims provision	(73,590)	(27,229)
Total income	833,436	533,573
Costs towards companies within the group		
Commissions/variable bonuses	487,228	472,952
Reinsurers share on costs for insurance claims	(220,914)	(377,523)
Costs linked to investments (cross currency swaps)	831,903	868,665
Reinsurers share of provision for life insurance	(132,536)	(213,315)
Reinsurers share of claim provision	(21,810)	(31,372)
Other costs	48,666	53,653
Total costs	992,538	773,060
Receivables from companies within the group		
Securities and other investments	2,097,900	2,657,305
Current accounts and deposits	2,158,716	1,359,275
Receivables from insurance	46,789	69,686
Estimated receivables	220,432	199,304
Total receivables	4,523,836	4,285,571
Payables to companies within the group		
Payables from reinsurance and other payables	35,128	88,772
Fair value – cross currency swaps	975,143	793,466
Reinsurers share of provision for life insurance	(2,053,417)	(2,075,484)
Reinsurers share of claims provision	(5,267)	(5,180)
Estimated payables	166,393	168,110
Total payables	(882,020)	(1,030,317)

4.25. Profit/(Loss)

(CZK thousand)	2019	2018
Non-life insurance	88,857	76,376
Life insurance	585,932	552,906
Non-technical account (before tax)	39,359	43,940
Profit/(loss) before tax	714,148	673,222
Income tax and other taxes	133,471	125,273
Profit/(loss) for the accounting period	580,677	547,949

4.26. Staff Costs and Similar Costs

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

2019				
(CZK thousand)	Average recalculated headcount	Wages and salaries	Social security and health insurance	Total staff costs
Staff	216	174,272	53,285	227,557
Management	6	20,572	4,435	25,006
Total	222	194,844	57,720	252,564
2018				
(CZK thousand)	Average recalculated headcount	Wages and salaries	Social security and health insurance	Total staff costs
Staff	204	158,432	48,180	206,612
Management	6	25,932	4,935	30,867
Total	210	184,364	53,115	237,479

As of 31 December 2019 the Company enables nineteen employees to use business cars for both business and private purposes (as of 31 December 2018 seventeen 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.

4.27. Reinsurance

The aggregate reinsurance result

(CZK thousand)	2019	2018
Reinsurer's share of premiums	(212,666)	(208,334)
Reinsurer's share of insurance claims	241,459	396,952
Commissions	54,697	61,075
Reinsurance balance	83,490	249,693
Reinsurer's share on the creation and use of reserves	(57,892)	(221,633)
Reinsurance result	25,598	28,060

The amounts due from and to reinsurers:

(CZK thousand)	31 December 2019	31 December 2018
Receivable from reinsurers	0	2,633
Estimated receivable	68,399	57,679
Payable to reinsurers	(8,681)	(60,886)
Estimated payable	(44,631)	(12,186)
Net receivable (payable) from reinsurers	15,088	12,760

5. Off-balance sheet commitments

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

6. Other significant post balance sheet events

Taxation of technical provisions

Based on amended Act no. 586/1992 Coll., on Income Taxes and amended Act no. 593/1992 Coll., on provisions for the determination of the income tax base, as amended by subsequent legislation, as at 1 January 2020 there is the change in setting the technical provision tax deductibility. Newly will be taken into account as tax-deductible expenses the creation of technical provisions pursuant to the Insurance Act, which is based on the Solvency II Directive and not technical provisions created according to the accounting legal regulations. This change has no impact to financial statement as at 31 December 2019. The change will be allowed for 2020 financial statements.

COVID-19

At the time of publishing this annual report, the baseline assumptions for the development of business in 2020 have been put under review, due to a rapid evolution related to the outbreak of COVID-19 pandemic disease, which threatens the health of employees and clients and is disrupting economic activity in the country. In accordance with prepared operational risk management procedures and business continuity plans, Komerční pojišťovna has adopted a set of measures to ensure proper operations. The measures comprise rules for quarantine and work from home for employees who are vulnerable due to health conditions and for those colleagues who have returned from epicentres of the infection, replacing face-to-face meetings with telecommunications, adjusting the customary etiquette of personal contact, including with the clients, as well as the rules of hygiene, physical separation of teams, providing workplace backup, increased intensity of cleaning and disinfection of spaces, and other measures. Vulnerable employees who cannot work from home have been provided a leave of absence for reasons of obstacles on the side of the employer.

The Company tries to simplify the processes of claims handling, contract conclusion, communication with clients and other necessary activities to secure going concern principle taking into account that any regulatory requirements cannot be broken by KP in relation with clients. The KP's clients are regularly informed of any related measures (e.g. restrictions of KB branches availability or the client services operation). As the current situation limits the possibility to make the new business, KP is preparing a web portal for its clients and other solutions (including remote contracts conclusion) that would mitigate this impact. KP ensures at the moment all operational activities.

The economic impacts will depend upon the intensity and duration of the epidemic phase of spreading of the coronavirus causing the COVID-19 illness. It is expected that slowdown of economic activity will lead to lower number of new contracts as well as to increase in claims.

However, the changes on the financial markets (a decline in interest rates and an overall drop in bond yields, risk premium developments, generally high volatility and uncertainty as well as decrease in share prices and CNB repo rates) will be crucial for KP. The Czech koruna depreciation has no major impact on Komerční pojišťovna given the fact that most foreign currency positions are hedged. Furthermore, a sufficient part of investments is still held in short-term deposits, i.e. these funds are immediately available in the event of larger claims payments. The value of investments in shares (in equity and similar funds) is monitored and will be regularly tested for impairment. Currently, KP does not register any such indication.

The management of the Company considered the potential impact of COVID-19 on its activities and business, and concluded that they did not have a significant effect on the assumption on going concern principle. Accordingly, the financial statements as of December 31, 2019 were prepared on a going concern principle basis.

Report on Relations among Related Entities for the year ended 31 December 2019

(hereinafter referred to as the **"Report on Relations"**)

Komerční pojišťovna, a.s., with its registered office in Prague 8, Karolinská 1/650, post code 186 00, Corporate ID 63998017, incorporated with the Municipal Court in Prague, Section B, File 3362, (hereinafter referred to as the **"Company"**), is a part of a business group (holding company) in which the following relations between the Company and its Controlling Entity and further between the Company and other entities controlled by the same Controlling Entity (hereinafter referred to as the **"Related Entities"**) exist.

This report on relations was prepared in accordance with Section 82 et seq. of Act No. 90/2012 Coll., on Business Companies and Cooperatives (the Corporations Act) for the year ended 31 December 2019, ie, from 1 January 2019 to 31 December 2019 (hereinafter referred to as the **"Reporting Period"**).

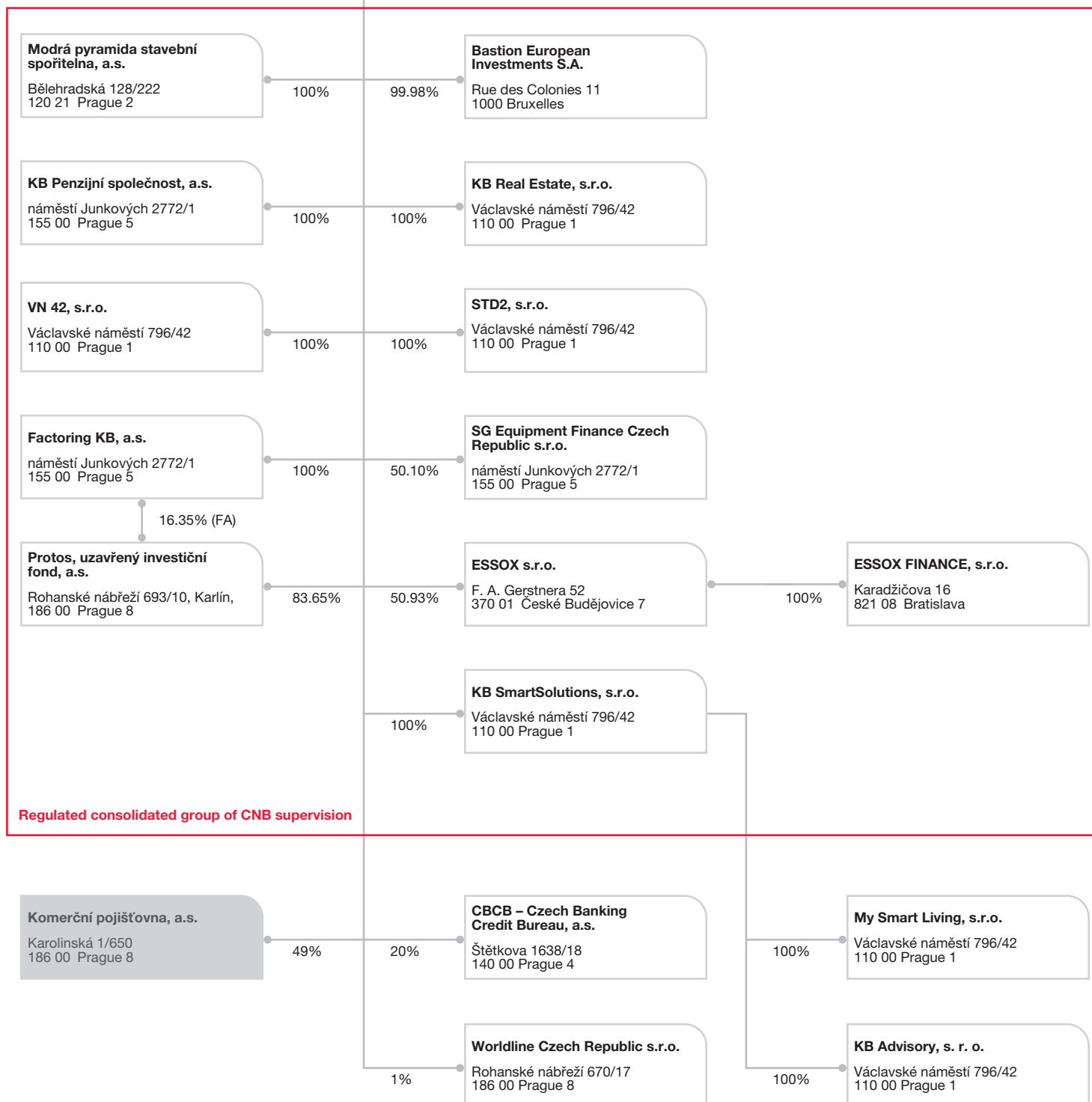
I. Introduction

Structure of relations among entities within the business group

In the period from 1 January 2019 to 31 December 2019, the Company was a member of the Société Générale S.A. Group with its registered office at 29, Boulevard Hausmann, 75009 Paris, France, number of registration in the French Commercial Register: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter referred to as **"SG"** or **"SG Paris"**). The structure of the relations between the members of the SG Group is illustrated in amendment no.1 to this report. The structure of the relations between the members of KB Group is as follows:

Komerční banka, a.s.

Na Příkopě 33/969
114 07 Prague 1



Note: the above mentioned % reflects share on equity that could be different from % share on voting rights

During the course of the 2019 reporting period, the Company entered into arrangements with the following Related Entities that are a part of the Group¹⁾:

Company	Registered office	SG's share of voting rights
ESSOX s.r.o.	F.A. Gerstnera 52, 370 01 České Budějovice	100%
ALD Automotive s.r.o.	U Stavoservisu 527/1, 108 00 Praha 10	100%
KB Penzijní společnost, a.s.	náměstí Junkových 1, 155 00 Praha 5	100%
Komerční banka, a.s.	Na Příkopě 33, 114 07 Praha 1	60.981%
Modrá pyramida stavební spořitelna, a.s.	Bělehradská 128/222, 120 21 Praha 2	100%
SG Equipment Finance Czech Republic s.r.o.	náměstí Junkových 1, 155 00 Praha 5	100%
Société Générale S.A.	29, Boulevard Hausmann, 75009 Paris, France	
Sogecap S.A.	Tour D2, 17 bis, place des Reflets, 92919 Paris La Défense Cedex, France	100%
BRD Finance IFN S.A.	Bdul Ion Mihalache nr.1-7, Turn BRD, etajul 15, Camera 241, Secteur 1, 011171 Bucarest, Romania	100%
BRD Groupe Societe Generale SA	B-dul Ion Mihalache no.1-7, Tour BRD, Secteur 1, Bucarest, Romania	60.17%
Hanseatic Bank GmbH & Co KG	Bramfelder Chaussee 101, 22177 Hamburg, Germany	75%
Sogessur	Tour D2, 17 bis place des Reflets – 92919 Paris La Défense Cedex, France	100%
Societe Generale Corporate Investment Banking	29, Boulevard Hausmann, 75009 Paris, France	100%
Sogelife Luxembourg SA	11, Avenue Emilie Reuter, L-2420 Luxembourg	100%

¹⁾These are companies controlled by SG Paris in direct and also indirect course in meaning of § 74 section of the Corporations Act.

The role of the Company within the Group:

The Company is a part of the of the Komerční banka financial group (hereinafter the “KB Group”) and also a part of the international financial group of Société Générale (hereinafter the “SG Group“). The majority owner of Company’s 51% of shares, is the insurance company SOGECAP S.A. France (hereinafter “SOGECAP”), a SG’s wholly-owned subsidiary. The minority shareholder is Komerční banka a.s. (hereinafter “KB”) which holds 49% interest. SG as the majority owner and KB act in concert.

The Company focuses on life insurance services but also sells other types of insurance that suitably complement banking and other financial products offered by its partners within the SG Group. The company’s products are mostly distributed via the KB Group members, especially through the distribution network of KB (eg. Modrá Pyramida stavební spořitelna, ESSOX) and also the Company’s external partners.

As a part of the KB Group, KB provides the Company with trade mark licences and also certain IT services, data processing and consultancy. Within the SG group a particular infrastructure of the IT technology is shared as well as knowledge in the area of the insurance and provision of financial services, development of financial services and products, operation of information technologies, risk management, regulation of financial markets and a company management.

The Company provides data to the KB and Sogecap on a regular basis – the data include, inter alia, data for consolidation purposes or consolidated reporting to the regulators or data for publishing purposes, budgets, business plans, anti-money-laundering measures and a business continuity plan.

The Company does not participate in the creation of the Group policies in the Czech Republic.

Ways and means of control

SOGECAP, as the majority shareholder, exerts its influence on the activity of the Company through the General Meeting; SOGECAP had two representatives in the Company’s four-member Supervisory Board during the year 2019. The minority shareholder KB had two representatives in the Company’s Supervisory Board in the year 2019.

SOGECAP is, pursuant to Section 79 of the Corporations Act, a controlling entity in respect of Company. The control is formally exercised by the implementation of SOGECAP’s methodologies in the Company’s internal regulations, in particular in the area of risk management and capital adequacy (solvency). Furthermore, there is a informal control taking the form of consultancy in individual areas of the Company’s activity.

II. Arrangements with Related Entities

A. Important Arrangements Made during the Reporting Period at the Initiative or in the Interest of the Controlling Entity or Entities Controlled by the Controlling Entity and Relating to Assets Exceeding 10 % of the Equity

Pursuant to the decision of the General Meeting dated 24 April 2019, the majority shareholder, SOGECAP SA, received dividends for the year 2018 in the amount of CZK 243,963,200. The General Meeting also approved payment of dividends for the year 2018 in the amount of CZK 234,372,800 to the minority shareholder Komerční banka, a.s. Czech Republic.

B. An Overview of the Mutual Contracts Between the Controlled Entity and the Controlling Entity or Between Controlled Entities

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
General terms and conditions for fleet management + 1 Amendment	ALD Automotive s.r.o.	1. 1. 2014
Agreement of the provision of services no. 150068324-326	ALD Automotive s.r.o.	16. 9. 2015
Agreement of the provision of services no. 150070229	ALD Automotive s.r.o.	17. 12. 2015
Agreement of the provision of services no. 150079273	ALD Automotive s.r.o.	23. 3. 2017
Agreements of the provision of services no. 150080863-69	ALD Automotive s.r.o.	19. 5. 2017
Agreements of the provision of services no. 150081239, 150081247, 150081232	ALD Automotive s.r.o.	5. 6. 2017
Agreement of the provision of services no. 150089332	ALD Automotive s.r.o.	13. 4. 2018
Agreement of the provision of services no. 150089981	ALD Automotive s.r.o.	9. 5. 2018
Agreement of the provision of services no. 150093578	ALD Automotive s.r.o.	21. 9. 2018
Agreement of the provision of services no. 150096040	ALD Automotive s.r.o.	21. 1. 2019
Insurance Collective Contract of the optional insurance for the card protection and purchase protection no. 3160000000 + 8 Amendments	BRD Finance IFN S.A.	17. 11. 2009
Collective insurance contract of the optional insurance for card protection / keys/ documents No. 3220000000 +13 Amendments	BRD Groupe Societe Generale SA	1. 11. 2010
Contract for collective insurance to loans of ESSOX s.r.o., No. 3020000000 + 1 Amendment	ESSOX s.r.o.	1. 8. 2004
Contract for collective insurance to revolving loans and futuro cards of ESSOX s.r.o., No. 3030000000 + 4 Amendments	ESSOX s.r.o.	1. 9. 2004
Contract for collective insurance to revolving loans and credit cards of ESSOX s.r.o., No. 3050000000 + 3 Amendments	ESSOX s.r.o.	1. 12. 2004
Contract for collective insurance to the loans of ESSOX s.r.o., No. 3070000000 + 7 Amendments	ESSOX s.r.o.	1. 4. 2005
Agreement on financial compensation in the form of Profit Sharing + 6 Amendments	ESSOX s.r.o.	30. 11. 2005
Contract for collective insurance to consumer loans of ESSOX s.r.o., No. 3090000000 + 3 Amendments	ESSOX s.r.o.	1. 8. 2006
Contract for collective insurance to the consumer loans of ESSOX s.r.o., No. 3100000000 + 3 Amendments	ESSOX s.r.o.	1. 8. 2007
Contract for collective insurance of revolving loans and credit cards of ESSOX, No. 3110000000 + 2 Amendments	ESSOX s.r.o.	29. 2. 2008
Contract for collective insurance to revolving loans and credit cards of ESSOX, No. 3120000000 + 2 Amendments	ESSOX s.r.o.	1. 6. 2008
Collective insurance agreement to consumer loans of the company ESSOX, No. 3130000000 + 1 Amendment	ESSOX s.r.o.	2. 1. 2009
Contract for collective insurance to the leasing and credit contracts of ESSOX, s.r.o., No. 3180000000 + 2 Amendments	ESSOX s.r.o.	1. 6. 2010
Master contract for Cooperation within the DSFS Group in the Czech republic	ESSOX s.r.o.	6. 3. 2012
Data protection agreement	ESSOX s.r.o.	7. 11. 2018
Group Insurance Contract (as of 30 March 2009) + 6 Amendments	Hanseatic Bank GmbH & Co KG	30. 3. 2009
Group Insurance Contract (as of 30 November 2014) + 2 Amendments	Hanseatic Bank GmbH & Co KG	30. 11. 2014
Group Insurance Contract (as of 9 March 2016) + 2 Amendments	Hanseatic Bank GmbH & Co KG	9. 3. 2016
Group Insurance Contract for SicherReise Insurance (as of 22 May 2017)	Hanseatic Bank GmbH & Co KG	22. 5. 2017
Contract for personal data processing (as of 10 October 2002)	KB Penzijní společnost, a.s.	10. 10. 2002

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Contract for cooperation in the field of additional pension insurance with a state contribution	KB Penzijní společnost, a.s.	18. 8. 2003
Framework cooperation contract No. 3010000245 (SPEKTRUM PROGRAMME) + 2 Amendments	KB Penzijní společnost, a.s.	17. 10. 2006
Contract for personal data processing (as of 21 January 2013)	KB Penzijní společnost, a.s.	21. 1. 2013
Providing of consulting services in the area of technical provisions calculation + 5 Amendments	KB Penzijní společnost, a.s.	10. 12. 2014
Group Insurance Contract for KBPS no. 3200000000	KB Penzijní společnost, a.s.	1. 2. 2019
Insurance contract for collective insurance of persons + 8 Amendments	Komerční banka, a.s.	9. 1. 2003
Framework contract for cooperation between KB and KP, Spektrum Insurance Programme No. 3010000235 + 5 Amendments	Komerční banka, a.s.	28. 1. 2003
Contract for rent of non-residential premises – Jihlava + 10 Amendments	Komerční banka, a.s.	31. 1. 2003
Licence agreement + 1 Amendment	Komerční banka, a.s.	20. 12. 2004
Contract for establishment and management of a CZK current account at Komerční banka, a.s. + 2 Amendments	Komerční banka, a.s.	21. 1. 2005
Contract for renting non-residential premises (Brno) + 2 Amendments	Komerční banka, a.s.	31. 5. 2005
Contract for intermediation of "PATRON"	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "PROFI PATRON"	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "RISK LIFE FOR MORTGAGE LOANS" + 5 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "PROFI MERLIN" + 2 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "MERLIN" + 2 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "PRODUCT VITAL AND PROGRAMME VITAL PLUS" + 2 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "VITAL GRANT" + 2 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "VITAL" + 5 Amendments	Komerční banka, a.s.	25. 4. 2006
Agreement on cooperation in delivering payments	Komerční banka, a.s.	29. 5. 2006
Separate Distribution Agreement for product "TRAVEL INSURANCE" + 3 Amendments	Komerční banka, a.s.	14. 7. 2006
Separate Distribution Agreement on Vital Invest + 38 Amendments	Komerční banka, a.s.	4. 10. 2006
Contract for establishment and management of a current account (Vital Invest) + 1 Amendment	Komerční banka, a.s.	5. 10. 2006
Separate Distribution Agreement No. 1 for "VITAL PREMIUM" + 8 Amendments	Komerční banka, a.s.	18. 12. 2006
Contract for accepting payment cards – Internet + 1 Amendment	Komerční banka, a.s.	29. 3. 2007
Agreement for provision of a chip card scanner	Komerční banka, a.s.	2. 4. 2007
Agreement to send electronic messages about clearance	Komerční banka, a.s.	5. 6. 2007
Framework contract for distribution + 1 Amendment	Komerční banka, a.s.	22. 6. 2007
Contract for the use of safety deposit boxes	Komerční banka, a.s.	16. 7. 2007
Contract for mutual cooperation + 1 Amendment	Komerční banka, a.s.	1. 8. 2007
Collective insurance agreement for consumer loans No. 3010000000 + 6 Amendments	Komerční banka, a.s.	1. 8. 2007
Contract for collective insurance to credit cards of Komerční banka, a.s., No. 3040000000 + 3 Amendments	Komerční banka, a.s.	1. 11. 2007
Agreement fees' clearance	Komerční banka, a.s.	1. 10. 2008
Contract for Groupwide cooperation in terms of the value added tax + 2 Amendments	Komerční banka, a.s.	21. 11. 2008
Contract for collective insurance related to payment cards, No. 2149500001 + 10 Amendments	Komerční banka, a.s.	26. 1. 2009
Service Level Agreement – Network Package	Komerční banka, a.s.	26. 3. 2009
Contract for collective insurance to loans no. 3140000000 + 2 Amendments	Komerční banka, a.s.	5. 5. 2009
Separate distribution Agreement for product "Brouček" + 5 Amendments	Komerční banka, a.s.	15. 6. 2009
Contract for collective insurance MERLIN and PROFÍ MERLIN No. 3170000000 + 8 Amendments	Komerční banka, a.s.	5. 10. 2009
Custody contract for "VITAL INVEST FORTE" + 2 Amendments	Komerční banka, a.s.	6. 10. 2009
Framework contract for the arrangement of term deposits with an individual interest rate	Komerční banka, a.s.	22. 10. 2009
Contract for cooperation in portfolio valuation	Komerční banka, a.s.	9. 12. 2009
Contract for accepting electronic payments via Mojeplatba	Komerční banka, a.s.	14. 12. 2009
Agreement on KB Call Centre services	Komerční banka, a.s.	31. 12. 2009
Agreement for provision of services – outsourcing HR services + 1 Amendment	Komerční banka, a.s.	21. 4. 2010

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Agreement on confidentiality	Komerční banka, a.s.	9. 7. 2010
Framework agreement for provision of IT services no. 2040/2010/0000008044/0000 + 8 Partial contracts + 9 Amendments	Komerční banka, a.s.	14. 9. 2010
Acceptance of Rules for cooperation between KB and Members of the Group In the field of sourcing and purchasing	Komerční banka, a.s.	15. 9. 2010
Commitment Letter (Forte 5, Forte 6, Forte 7, Forte 8)	Komerční banka, a.s.	13. 12. 2010
Contract for two types of collective insurance provided to A karta and Lady cards of Komerční banka No. 3230000000 + 2 Amendment	Komerční banka, a.s.	31. 3. 2011
Agreement relating to collateral of securities (as of 3 October 2011)	Komerční banka, a.s.	3. 10. 2011
Contract of collective insurance "Profi pojištění plateb" No. 3250000000 + 2 Amendments	Komerční banka, a.s.	7. 12. 2011
Contract of collective insurance "Moje pojištění plateb" No. 3240000000 + 2 Amendments	Komerční banka, a.s.	7. 12. 2011
Group Risk Life Policy for employees no. 3280000000 + 1 Agreement + 8 Amendments	Komerční banka, a.s.	29. 2. 2012
Contract for establishment and management of a EUR current account	Komerční banka, a.s.	8. 10. 2012
Separate Distribution Agreement for product VITAL PREMIUM v EUR + 1 Amendment	Komerční banka, a.s.	10. 12. 2012
Cooperation Agreement no. 000020484/0000 + 5 amendments	Komerční banka, a.s.	21. 12. 2012
Collective insurance agreement to corporate cards and Gold corporate cards no.3290000000	Komerční banka, a.s.	21. 1. 2013
General agreement concerning compensation for clients	Komerční banka, a.s.	21. 1. 2013
Order related to collateral of securities no. 10000394435	Komerční banka, a.s.	27. 3. 2013
Agreement relating to collateral of securities no. 10000394435	Komerční banka, a.s.	28. 3. 2013
General agreement about dealing on financial markets – special agreement	Komerční banka, a.s.	8. 4. 2013
Order related to collateral of securities no. 10000398008	Komerční banka, a.s.	8. 4. 2013
Agreement relating to collateral of securities no. 10000398008	Komerční banka, a.s.	10. 4. 2013
Debit card agreement (Jílek)	Komerční banka, a.s.	22. 7. 2013
Collective insurance agreement for consumer loans no.3300000000	Komerční banka, a.s.	16. 8. 2013
Insurance intermediary agreement for the individual risk life insurance product MOJE JISTOTA + 2 Amendments	Komerční banka, a.s.	27. 9. 2013
Order related to collateral of securities no. 1000044093610000435622	Komerční banka, a.s.	20. 11. 2013
Agreement relating to collateral of securities no. 10000435622	Komerční banka, a.s.	21. 11. 2013
Agreement relating to collateral of securities no. 10000440936	Komerční banka, a.s.	19. 12. 2013
Order related to collateral of securities no. 10000440936	Komerční banka, a.s.	19. 12. 2013
Contract for establishment and management of a current account (AIA4 Merlin a Profi Merlin)	Komerční banka, a.s.	13. 8. 2014
Contract for establishment and management of a current account (VPU)	Komerční banka, a.s.	8. 10. 2014
Agreement relating to collateral of securities no. 10000479399	Komerční banka, a.s.	23. 10. 2014
Order related to collateral of securities no. 10000479399	Komerční banka, a.s.	31. 10. 2014
Framework agreement about trading/dealing on financial market + 1 Amendment	Komerční banka, a.s.	5. 11. 2014
Agreement relating to collateral of securities no. 10000492667	Komerční banka, a.s.	25. 11. 2014
Order related to collateral of securities no. 10000492667	Komerční banka, a.s.	26. 11. 2014
Service level agreement – cooperation in accounting and reporting	Komerční banka, a.s.	4. 12. 2014
Agreement relating to collateral of securities no. 10000500619	Komerční banka, a.s.	19. 1. 2015
Order related to collateral of securities no. 10000500619	Komerční banka, a.s.	26. 1. 2015
Distribution Agreement for product VITAL PREMIUM IN USD	Komerční banka, a.s.	4. 3. 2015
Cash pooling agreement	Komerční banka, a.s.	23. 6. 2015
Agreement for providing of the smart card reader	Komerční banka, a.s.	1. 10. 2015
Service level agreement – outsourcing – BI services	Komerční banka, a.s.	10. 12. 2015
Contract for establishment and management of a current account (AIA4 property)	Komerční banka, a.s.	22. 12. 2015
Separate Distribution Agreement for product "MojePojištění majetku" + 1 Amendment	Komerční banka, a.s.	25. 4. 2016
Contract of the purchase and sale of securities + 2 Amendments	Komerční banka, a.s.	12. 5. 2016
Profi Visa debit card agreement (Viktorin)	Komerční banka, a.s.	10. 6. 2016
Group Insurance Agreement on work-related accident and occupational disease insurance for members of the board of directors and administrators of the financial group of Komerční banka/Société Générale no. 334000000 +1 Amendment	Komerční banka, a.s.	13. 7. 2016
Debit card agreement (Jílek)	Komerční banka, a.s.	25. 7. 2016

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Cooperation agreement with implementation of the Group Insurance Agreement on work-related accident and occupational disease insurance for members of the board of directors and administrators of the financial group of Komerční banka/Société Générale no. 334000000	Komerční banka, a.s.	6. 10. 2016
Debit card agreement (Catherine de La Croix) + 1 Amedement	Komerční banka, a.s.	16. 11. 2016
Debit card agreement (Matějka)	Komerční banka, a.s.	22. 12. 2016
Agreement on costs payment for using the IBM Websphere application Server license	Komerční banka, a.s.	1. 2. 2017
Debit card agreement (Lovětínská)	Komerční banka, a.s.	25. 8. 2017
Debit card agreement (Šabacká)	Komerční banka, a.s.	25. 8. 2017
Contract for establishment and management of a current account (Merlin Junior)	Komerční banka, a.s.	20. 10. 2017
Contract for establishment and management of a current account (AIA4 life products)	Komerční banka, a.s.	13. 12. 2017
Administration order	Komerční banka, a.s.	27. 12. 2017
Administration order	Komerční banka, a.s.	15. 1. 2018
Debit card agreement (Kabelka)	Komerční banka, a.s.	1. 2. 2018
Contract of payment of the insurance premium and commissions for insurance brokers	Komerční banka, a.s.	13. 3. 2018
Contract for collective insurance Merlin Junior No. 4100000000	Komerční banka, a.s.	27. 3. 2018
The agreement on setting individual prices + 1 Amendment	Komerční banka, a.s.	11. 4. 2018
Agreement – outsourcing of DPO services	Komerční banka, a.s.	24. 5. 2018
Contract for establishment and management of a current account (UL fonds)	Komerční banka, a.s.	28. 5. 2018
Contract for establishment and management of a current account (Cubiq)	Komerční banka, a.s.	3. 7. 2018
Administration order	Komerční banka, a.s.	3. 7. 2018
Agreement for providing of the smart card reader	Komerční banka, a.s.	31. 7. 2018
Administration order	Komerční banka, a.s.	1. 10. 2018
Debit card agreement (Loaec)	Komerční banka, a.s.	3. 10. 2018
Cooperation agreement: Expert Center	Komerční banka, a.s.	2. 11. 2018
Agreement for providing of the smart card reader	Komerční banka, a.s.	14. 11. 2018
Administration order	Komerční banka, a.s.	8. 1. 2019
Debit card agreement (Červenková, Dybová, Roučková)	Komerční banka, a.s.	9. 1. 2019
Separate Distribution Agreement for product VITAL PLATINUM PRIVATE	Komerční banka, a.s.	1. 2. 2019
Agreement for providing of the KB services: eDoceo	Komerční banka, a.s.	21. 5. 2019
Cooperation agreement – banner for MutuMutu	Komerční banka, a.s.	1. 12. 2019
Administration order	Komerční banka, a.s. a Komerční banka, a.s. Slovensko	6. 3. 2012
Agreement on direct banking	Komerční banka, a.s. a Komerční banka, a.s. Slovensko	6. 3. 2012
Collective co-insurance agreement for clients of VSSKB to cover death to loan reinsurance no.37-9861	Modrá pyramida stavební spořitelna, a.s.	5. 12. 1995
Operational agreement to reinsurance of collection co-insurance of VSSK clients	Modrá pyramida stavební spořitelna, a.s.	5. 12. 1995
Framework cooperation contract No. 3010000246 + 1 Amedment	Modrá pyramida stavební spořitelna, a.s.	9. 4. 2008
Separate Distribution Agreement for Product Pyramida Risk Life insurance + 2 Amendments	Modrá pyramida stavební spořitelna, a.s.	15. 10. 2012
Separate Distribution Agreement for Moudré pojištění + 3 Amendments	Modrá pyramida stavební spořitelna, a.s.	15. 10. 2012
General Distribution Agreement + 3 Amendments	Modrá pyramida stavební spořitelna, a.s.	15. 10. 2012
Contract for provision of advantageous conditions to employees of Komerční pojišťovna, a.s. – participants of the building society savings in MPSS	Modrá pyramida stavební spořitelna, a.s.	1. 11. 2013
Separate Distribution Agreement for product "MojePojištění majetku" + 2 Amedements	Modrá pyramida stavební spořitelna, a.s.	23. 9. 2016
Agreement – Documents Archiving Outsourcing Services	Modrá pyramida stavební spořitelna, a.s.	6. 9. 2019
Adherence letter (as of 3 July 2013)	Orange Business Czech Republic, s.r.o., Komerční banka, a.s.	3. 7. 2013
Framework agreement No. 3010001126 Contract for cooperation between Komerční pojišťovna a. s. and Franfinance Czech republic, s. r. o. – Program Vital	SG Equipment Finance Czech Republic s.r.o.	14. 7. 2004
Intra-Group Corporate services fees agreement + 1 Amendment	Société Générale S.A.	28. 9. 2009
Agreement relating to the structured product which terms and conditions are enclosed herein / Forte 5	Société Générale S.A.	8. 2. 2011
Agreement relating to the structured product which terms and conditions are enclosed herein / Forte 6	Société Générale S.A.	8. 2. 2011

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Agreement relating to the structured product which terms and conditions are enclosed herein / Forte 7	Société Générale S.A.	8. 2. 2011
Agreement relating to the structured product which terms and conditions are enclosed herein / Forte 8	Société Générale S.A.	8. 2. 2011
Data protection agreement – Processing of HR Data by Société Générale + 1 Amendment	Société Générale S.A.	16. 9. 2011
Agreement relating to the structured product which terms and conditions are enclosed herein / Forte 9	Société Générale S.A.	5. 10. 2011
Agreement relating to the structured product which terms and conditions are enclosed herein – Optimo 6Y	Société Générale S.A.	5. 10. 2011
Agreement Relating to the Financial Instrument (Optimo Komodity)	Société Générale S.A.	7. 2. 2012
Agreement Relating to the Financial Instrument (Optimo Komodity II)	Société Générale S.A.	24. 4. 2012
Agreement relating to the financial instrument Certus 1	Société Générale S.A.	10. 2. 2013
Agreement relating to the financial instrument Certus 2	Société Générale S.A.	10. 2. 2013
Agreement relating to the financial instrument Certus 3	Société Générale S.A.	22. 10. 2015
Agreement relating to the financial instrument Certus 4	Société Générale S.A.	6. 1. 2016
Acceptation of the Standards DPRH (protection of HR data)	Société Générale S.A.	1. 2. 2016
Master agreement relating to financial instruments + 4 Amendments	Société Générale S.A.	11. 5. 2016
Commitment letter – 3-8Y Autocallable in CZK (Forte 9)	Société Générale S.A. a Komerční banka, a.s.	21. 7. 2011
Commitment letter – Optimo 6Y EMTN	Société Générale S.A. a Komerční banka, a.s.	20. 9. 2011
Commitment Letter (Optimo Komodity)	Société Générale S.A. a Komerční banka, a.s.	19. 12. 2011
Commitment Letter (Optimo Komodity II)	Société Générale S.A. a Komerční banka, a.s.	24. 4. 2012
Commitment letter – Certus and Certus 2	Société Générale S.A. a Komerční banka, a.s.	14. 1. 2013
Agreement on the Organisation of Periodic Control + 1 Amendment	Société Générale S.A. a Komerční banka, a.s.	24. 6. 2013
Commitment Letter – Accumulator note in CZK	Société Générale S.A. a Komerční banka, a.s.	27. 4. 2015
Commitment Letter – Participation note on SGI Harmonia CZK Index	Société Générale S.A. a Komerční banka, a.s.	16. 9. 2015
Commitment letter Certus 5	Société Générale S.A. a Komerční banka, a.s.	12. 1. 2016
Commitment letter Certus 6	Société Générale S.A. a Komerční banka, a.s.	8. 3. 2016
Agreement relating to the financial instrument – Commitment letter Certus 7	Société Générale S.A. a Komerční banka, a.s.	18. 8. 2016
Agreement relating to the financial instrument – Commitment letter Certus 8	Société Générale S.A. a Komerční banka, a.s.	10. 2. 2017
Agreement relating to the financial instrument – Commitment letter Certus 9	Société Générale S.A. a Komerční banka, a.s.	11. 8. 2017
Agreement relating to the financial instrument – Commitment letter Protective Private	Société Générale S.A. a Komerční banka, a.s.	30. 4. 2019
Agreement relating to the financial instrument – Commitment letter Protective Private 2	Société Générale S.A. a Komerční banka, a.s.	10. 6. 2019
Agreement relating to the financial instrument – Commitment letter Protective Private 3	Société Générale S.A. a Komerční banka, a.s.	1. 10. 2019
Framework agreement for the provision of services + 1 Amendment	Sogecap S.A.	1. 1. 2009
Agreement on settlement and replacement of right and obligations	Sogecap S.A.	25. 4. 2012
Quota Share Reinsurance Treaty of Vital Premium in EUR	Sogecap S.A.	15. 11. 2012
Quota Share Group Life Reinsurance Agreement ID no. SGQSG14	Sogecap S.A.	1. 7. 2014
Declaration of securities account pledge	Sogecap S.A.	30. 9. 2017
Property Excess of Loss Reinsurance Contract	Sogecap S.A.	1. 1. 2019
CatXL Reinsurance contract 2019	Sogecap S.A.	1. 1. 2019
Quota Share Reinsurance Treaty of Vital Premium in USD	Sogelife SA Luxembourg	1. 1. 2015

C. An Assessment of the Advantages and Disadvantages Arising from the Relations within the Group and an Assessment of Injury

The Advantages and Disadvantages arising from the Relations within the Group

Since the acquisition of Komerční banka, a.s. by SG in 2001, the Company started implementing SG's bank-insurance business model. This business model has been already fully implemented and today KP's products are offered and sold mostly through the distribution networks of SG Group companies. The whole Group takes advantage of mutual synergistic effects including product pooling, a strong international brand and SG's know how. The advantages of the Company's integration in the SG Group contribute to the Company's positive financial results.

Injury Assessment

The Company's Board of Directors has reviewed all arrangements put in place between the Company and the companies that were part of the Group during the 2019 reporting period and states that the Company incurred no injury as a result of any contracts, agreements or any other legal acts made or implemented by the Company or as a result of any other influence otherwise exerted in the reporting period.

Prague, on 20 March 2020



Gaël Loaec

Chairman of the Board of Directors and CEO



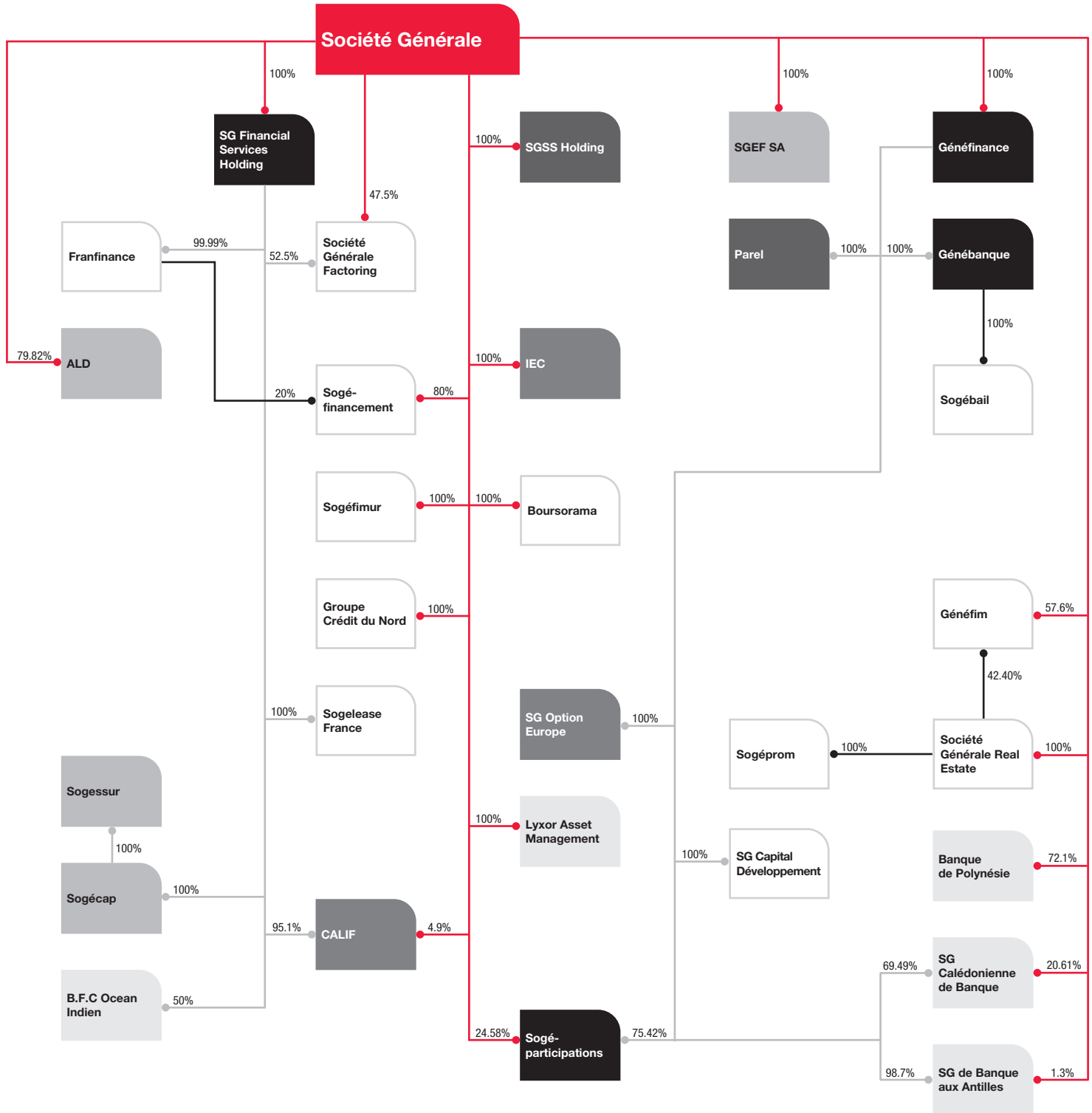
Helena Indrová

Member of the Board of Directors
and Head of Financial Section

The structure of relationships SG Group

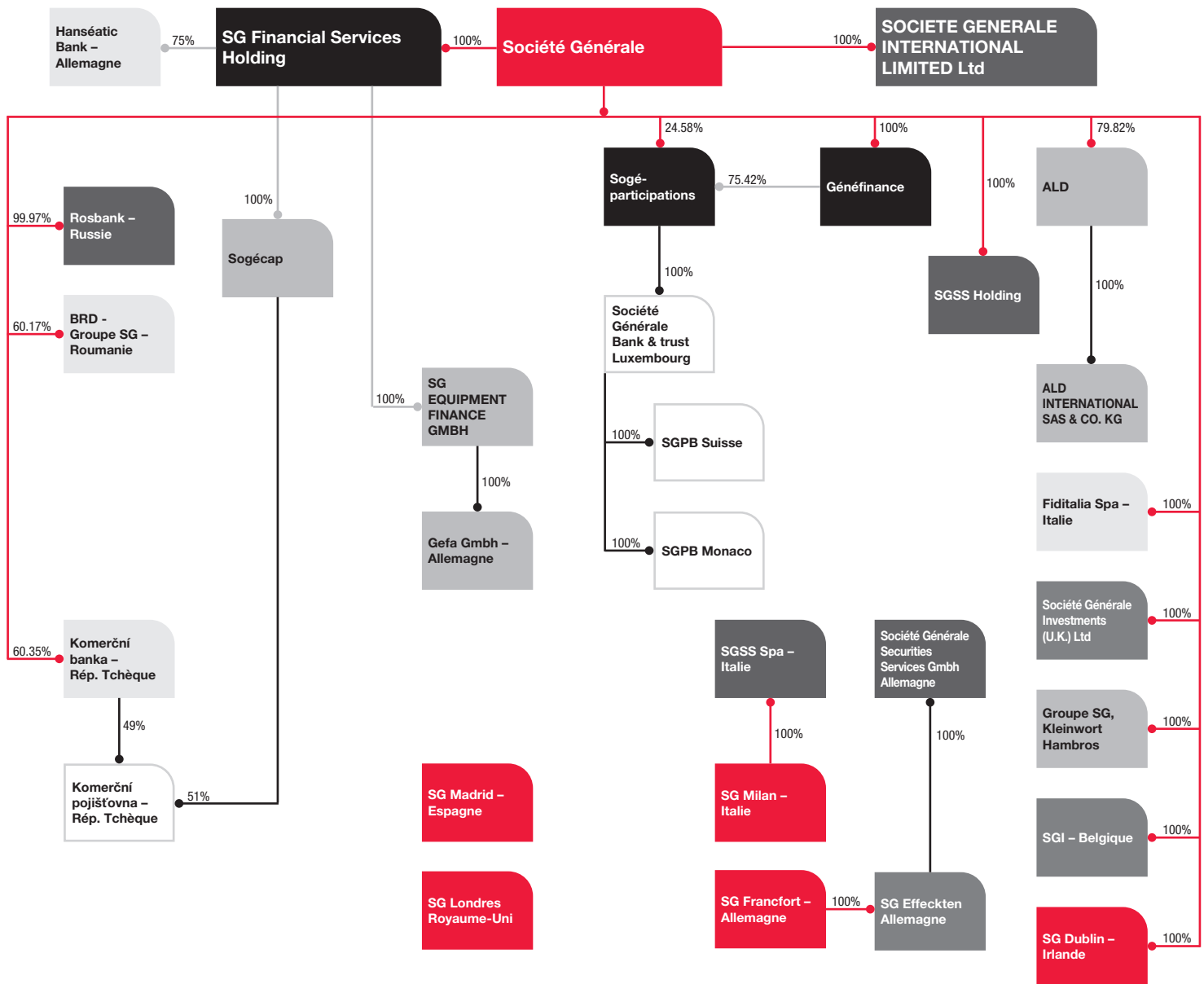
% of the voting interest

FRANCE



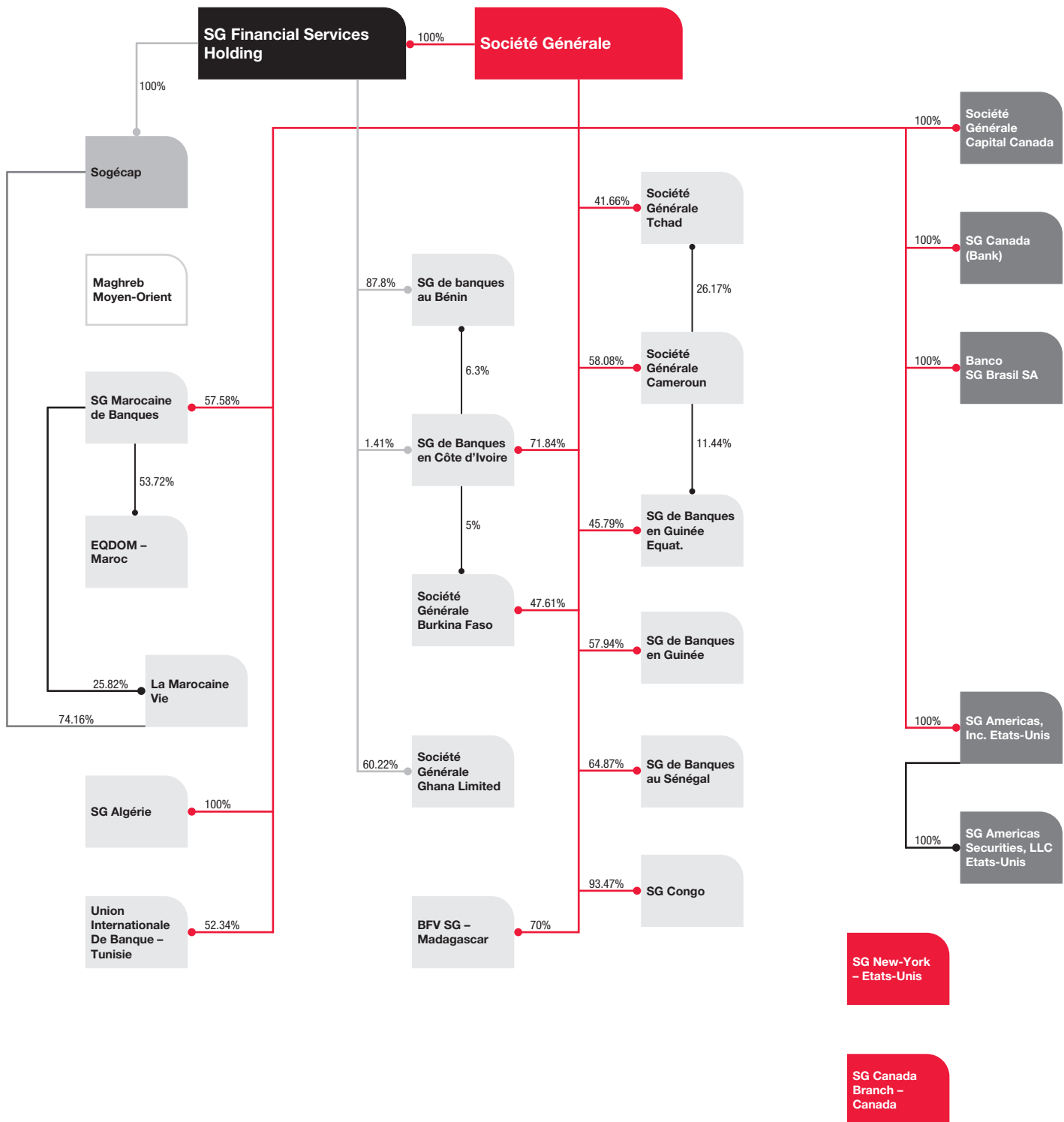
Note: Share capital and of the voting rights may vary

EUROPE



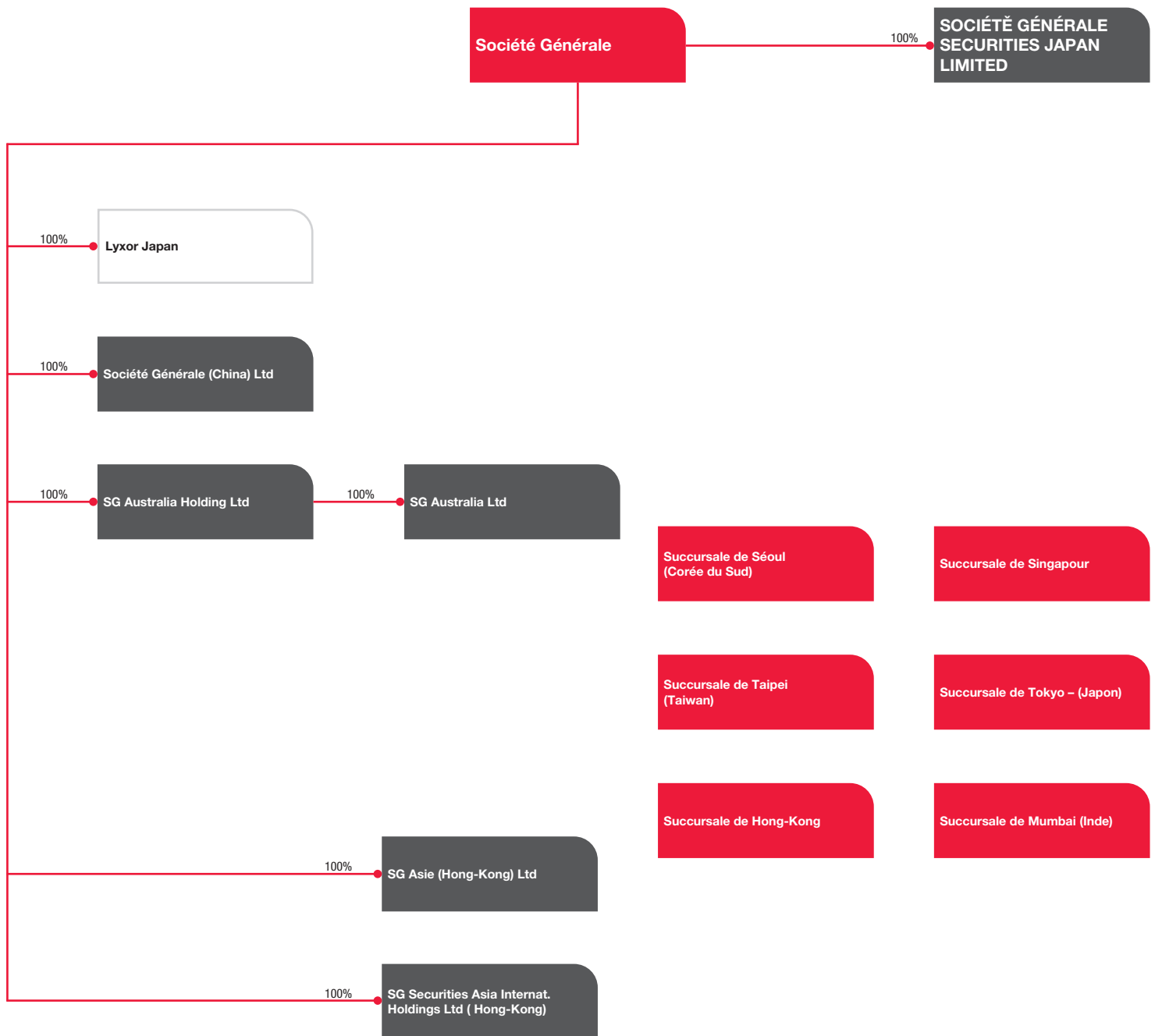
Note: Share capital and of the voting rights may vary

AFRICA AND AMERICA



Note: Share capital and of the voting rights may vary

ASIA AND AUSTRALIA



Note: Share capital and of the voting rights may vary

