Annual Report
2020

GENERALI

Contents

Company profile

BUSINESS NAME: Generali Poisťovňa, a. s.

LEGAL FORM: joint-stock company

REGISTERED OFFICE: Lamačská cesta 3/A, 841 04 Bratislava

COMPANY REGISTRATION NO.: 35 709 332

COMMERCIAL REGISTER: Bratislava I District Court, Section SA, File No. 1325/B

DATE OF REGISTRATION: 12 February 1997

SHARE CAPITAL: €25,000,264

SHAREHOLDERS: Generali CEE Holding, B.V. (100%)

Generali is one of the top three insurance companies in the Slovak market and part of the Italian Generali Group, which has a substantial international profile. Through our Prague-based Regional Office for Austria, Central and Eastern Europe and Russia, we operate in 12 countries and thus are among the three largest regional insurers. Consequently, our clients benefit from our strong international presence.

In 2020, we consolidated our position as Slovakia's third largest insurance company, with the largest growth in market share of our competitors. We continually introduce the most advanced systems and build on the professionalism and expertise of our employees, to ensure that clients receive first-class support with the greatest possible convenience. This begins with superior insurance consultancy and continues throughout policy management and the prompt and high-quality settlement of claims. We operate in more than 120 branches across Slovakia and our call center is available to our clients 24 hours a day and seven days a week.

In 2020 we provided a complex portfolio of life and non-life insurance, insurance services for small and medium-sized enterprises and individual solutions for large clients. We continually monitor market requirements to be able to provide superior and innovative products to clients, which is recognized in prestigious competitions for insurance companies and financial institutions.

The COVID-19 pandemic led to unprecedented changes in many areas of our lives. Thanks to the flexibility and commitment of our employees during this challenging period, we were able to withstand all the difficulties while significantly improving the quality and efficiency of our services. We introduced significant innovations in processes, products and technologies.

We were the first Slovak insurance company to introduce video inspection of insurance claims, enabling remote assessment of damage to clients' property and vehicles without social contact and avoiding delays in settling insurance claims. We launched the AUDASMART application - a tool for calculating damages, offering payment of benefits in the form of a budget and conducting inspections in the event of insurance claims on motor vehicles. We also introduced a process of email and SMS notifications for resolving insurance claims. Our reaction time in communicating with clients was shortened by using a mailbot. We began offering the possibility of taking out life insurance remotely, verifying clients' identities through video calls and accepting clients' requests by e-mail. We digitized our internal sales network and launched life contract biometric signatures for more than 500 of our agents and we were the first to come to the market with an application for determining the value of household items. In the product area, we provided all healthcare workers with extraordinary compensation in the event of COVID-19, beyond their life insurance coverage, and offered a package of tailor-made insurance for active seniors (insured at higher entry age).

Our internal network achieved record results not just in sales volume, but also in terms of the development of new salespeople and the digitization of the sales process. We achieved strong growth in a demanding brokerage market that tested our products and processes. We strengthened our cooperation with VUB Bank, taking it to the next level in the area of business, process and relationship.

In the autumn of 2020, we launched our new "RED" campaign and presented our new slogan "S nami v tom nie ste sami". Our new slogan is an expression of a partnership approach towards clients, employees and business partners. It is an expression of our sincere interest in people, an understanding of their situations, an effort to help and find the best possible solution for them and simply to be their lifetime partner.

Also in 2020, we continued to measure customer satisfaction. Again, those who form the soul of our company - Generali employees - were directly involved in the " NPS" (Net promoter score). We received extensive feedback on our operations, which showed that the transition to home office working did not affect our clients in any way, nor the quality of services we provided.

We also focused on our corporate culture - behavior, communication, mutual interactions, values and attitudes, which we want to constantly move forward, because only satisfied employees can make our clients happy.

As a responsible company, we succeeded in fulfilling our Charter of Commitments for sustainable development in 2020, to create long-term value for all stakeholders - employees, suppliers, clients and the community in which we operate. We are especially proud of our purchase of top UVD disinfection robots, which provided to fight coronavirus in five Slovak hospitals.

The program "Učenie pre život", which we implemented in cooperation with the Union of Mother Centers, celebrated its second birthday in 2020. Two years of this cooperation have brought us various small and large victories, through the activities and help of our volunteers and partners who want to join us in helping.

In 2020, we continued the successful "Generali Balans" project, the aim of which is prevention, not only in the area of health, but also in the area of property. We regularly brought interesting and useful content to the blog (www.generalibalans.sk).

Based on the Large Employee Survey from 2019, we took action to implement steps that have improved our operations and those of our insurance company.

In the area of internal communication, the insurance company continued its successful projects from the previous year. Generali reiterated a loyalty program to promote brand and product loyalty of employees, as well as an annual project of various online motivational activities to strengthen the relationship with the insurance company as an employer.

However, our priority in 2020 was to protect the health of our employees, agents and their families, while maintaining our insurance company operations, for our clients and business partners.

History of Generali

2019
Acquisition of the insurance portfolio of ERGO insurance company

2015
At the beginning of 2015, Európska cestovná poisťovňa and Genertel, the Slovak branch of the insurance company, became part of Generali.

2015
Generali Group acquired 100% ownership of Generali PPF Holding B. V. With the acquisition of full ownership, it changed its name to Generali CEE Holding B. V.

2014
The business name of the Company changed to Generali Poisťovňa, a. s. from the original Generali Slovensko poisťovňa, a. s.

2008
Merger of Generali Poisťovňa, a. s. and Česká poisťovňa Slovensko, a. s.

1996
Formation of Generali Poisťovňa, a. s., on the Slovak market as a subsidiary of Generali Holding Vienna AG

1833
Formation of six representative offices of Assicurazioni Generali on the Slovak market, which were terminated by the nationalization of private insurance companies in 1945.

1831
Formation of Assicurazioni Generali in Trieste

Complete 2020 product range

LIFE INSURANCE PRODUCTS
- Group personal accident insurance ŠKOLÁK
- Life insurance La Vita
- Group accident insurance
- Group risk insurance
- Loan payment protection insurance
- Annuity insurance
- Key person insurance

TRAVEL INSURANCE PRODUCTS
GENERALI INSURANCE COMPANY
- Short-term travel insurance
  - Medical insurance
  - Search and Rescue insurance
  - Liability insurance
  - Accident insurance
  - Luggage and documents insurance
  - Cancellation insurance
  - Assistance services
  - Assistance services above standard
- Packages: KLASIK, PLUS, KOMFORT, KOMPLET, STORNO
- Territorial validity: Europe or World
- Possibility of extended coverage: Sport, Manual work, Senior

- Supplementary riders for short-term travel insurance:
  - Empty household
  - Vehicle-related assistance

- Indefinite period travel insurance
  - Medical insurance
  - Search and Rescue insurance
  - Liability insurance
  - Accident insurance
  - Luggage and documents insurance
  - Cancellation fee insurance, travel interruption insurance
  - Assistance services
  - Assistance services above standard
- Packages: KLASIK, PLUS, KOMFORT, KOMPLET
- Territorial validity: World
- Possibility of extended coverage: Sport, Manual work

- Short-term travel insurance – for educational and au-pair placement
  - Medical insurance
  - Liability insurance
  - Accident insurance
  - Luggage and documents insurance
  - Assistance services
  - Assistance services above standard
- Packages: KLASIK, KOMFORT
- Duration of cover: 6 or 12 months
- Territorial validity: Europe or World

- Indefinite period travel insurance – for truck/freight and bus transport drivers
  - Medical insurance
  - Search and Rescue insurance
  - Liability insurance
  - Accident insurance
  - Luggage and documents insurance
  - Assistance services
  - Assistance services above standard
- Packages: KLASIK, KOMFORT
- Territorial validity: Europe

- Mountain rescue insurance for Slovakia
- Packages: Basic, Extreme
- Duration of cover: number of days or 12 months

- Group travel insurance
  - Medical insurance
  - Search and Rescue insurance
  - Liability insurance
  - Accident insurance
  - Luggage and documents insurance
  - Assistance services
  - Assistance services above standard
- Territorial validity: Europe or World
- Possibility of extended coverage: Sport, Manual work

GENERALI INSURANCE COMPANY, BRANCH OFFICE EURÓPSKA CESTOVNÁ POISŤOVŇA
- Short-term travel insurance
  - Cancellation insurance
  - Travel interruption insurance
  - Insurance against missed transport connections and delayed return from abroad
  - Luggage insurance
  - Search and Rescue insurance
  - Medical insurance
  - Accident insurance
  - Liability insurance
  - Assistance services
- Packages: Medical insurance PLUS, Travel insurance PLUS, Comprehensive travel insurance PLUS, Comprehensive travel insurance ŠTANDARD, Comprehensive travel insurance KOMFORT, Cancellation insurance ŠTANDARD, Cancellation insurance PLUS, ACR, DCR, Children's camps, Camps EURO, Camps STORNO
- Territorial validity: Europe, World, Slovakia
- Possibility of extended coverage: Manual work

- Supplementary riders for short-term travel insurance:

- Empty household
- Vehicle-related assistance

- Annual travel insurance
  - Cancellation insurance
  - Travel interruption insurance
  - Insurance against missed transport connections and delayed return from abroad
  - Insurance Golf PLUS
  - Luggage insurance
  - Search and Rescue insurance
  - Medical insurance
  - Accident insurance
  - Liability insurance
  - Assistance services
- Packages: Medical insurance, Travel insurance, Comprehensive travel insurance PLUS, Comprehensive travel insurance VIP
- Territorial validity: World
- Possibility of extended coverage: Manual work
- Trip duration: 45 or 90 days

- Travel insurance Student/Au-pair
  - Luggage insurance
  - Medical insurance
  - Accident insurance
  - Liability insurance
- Packages: KOMFORT, PLUS
- Duration of cover: 6 or 12 months
- Territorial validity: Europe or World

- Corporate travel insurance
  - Assistance services
  - Medical insurance and insurance protection of persons
  - Accident insurance
  - Insurance against unexpected changes during travel
  - Luggage insurance
  - Comprehensive assistance for company motor vehicles
  - Liability insurance
- Modules to be selected from: Basic, A, B, C, D, E, F
- Territorial validity: Europe or World

- Mountain rescue insurance for Slovakia
- Packages: Basic, Extreme
- Duration of cover: number of days or 12 months

GENERALI INSURANCE COMPANY, BRANCH OFFICE GENERTEL

- Genertel travel insurance
  - Medical insurance
  - Luggage insurance
  - Accident insurance
  - Liability insurance
- Packages: 3 days, 8 days, 11 days, 1 year
- Territorial validity: Europe or World

CASCO INSURANCE AND COMPULSORY THIRD-PARTY LIABILITY INSURANCE PRODUCTS

GENERALI INSURANCE COMPANY

- CASCO insurance AUTOMAX

- Additional CASCO insurance:
  - Windscreen insurance
  - Insurance of customized equipment
  - Luggage and personal belongings insurance
  - Passenger accident insurance
  - Replacement vehicle insurance
  - Business cover insurance
  - Insurance of financial loss (GAP)
  - Insurance of "Premium" assistance service
  - SOS Partner insurance

- Fleet CASCO insurance

- Compulsory motor third-party liability insurance AUTOMATIK
- CASCO insurance riders:
  - KLASIK assistance services
  - Passenger accident insurance
  - Disaster and pest
  - Pothole
  - "Premium" assistance service
  - Animal collision
  - Tires
- The product is available in three packages: M, L, XL

- Special riders:
  - Windscreen
  - Theft

- Fleet insurance – compulsory motor third-party liability insurance

GENERALI INSURANCE COMPANY, BRANCH OFFICE GENERTEL

- Genertel compulsory motor third-party liability insurance
- Supplementary riders to Genertel CTPLI:
  - miniCASCO insurance
  - miniCASCO insurance Extra
  - Vehicle theft
  - Vehicle theft Extra
  - Insurance against unforeseen charges
- Vehicle theft insurance (from 1 February 2020)

PERSONAL PROPERTY AND LIABILITY INSURANCE PRODUCTS

GENERALI INSURANCE COMPANY

- DOMino Extra comprehensive property insurance
  - Immovable property insurance
  - Household insurance

- Riders:
  - Živel Plus – Immovable property
  - Živel Plus – Household contents
  - Elektro – Immovable property
  - Elektro – Household contents
  - Flood – 100% coverage
  - Buildings
  - Entrepreneurs
  - Travel insurance
  - Micro accident insurance
  - Ornamental garden
  - Assistance services ŠTANDARD
  - Assistance services PREMIUM
  - Assistance services PRÁVNA OCHRANA
  - Car accessories
  - Pets
  - Memorials
  - Smart insurance
  - Liability
    - Civil liability
    - Ownership, rent, possession or management of immovable property liability

- DOMino Trio comprehensive household insurance
  - Immovable property insurance
  - Household contents insurance
  - Liability insurance
  - Assistance services
- The product is available in three packages: KLASIK, KOMFORT, EXCLUSIVE

- Employee liability insurance (individual)

- B2B insurance - in cooperation with business partners as an additional product (insurance of bicycles, white and black technology, damage to mobile phones, extended warranty, insurance of personal belongings, insurance of specific risks to payment cards)

GENERALI INSURANCE COMPANY, BRANCH OFFICE GENERTEL

- Genertel property and individual liability insurance (until 16 October 2020)

BUSINESS PROPERTY INSURANCE PRODUCTS

- Natural disasters or all-risk insurance
- Fire business interruption
- Burglary, robbery and fraud
- Machinery breakdown
- Electronic equipment
- Comprehensive machinery
- CAR/EAR
- Business interruption due to breakdown of machinery and electronic equipment
- Consignment
- Carrier liability
- Marine
- Aviation

BUSINESS LIABILITY INSURANCE PRODUCTS

- General third-party liability
- CMR
- Professional liability
- Employee liability (group)
- Environmental liability
- Company members' liability (D & O)

AGRICULTURAL RISK INSURANCE PRODUCTS

- Crops insurance:
  - Hail and other natural perils
  - Winter and spring frost
  - Drought

- Livestock insurance:
  - Contagion
  - Infectious diseases
  - Unscheduled interruption to the supply of electricity from the public distribution network
  - Electrocution of animals
  - Acute poisoning by exogenous toxic substances
  - Natural perils
  - Heat exhaustion
  - Acute non-infectious diseases
  - Injury
  - Birth injury

Chairperson's statement

Dear ladies and gentlemen, clients, business partners and shareholders,

The annual report for 2020, which you are holding in your hands, presents an overview of the most important events and results achieved by Generali insurance company in the past year. The year 2020 was completely different to previous years and full of changes in many ways for Generali.

The world was hit by a pandemic, which caused changes in our lives, daily habits, social events and affected the functioning of our society. We had to react quickly to the unexpected situation and change ways of thinking and working. The running of the insurance company has moved almost exclusively into the online environment. We began concluding contracts and conducting inspections remotely. However, our responsible approach as a lifelong partner and high-quality service provided remained unchanged, thanks to which we succeeded in managing the past year also from a business perspective.

We finished 2020 with excellent numbers and a significant growth in market share up to 11%, thus defending our 3rd position in the Slovak insurance market. Written premiums were of EUR 274 million, with a year-on-year increase of 5.1%. Gross written premiums in non-life insurance increased by 6.7% and life insurance increased by 2.7% year-on-year. Costs slightly increased due to larger investments in digitization, the purchase of technical equipment enabling employees to work from home and the additional purchase of hygiene products. Despite the unexpected expenditures, profit for 2020 was EUR 22.8 million.

We also actively focused on innovation and the introduction of new technologies last year. We regularly improve our systems and increasingly digitize them, not only to improve the user experience and comfort of our clients and intermediaries, but also due to the requirements of today's world, as confirmed by the 2020 experience. Our innovative approach helped us in the insurance business during this difficult period. Many of the activities were already in the testing mode and the implementation and launch was sped by the COVID-19 crisis.

Currently, almost all types of insurance can be concluded safely from home and during the first wave of the virus, we made it possible to conclude life insurance remotely. As part of life insurance, we began paying extraordinary compensation in addition to concluded life insurance for healthcare providers in the first line, who were infected with COVID-19. The virus also led us to modify our products, expanding our insurance coverage within travel and life insurance free of charge and

taking positive steps to insure entrepreneurs. As part of claim settlement, we launched our long-prepared innovation - a video inspection of insurance claims, the importance of which was proved conclusively during the pandemic. We also came out to meet our clients by changing the frequency of payments within the insurance of small and medium-sized enterprises and personal property insurance in the form of monthly installments free of charge, which helped to alleviate the pressure on the budget of households and entrepreneurs.

At the same time, we continued to provide the comprehensive care, quality service and an interesting product portfolio to our clients, and this approach is visible in our year-end results. Even through a difficult business period, we managed to keep the new non-life insurance business growing (year-on-year by +5.2%).

The upward curve was also maintained by the life insurance segment, which saw a 9% increase in annual premiums from new contracts.

Last year we introduced various innovations in life insurance to respond the requirements of our clients, as well as market developments. In line with our strategy and ambition to become a lifetime partner for our clients and bring tailor-made products, we were the first insurance company in Slovakia to introduce segmented life insurance tailored to selected professions and at the end of the year also especially for seniors. These changes also had a positive effect on the growth of written premiums in regular life insurance (+4.8%).

However, a significant driver was the motor insurance segment with a dramatic increase in written premiums by 14.1% last year, out of which both product lines MTPL (+15.3%) and Casco insurance (+13, 0%) contributed.

We achieved great results in personal property insurance (+14.2%). Conversely, the pandemic caused a significant drop in the sale of travel insurance (-51%) and negatively affected B2B business (-27%).

The Európska cestovná poisťovňa, as the leader in the travel insurance market, had an extremely challenging year, falling by 61.4% compared to last year due to the almost complete stop of mobility, including tourism or holidays.

Nevertheless, online sales of compulsory motor third party liability insurance, in which is the Genertel branch specialized, was successful last year. Year-on-year, written premiums increased significantly (+ 23.5%) in the MTPL.

The last year was extremely successful for our subsidiary VUB Generali DSS, despite the pandemic. In addition to having excellent results in both asset management and the growth of savers, we also made significant progress in digitization. At the end of the year, VUB Generali managed more than 312,000 clients' accounts with a total value of more than EUR 1.864 billion.

The impact of the COVID-19 crisis was felt in financial market turbulence and a general economic downturn, especially during the first wave of the pandemic. However, massive economic support from central banks and unprecedented government fiscal stimulus helped to restore investor confidence relatively quickly. The total amount of assets covering investment life insurance liabilities and investment contracts reached EUR 172 million at the end of 2020.

The Company's own sales network experienced a move forward in 2020. The long-term strategy based on education and a comprehensive counseling approach had positive effect in all ways. In order to be closer to our clients, we expanded our branch network last year, with 627 dealers currently available in more than 128 branches throughout Slovakia. We keep up with our ambition to be active in the online environment and our agents have their own websites and profiles on social networks, where clients can contact them at any time.

In 2020, the corporate sales network focused on small and medium-sized enterprises was further developed. We grew, not only in the number of corporate centers, but also in the number of our salespeople. Corporate clients have 87 of our traders at their disposal in 18 offices throughout Slovakia.

We managed the pandemic year also thanks to our partners, who have long appreciated the quality of our products and the service provided. Cooperation with external partners is excellent especially in the life insurance segment. Brokers also supported us in the sale of Casco insurance and property insurance last year.

We are doing well thanks to cooperation with our partner VUB banka. We also continue to cooperate with UniCredit bank.

On behalf of Generali's Board of Directors, let me thank all our clients for their trust, shareholders for their support and business partners for their successful cooperation. Thanks to all my colleagues, including our financial agents, who have contributed in so many ways to achieving our common goals and overcoming the difficult year of the COVID-19 crisis.

I am convinced that, despite the continuing difficult situation caused by the pandemic, we will meet our goals and commitments towards clients, shareholders and business partners in 2021.

Ing. Juraj Jurčík, MBA

Chairman of the Board of Directors and CEO

Board of the Company

BOARD OF DIRECTORS

Mag. Georg Engl, Msc
Chairperson
(from 1 September 2019 to 1 July 2020*)

Ing. Juraj Jurčík, MBA
Chairperson
(since 2 July 2020*; Member from 14 August 2013 to 1 July 2020*)

Ing. Igor Palkovič
Member
(from 1 March 2016 to 31 July 2020*)

Ing. Andrea Leskovská
Member
(since 12 December 2017*)

Mgr. Michal Marendiak
Member
(since 1 August 2020*)

SUPERVISORY BOARD

Ing. Miroslav Singer, PhD.
Chairperson
(since 1 September 2018*)

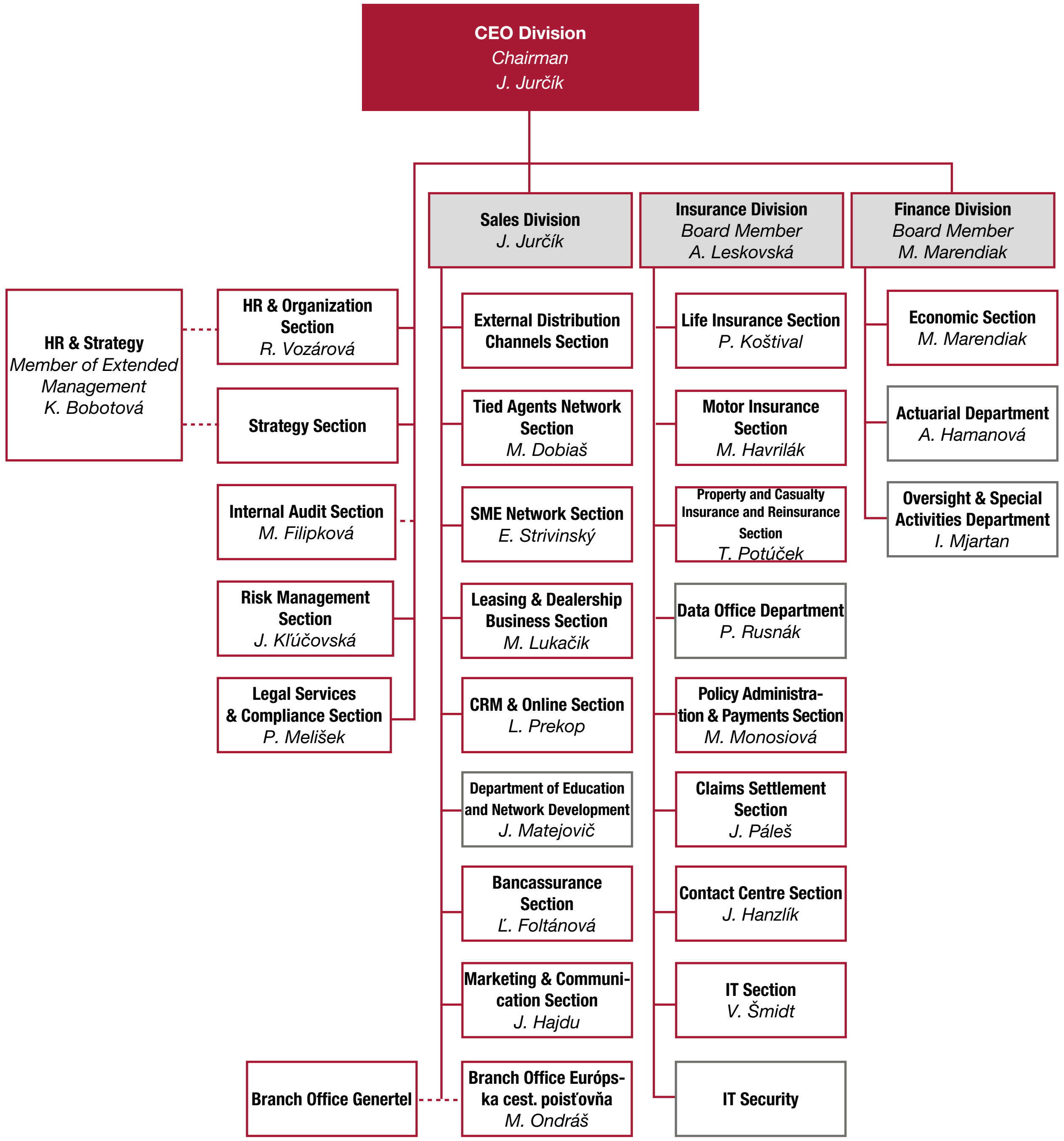
Marcela Nberiová
Member
(since 3 April 2012*)

Mag. Gregor Pilgram
Member
(from 1 September 2013 to 2 July 2020*)

Ing. Roman Juráš
Member
(since 3 July 2020*)

*date of appointment/standing down

Organizational structure as at 31 December 2020



Shareholders

Since January 1997, Generali has conducted insurance activities in the Slovak Republic, based on the approval of the Slovak Ministry of Finance. Since its incorporation, Generali has belonged to the Generali Group, which is one of the biggest insurance companies worldwide. On 1 October 2008, Generali Poisťovňa, a. s. merged with Česká poisťovňa – Slovensko, a. s. and created one company, Generali Slovensko poisťovňa, a. s. The only shareholder of Generali Poisťovňa, a. s. is Generali CEE Holding B. V., with its registered office at De entree 91, 1101BH Amsterdam, the Netherlands, which owns 75,302 shares, representing 100% of the Company's share capital and 100% share of voting rights. Since 16 January 2015, Generali CEE Holding B.V has been fully owned by Assicurazioni Generali S. p. A., Piazza Duca degli Abruzzi 2, I-34132 Trieste, Italy.

In 2020, Generali CEE Holding B.V. was active in 13 countries of Central and Eastern Europe – Austria, Bulgaria, Montenegro, Czech Republic, Croatia, Hungary, Poland, Romania, Russia, Northern Macedonia, Slovakia, Slovenia and Serbia, and represented one of the leading insurers in this region. In 2020, gross written premium amounted to almost EUR 4.4* billion, with services provided to nearly 10.2* million clients.

*these amounts do not include amounts for Austria and Russia. These countries are part of Generali CEE Holding B.V., however the insurance companies in these countries have different shareholder.

Report of the Board of Directors on business activities and assets and liabilities of the Company in 2020

During 2020, the Board of Directors of Generali Poisťovňa, a. s. exercised its rights and obligations arising under the Articles of Association and the generally binding legal regulations, regularly informed the Supervisory Board of the Company's business activities and the overall development of the insurance market in the Slovak Republic.

The Board of Directors is responsible for preparing the annual separate financial statements for 2020. The financial statements have been examined by Ernst & Young Slovakia, spol. s r.o., an audit firm, which has stated that the financial statements give a true and fair view of the financial position of the Company, of its financial performance and cash flows for 2020.

Despite the ongoing COVID-19 pandemic, 2020 was a year of continued growth. According to the statistics of the Slovak Insurance Association, the Company's year-on-year growth in 2020 was again one of the strongest in the Slovak insurance market.

In 2020, the Company achieved total gross written premiums of EUR 274.2 million consisting of non-life insurance of EUR 163.6 million and life insurance of EUR 110.6 million.

The Company's non-life insurance segment grew by 6.7%, driven by 14.1% growth in motor insurance. The Company was successful predominantly in the area of compulsory motor third party liability insurance, which grew by 15.3% y-o-y. The volume of CASCO insurance increased by 13.0%. Other non-life insurance recorded a year-on-year decline of 3.7%, mainly due to the impact of COVID-19 restrictions on travel insurance as well as B2B business.

The Company's life insurance segment grew by 2.7%, mainly due to a significant increase in regularly paid risk life insurance (+12.2%). Total premiums regularly paid in life insurance increased by 4.8%. As part of the new production in regular life insurance, we recorded a year-on-year increase of 9.0% while 91% of new production is risk insurance.

The overall loss ratio in the non-life segment reached 44.0%, which represents the significant decrease in loss ratio from the previous year (54.3%). In total, in the non-life segment we paid claims to our clients of EUR 75.0 million, which was EUR 1.9 million less than in 2019 (a year-on-year decrease of 2.4%).

The Company concluded 2020 with a net profit of EUR 22.8 million.

The Board of Directors proposes distributing the full amount of profit after tax of EUR 22,779,486.76 reported in the annual separate financial statements for 2020 to the shareholder in the form of dividends.

Generali reported solvency at 269.81% as at 31 December 2020 (292.9%, as at 31 December 2019). The Company maintains a stable solvency position in accordance with its risk appetite framework.

This confirmed that investing in digitization and streamlining of processes was the right decision and consequently, the Company was able to continue full provision of services to clients during the current crisis.

In 2021, the Company plans to increase gross written premiums with the emphasis on profitability, further increase business dynamics in both life and non-life insurance with a focus on property insurance, increasing efficiency, consistently monitoring operating costs and improving the quality of processes, digitization and a client-oriented approach.

In Bratislava, on 31. March 2021

Ing. Juraj Jurčík, MBA	**Ing. Andrea Leskovská**	**Mgr. Michal Marendiak**
Chairman of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors

Report of the Supervisory Board of Generali Poisťovňa, a. s.

Lamačská cesta 3/A, 841 04 Bratislava,

IČO: 35 709 332, incorporated in the Commercial Register of the Bratislava I District Court,

Section: Sa, File No. 1325/B ("the Company")

on the results of its supervisory activities regarding the annual separate financial statements

for 2020, the auditor's opinion and the proposal of the Board of Directors for the Company's profit distribution

as adopted per rollam in accordance with the provisions of Article 9 (14) of the Company's Articles of Association.

In accordance with the provisions of Article 9 (1)(a) of the Company's Articles of Association, the Supervisory Board has approved this report on the results of the supervisory activities regarding the annual separate financial statements for 2020, the auditor's opinion and the proposal of the Board of Directors for the Company's profit distribution.

In 2020, the Supervisory Board carried out its rights and duties in line with the Company's Articles of Association and the generally binding legal regulations. The Supervisory Board has been regularly informed by the Company's Board of Directors of the Company's business activities and its asset position and the Supervisory Board supervised the activities of the Board of Directors. The Supervisory Board hereby declares that the Company's business activities are carried out in line with the law, the Company's Articles of Association and the General Meeting's instructions.

The Company's annual separate financial statements for 2020 were audited by Ernst & Young Slovakia, spol. s r.o. The Supervisory Board acknowledged and accepted the auditor's opinion. The Supervisory Board reviewed the Company's annual separate financial statements for 2020, prepared and submitted by the Board of Directors. It has reviewed the report of the Board of Directors on the Company's business activities and its asset position for 2020 and it has accepted the proposal of the Board of Directors for the Company's profit distribution for 2020, without raising any objections to any of these documents.

As proposed by the Board of Directors, the full amount of the Company's profit of EUR 22,779,486.76 presented in the annual separate financial statements for 2020 will be distributed to the shareholder in the form of dividends.

The Supervisory Board recommends that the General Meeting of the Company approves the annual separate financial statements for 2020 and distributes the Company's profit in line with the proposal submitted by the Board of Directors.

In Prague, on 14. April 2021

In Bratislava, on 14. April 2021

Ing. Miroslav Singer, PhD.
Chairman of the Supervisory Board

Ing. Roman Juráš
Member of the Supervisory Board

Marcela Nberiová
Member of the Supervisory Board

Financial statements

Independent Auditor's Report

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Slovenská republika

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Fax: +421 2 3333 9222
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Independent Auditor's Report

To the Shareholder, Supervisory Board, Board of Directors and to the Audit Committee of Generali Poisťovňa, a. s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Generali Poisťovňa, a. s. ("the Company"), which comprise the separate statement of financial position as at 31 December 2020 separate statements of income and comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. 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.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Estimates used in calculation of insurance liabilities and Liabilities Adequacy Test

The Company's insurance contract liabilities, disclosed in Note 16 Insurance contract liabilities and financial liabilities from investment contracts represent a significant part of the Company's total liabilities. Insurance contract liabilities are valued in accordance with IFRS 4. Consistent with the insurance industry, the Company uses actuarial models to support the valuation of the insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate or incomplete data or design or application of the models. Economic and actuarial assumptions (disclosed in the Note 2.14 Insurance and investment contracts – classification and measurement, Note 2.15 Insurance contract liabilities and liabilities from investment contracts without DPF and Note 4.1 Insurance risk) such as investment return, costs and interest rates, mortality, morbidity, claims settlement expectations and patterns, assessment of litigations and customer behaviour, are key inputs used to estimate these liabilities.

In 2020, the additional risk factor, Covid-19 outbreak, occurred, which introduced additional uncertainties to the judgements and contributed to the complexity of the estimates used in calculation of insurance contracts liabilities.

The area involves significant management estimate and judgement over uncertain future outcomes, including the timing and ultimate full settlement of long-term policyholder liabilities, which requires involvement of actuarial specialists. As a consequence, this area is significant for our audit and we considered it a key audit matter.

Our audit focused on the actuarial models and models requiring significant judgement in the setting of assumptions such as mortality, morbidity and claims development. We used actuarial specialists to assist us in performing our audit procedures.

We assessed the design of the existing 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 setting process, we assessed the experience analyses performed by the Company. Our assessments also included procedures related to management's rationale for the economic and actuarial judgments used in the actuarial models along with comparison to applicable industry experiences.

We evaluated actuarial judgements used in the insurance contracts liabilities' models, which may vary depending on the product and the specifications of the product and also the compliance of the models with IFRS EU. We evaluated changes in the assumptions implemented as a response to market impact of Covid-19 pandemic. We tested the completeness and accuracy of data used in the models.

We assessed the process of the liability adequacy test, which is a key test performed to check that the insurance contract liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy test included assessment of the projected cash flows and of the assumptions adopted in the context of both the Company and industry experience. Evaluation of documentation for actuarial assumptions and expert judgment involved is an essential and integral part of our assessment.

We assessed the amount of the insurance contract liabilities that the Company recorded in respect of ongoing litigations related to insurance claims, including review of an independent assessment of the litigations by external lawyers of the Company.

We also assessed the adequacy of the disclosures regarding insurance contract liabilities in the financial statements (Note 16 Insurance contract liabilities and financial liabilities from investment contracts, Note 2.14 Insurance and investment contracts – classification and measurement, Note 2.15 Insurance contract liabilities and liabilities from investment contracts without DPF and Note 4.1 Insurance risk) to determine they are in accordance with IFRS EU.

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Valuation of financial instruments

The Company's investment portfolio, including derivatives, disclosed in Note 9 Financial assets and liabilities to the financial statements, represents a major part of the Company's total assets. These investments are valued at fair value in accordance with IAS 39. As described in Note 4.7 Fair value hierarchy to the financial statements, financial instruments classified as Level 1 in the fair value hierarchy are valued based on prices quoted in active markets. Part of the investment portfolio consists of illiquid or non-quoted instruments, classified under IFRS EU as Level 2 and Level 3. Fair values of these instruments are based on valuation models that use inputs and assumptions other than quoted prices included within Level 1 that are either observable or unobservable.

The determination of fair value of these investments involves a higher degree of management judgement and estimate applied in the valuation models. Due to this fact together with the significance of the volume of financial instruments, this area requires significant audit effort and was assessed as a key matter for our audit.

During our audit we assessed the valuation process of financial instruments. We tested design and operating effectiveness of the Company's internal controls over the valuation process and we evaluated the appropriateness of the classification of the financial instruments as Level 1, 2 and 3 in the fair value hierarchy. For a selected sample of Level 1 financial instruments we compared the fair values used by the Company with the fair values quoted in active markets. With the assistance of valuation specialists, we evaluated models, inputs and assumptions used by the Company in determining fair values for Level 2 and Level 3 financial instruments. On a sample, we compared the observable market inputs into valuation models, such as quoted prices, to externally available market data to assess whether appropriate inputs were used in the valuation. In case of non-observable inputs we performed an expert assessment of their reasonableness. For a sample of financial instruments, we compared the fair values derived from our internal valuation model to the fair values determined by the Company.

We also assessed the adequacy of the disclosures in the financial statements about the valuation of financial instruments, valuation methods and inputs used in the fair value measurement (Note 9 Financial assets and liabilities and Note 4.7 Fair value hierarchy) in accordance with IFRS EU.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS EU, and for such internal control as management 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, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council 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 ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2020 is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Company and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment of Auditor

We were appointed as the statutory auditor by the General Meeting of Shareholder of the Company on 7 April 2020. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 9 years.

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Consistence with Additional Report to Audit Committee

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 the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company and its controlled undertakings.

8 April 2021
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský, statutory auditor
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Separate financial statements

AS AT 31 DECEMBER 2020 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION

Ing. Juraj Jurčík MBA	**Mgr. Michal Marendiak**	**Ing. Sylvia Adamcová**	**Ing. Silvia Joštiaková**
Chairman of the Board of Directors	Member of the Board of Directors	Person responsible for accounting	Person responsible for the financial statements

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SEPARATE BALANCE SHEET

	Note	As at 31 December 2020	As at 31 December 2019
ASSETS			
Tangible assets	5	2,933	3,263
Right-of-use assets	6	5,889	7,111
Intangible assets	7	22,912	24,375
Other non-financial assets		388	601
Investments in subsidiaries, associates and joint ventures	8	33,371	33,371
Financial assets			
- repo	9	–	–
- available for sale	9	336,084	308,257
- at fair value through profit or loss	9	172,053	208,233
- derivatives	9	914	368
Reinsurance assets	10,16	60,354	61,389
Loans and receivables	11	20,175	21,297
Tax assets		–	133
Deferred acquisition costs	12	78,282	69,177
Cash and cash equivalents	14	31,074	25,879
Total assets		**764,429**	**763,454**
EQUITY			
Share capital		25,000	25,000
Legal reserve fund		5,648	5,648
Revaluation of securities available for sale		18,293	15,370
Share-based payment provision		776	883
Retained earnings and profit for the year		100,526	87,563
Total equity	**15**	**150,243**	**134,464**
LIABILITIES			
Insurance contract liabilities	16	494,467	500,552
Deposits from reinsurers		203	228
Financial liabilities			
- derivatives	9	1,224	1,607
- financial liabilities from investment conctracts	9,16	24,956	52,622
- lease liabilities	9,6	6,877	8,205
Income tax – liability		3,400	–
Deferred tax liabilities	13	1,814	1,958
Trade and other liabilities	17	81,245	63,818
Total liabilities		**614,186**	**628,990**
Total equity and liabilities		**764,429**	**763,454**

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	2020	2019
Gross earned premium		268,543	257,703
Earned premium ceded to reinsurers		(72,402)	(70,559)
Net earned premium	**18**	**196,141**	**187,144**
Income/(loss) from financial investments	19	9,832	23,042
Income/(loss) from derivative financial instruments	19	(246)	(292)
Impairment loss of financial assets available for sale	20	(315)	(30)
Commission from reinsurers		17,374	18,536
Other income	21	2,761	2,909
		225,547	**231,309**
Insurance benefits and loss adjustment expenses in life insurance		55,367	75,264
Insurance benefits in life insurance ceded to reinsurers		(875)	(1,374)
Insurance benefits and loss adjustment expenses in non-life insurance		73,593	85,670
Insurance benefits and loss adjustment expenses ceded to reinsurers in non-life insurance		(26,099)	(32,532)
Net insurance benefits and claims	22	**101,986**	**127,028**
Commission and other acquisition costs	23,25	69,431	67,382
Finance costs	24,25,6	1,108	1,027
Administration costs	25	23,133	22,339
		195,658	**217,776**
Profit before taxes		**29,889**	**13,533**
Income tax	26	(7,110)	(3,368)
Profit after taxes		**22,779**	**10,165**

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	2020	2019
Profit after taxes		**22,779**	**10,165**
Other comprehensive income/(loss) – items that may be reclassified to profit or loss			
Profit/(Loss) from revaluation of available-for-sale financial assets, from transfers to net profit when sold and impaired		3,700	4,467
Profit/(Loss) from revaluation of available-for-sale financial assets, from transfers to net profit when sold and impaired - deferred tax impact		(777)	(940)
Other comprehensive income/(loss)		**2,923**	**3,527**
Total comprehensive income/(loss)		**25,702**	**13,692**

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Legal reserve fund	Revaluation of securities available for sale	Share-based payment provision	Retained earnings and profit for the year	Total
Equity as at 1 January 2019		**25,000**	**5,648**	**11,843**	881	**86,629**	**130,001**
Other comprehensive income and losses for 2019		–	–	3,527	–	–	3,527
Profit after taxes		–	–	–	–	10,165	10,165
Total comprehensive income/(losses) for 2019		**–**	**–**	**3,527**	**–**	**10,165**	**13,692**
Share-based payment provision creation		–	–	–	418	–	418
Payments from share-based payment provision		–	–	–	(416)	416	–
Dividends	15	–	–	–	–	(9,647)	(9,647)
		–	**–**	**–**	**2**	**(9,231)**	**(9,229)**
Equity as at 31 December 2019		**25,000**	**5,648**	**15,370**	**883**	**87,563**	**134,464**
Other comprehensive income and losses for 2020		–	–	2,923	–	–	2,923
Profit after taxes	15	–	–	–	–	22,779	22,779
Total comprehensive income/(losses) for 2020		**–**	**–**	**2,923**	**–**	**22,779**	**25,702**
Share-based payment provision creation		–	–	–	242	–	242
Payments from share-based payment provision		–	–	–	(349)	349	–
Dividends	15	–	–	–	–	(10,165)	(10,165)
		–	**–**		**(107)**	**(9,816)**	**(9,923)**
Equity as at 31 December 2020		**25,000**	**5,648**	**18,293**	**776**	**100,526**	**150,243**

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SEPARATE CASH FLOW STATEMENT – INDIRECT METHOD

	Note	2020	2019
Cash flows from operating activities			
Profit/(Loss) before taxes		29,889	13,533
Adjustments for:			
Depreciation and amortization of tangible and intangible assets	5,7	5,580	5,608
Depreciation and amortization of right-of-use assets	6	1,296	1,284
Impairment losses	20	315	30
Creation/(release) of impairment provision to assets	5,7	–	328
Creation/(release) of bad debt provisions		(696)	887
Write-offs of receivables	25	2,021	495
(Gains)/losses from revaluation of financial assets at fair value through profit or loss	19	3,541	(13,901)
Interest income	19	(7,297)	(7,812)
Interest expense		147	185
Dividend income	19	(4,249)	(2,486)
(Gains)/losses from sales/disposals of tangible assets		32	(141)
Interest received		7,569	7,390
Dividends received, except for dividends from investments in joint ventures		169	241
(Increase)/decrease in financial assets		6,485	(6,528)
(Increase)/decrease in reinsurance assets		1,035	(3,585)
(Increase)/decrease in loans and receivables and other assets		10	(2,804)
(Increase)/decrease in deferred acquisition costs		(9,105)	(9,012)
Increase/(decrease) in insurance contract liabilities		(32,858)	24,669
Increase/(decrease) in deposits from reinsurers		(25)	17
Increase/(decrease) in trade and other payables		12,668	9,131
Increase/(decrease) in financial liabilities		(383)	(151)
Interest paid		–	–
Income tax paid		(4,498)	(4,438)
Net cash flows from operating activities		**11,646**	**12,940**

	Note	2020	2019
Cash flows from investment activities			
Acquisition of tangible and intangible assets	5,6,7	(3,992)	(3,220)
Proceeds from sale of tangible assets		100	491
Acquisition of shares in associates	8	–	(4,519)
Acquisition of insurance portfolio		–	(617)
Dividend income from investments in joint ventures		4,080	2,145
Net cash flows from investment activities		**188**	**(5,720)**
Cash flows from financing activities			
Loan payments		–	–
Lease liabilities payments		(1,475)	(1,349)
Dividend payments	15	(5,164)	(9,647)
Net cash flows from financing activities		**(6,639)**	**(10,996)**
Net increase/(decrease) in cash and cash equivalents		5,195	(3,776)
Net increase in cash and cash equivalents from acquisition of insurance portfolio		–	6,601
Cash and bank accounts at the beginning of the year		25,879	23,054
Cash and cash equivalents at the end of the year	**14**	**31,074**	**25,879**

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Notes to the financial statements

1 GENERAL INFORMATION

Generali Poisťovňa, a. s., ("the Company") is a universal insurance company based in the Slovak Republic. The Company provides life and non-life insurance as well as active reinsurance. The Company operates in the Slovak Republic and employs 618 people (as at 31 December 2019: 612).

The Company was established on 18 October 1996 and listed in the Commercial Register of the Bratislava I District Court on 12 February 1997. It is a joint-stock company with its registered office address at: Lamačská cesta 3/A, 841 04 Bratislava, Slovak Republic. The Company's shares are not listed on the stock exchange. The Company's corporate ID (IČO) is: 35 709 332 and its tax ID No. is: 2021000487.

MEMBERS OF THE COMPANY'S STATUTORY AND SUPERVISORY BODIES AS AT 31 DECEMBER 2020 ARE:

BOARD OF DIRECTORS:

Title, Name, Surname	*Function*	*Period of appointment*
Ing. Juraj Jurčík, MBA	Chairman	since 2 July 2020
Mag. Georg Engl, MSc	Chairman	from 1 September 2019 to 1 July 2020
Ing. Juraj Jurčík, MBA	Member	from 14 August 2013 to 1 July 2020
Mgr. Michal Marendiak	Member	since 1 August 2020
Ing. Igor Palkovič	Member	from 1 March 2016 to 31 July 2020
Ing. Andrea Leskovská	Member	since 12 December 2017

DOZORNÁ RADA:

Title, Name, Surname	*Function*	*Period of appointment*
Ing. Miroslav Singer, PhD.	Chairman	since 1 September 2018
Marcela Nberiová	Member	since 3 April 2012
Ing. Roman Juráš	Member	since 3 July 2020
Mag. Gregor Pilgram	Member	from 1 September 2013 to 2 July 2020

The Company has two established branches (both with their registered office at Lamačská street 3/A, Bratislava):
Generali Poisťovňa, a. s., branch Európska cestovná poisťovňa
Director: Ing. Milan Ondráš
Generali Poisťovňa, a. s., branch Genertel

The shareholder of the company Generali Poisťovňa, a. s., is GENERALI CEE Holding B. V., ("the Shareholder") with its registered office at De entree 91, Amsterdam, 1101BH, Kingdom of the Netherlands, listed in the Commercial Register administered by the Amsterdam Chamber of Commerce under registration number 34275688.

The Company's ultimate parent company and ultimate controlling party is Assicurazioni Generali S. p. A., Piazza Duca degli Abruzzii 2, Trieste, Italy.

Assicurazioni Generali S. p. A., Trieste, Italy, is listed on the Italian Stock Exchange in Milan, Italy. The Company, together with its subsidiaries and joint ventures, is included in the consolidated financial statements prepared by Assicurazioni Generali S. p. A. Trieste. These consolidated financial statements are available directly at the registered address of the company.

Notes to the financial statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company's separate financial statements as at 31 December 2020 ("the financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). These financial statements were approved by the Company's management on 1 April 2021.

These financial statements have been prepared as separate financial statements in accordance with Article (17) (a) (1) of Act No. 431/2002 on Accounting, as amended. Significant investments in subsidiaries and joint ventures are set out in Note 8. The method of accounting for investments is described in Note 2. 2. The Company and its subsidiaries are part of the Generali Group ("the Group").

The Company has applied the exception set out in IAS 27, paragraph 10 and has not prepared consolidated financial statements as at 31 December 2020. The Company GENERALI CEE Holding B.V., with its registered office at De entree 91, Amsterdam, 1101BH, Kingdom of the Netherlands, will prepare the consolidated financial statements, in accordance with IFRS as adopted by the EU.

As at the day on which these separate financial statements were approved, the Group did not prepare consolidated financial statements in accordance with IFRS, as required by IAS 27. The Company made use of the interpretation, contained in the document issued by the European Commission's Internal Market and Services Board for the Accounting Regulatory Committee (document ARC /08/2007), of the relationship between IAS regulations and the fourth and seventh Directives. The European Commission is of the opinion that if the Company chooses or is required to prepare its separate financial statements in accordance with IFRS, it can prepare and issue them independently from preparing and filing consolidated financial statements.

To obtain full information on the financial position, the result of operations and the cash flow of the Group as a whole, the users of these separate financial statements should read them together with the Group's consolidated financial statements prepared as at 31 December 2020, as soon as they become available.

In the consolidated financial statements, those subsidiary companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights, or otherwise has the power to exercise control over their operations, will be fully consolidated, except for the subsidiary GSL Services s.r.o.

The Company did not prepare consolidated financial statements including the subsidiary GSL Services, s.r.o., as the exception set out in paragraph 22 (12) of the Accounting Act applies; by preparing only separate financial statements of the parent company, the judgment of financial position, expenses, revenues and profit or loss of the consolidated group will not be affected.

Effective as of 1 October 2019, the Company acquired the insurance portfolio of ERGO Poisťovňa, a.s. ("ERGO"). Based on the Insurance portfolio transfer contract signed on 25 September 2019 and in accordance with the prior agreement of the National Bank of Slovakia, the portfolio of insurance contracts and related receivables, liabilities, accruals, technical provisions (including financial liabilities from investment contracts) and their coverage has been transferred.

The Company assessed this transaction and from an accounting perspective, it was not a business combination under IFRS 3. As at the date of acquisition, the Company applied an expanded presentation in accordance with IFRS 4 and recognized assets and liabilities as follows:

- Technical provisions and other items (with the exception of deferred acquistion costs from individual contracts and initial fees from investment contracts) were valued using the Company's existing methods. The Company did not adjust ERGO carrying amounts as at 1 October 2019 due to the unification of accounting policies and because the accounting policies applied to the acquired portfolio did not differ significantly from those applied by the Company.
- The VOBA intangible asset represented the difference between the purchase price paid by the Company and the amount decribed in point i. Deferred acquisition costs from individual contracts and initial fees, as above, were of no value for the Company and were therefore recognized under the intangible asset.

Notes to the financial statements

When acquiring the insurance portfolio, the Company recognized the following items from ERGO:

	As at 1 October 2019
ASSETS	
Financial assets at fair value through profit or loss	59,710
Loans and receivables	54
Cash and cash equivalents	6,601
Total assets	**66,365**
LIABILITIES	
Technical liabilities from insurance contracts and financial liabilities from investment contracts	**66,052**
Trade and other liabilities	172
Total liabilities	**66,224**
Net assets	**141**
Acquisition price	**617**
VOBA (Note 7)	**476**

The Company's financial statements have been prepared on the going-concern basis.

These financial statements have been prepared under the historical cost convention, except for financial assets available for sale, derivatives and financial assets and liabilities at fair value through profit and loss.

All amounts in these financial statements are shown in thousands of euros (EUR) and amounts are rounded to the nearest thousand EUR (unless stated otherwise).

The preparation of financial statements in accordance with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Board of Directors might suggest amendment of the financial statements to shareholders even after their approval at the General Meeting.

Significant accounting methods and principles used in preparing these financial statements are set out below. These principles have been consistently applied for all presented years.

Changes to existing accounting standards applied in 2020

Application of the following new standards, amendments and interpretations to existing standards has no significant effect on the financial statements (unless stated otherwise):

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective from 1 January 2020) issued in October 2018, clarify and align the definition of materiality to help improve consistency in the application of this principle whenever it is used in individual IFRS standards. The standard was approved by the EU in November 2019.

IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (effective from 1 January 2020) were issued in September 2019 to close Phase I of the project responding to the impact of IBOR Reform on financial reporting. Phase II will deal with issues affecting statements where the existing benchmark is replaced with a risk-free interest rate (RFR). The published amendments deal with issues affecting reporting before the existing benchmark is replaced with an alternative interest rate, plus implications of specific requirements of hedge accounting that require a forward-looking analysis. The amendments provide temporary exemption for all hedging relationships which are directly affected by the benchmark reform. This exemption enables them to continue hedge accounting during the period of uncertainty. There are also changes in IFRS 7 – additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments were approved by the EU in January 2020.

The International Accounting Standards Board (IASB) issued its revised Conceptual Framework in March 2018 (effective from 1 January 2020), which sets out fundamental concepts for financial reporting, creation of new standards, guidance on developing accounting procedures to comply with IFRS and assistance with understanding and interpreting standards. At the same time, the IASB issued a separate document (Amendments to References to the Conceptual Framework in IFRS) which regulates references to the Conceptual Framework in individual standards. Its objective is to support transition to the revised version for companies which develop their accounting policies by reference to the Conceptual Framework when no existing IFRS standard applies to a particular transaction. The revised Conceptual Framework was approved by the EU in January 2020.

The amendment to IFRS 3 Business combinations, issued in October 2018 and effective from 1 January 2020, narrows and clarifies the definition of a business. Simultaneously, it permits use of a simplified assessment of whether an acquired set of activities and assets represents a set of assets or a business. The amendment was approved by the EU in April 2020.

The Company did not voluntarily adopt new standards, amendments and interpretations early, which will be mandatory for accounting periods beginning on 1 January 2021 or later:

Notes to the financial statements

None of the following standards, amendments to and interpretations of existing standards was voluntarily applied, before their effective date, in preparing financial statements as at 31 December 2020.

IFRS 9 Financial Instruments, issued in November 2009 and effective from 1 January 2018, replaces those parts of IAS 39 which relate to the classification and measurement of financial assets. Subsequent amendments to IFRS 9 from October 2010 modify the classification and measurement of financial liabilities. The amendment from December 2011 changed the effective date from 2013 to 2015 and completed disclosure requirements. The final version of the standard was issued on 24 July 2014 and it unifies the phases of classification and measurement, impairment testing and hedge accounting, into a single document.

IFRS 9 is based on an integrated approach to classification and measurement of financial assets, which takes into account the business model for managing financial instruments and the contractual cash flow characteristics of the financial assets. Based on this, the model of expected losses was created, which will result in timely accounting for credit losses and the model will be applicable to all financial instruments that are subject to impairment testing. In addition, IFRS 9 deals with the so-called own credit risk problem, where banks and others show gains in their income statement, resulting from a reduction in the value of their own debts due to decreased credibility, having decided to measure their liabilities at fair value. The standard also includes an improved model of hedge accounting that better connects the economic substance of risk management and its accounting.

Key characteristics of the standard are the following:

- Financial assets will be classified into two categories for valuation purposes: assets at fair value and assets carried at amortized cost using the effective interest method. The classification is to be made at the time of acquisition of financial assets and depends on the business model for managing its financial instruments and the contractual cash flow characteristics of the financial assets.
- Financial assets will be measured at amortized cost using the effective interest rate only if it is a debt instrument and both (i) the aim of the entity's business model is to hold the asset to collect the contractual cash flows and (ii) contractual cash flows represent only payments of principal and interest (i.e., it has only basic loan characteristics). All other debt instruments are measured at fair value with revaluation result affecting profit or loss or other comprehensive income or loss (if the aim is to collect contractual cash flows and the sale of assets).
- All equity instruments are measured at fair value. Shares held for trading will be measured at fair value through profit or loss. The entity will be able to once, and irrevocably at the time of acquisition, opt for revaluation of shares (i) through profit or loss, or (ii) through other comprehensive income or loss. Reclassification or recycling of fair value through profit or loss at the time of sale or impairment will not be possible. That classification decision will be made separately for each acquired investment in shares or ownership interests. Dividends will be recognized through profit or loss if they represent income from investment rather than return on investment.
- Most of the requirements of IAS 39 for the classification and measurement of financial liabilities were transferred without change to IFRS 9. The main change is the obligation of an entity to recognize the effects of changes in the credit risk of financial liabilities at fair value, where they are recognized in the income statement, in other comprehensive income.

The Company will use the temporary exemption and it will adopt IFRS 9 together with IFRS 17 Insurance contracts. The Company is currently in the implementation phase of the standard, interacting with IFRS 17. IFRS 9 was approved by the EU in November 2016.

The amendment to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, issued in September 2016 and effective from 1 January 2018, addresses concerns arising from implementing the new financial instrument IFRS 9 before a new standard, replacing IFRS 4, is issued. The amendment introduces two options for entities which issue insurance contracts: temporary exemption from IFRS 9 application and an overlay approach.

The temporary exemption from IFRS 9 is permitted for entities whose activities are predominantly connected with insurance and allows further application of IAS 39 until 1 January 2022. The entities which use this exemption are required to make additional disclosures.

The overlay approach is possible for entities which apply IFRS 9 and issue insurance contracts, in order to adjust the profit and loss statement by financial assets (ultimately it has the same effect as accounting in accordance with IAS 39 for the particular financial assets). The adjustment eliminates the accounting inconsistency arising from application of IFRS 9 without the new standard for accounting of insurance contracts. The entity will have to disclose the adjustment as a separate line in the profit and loss statement and statement of other comprehensive income. The amendment was approved by the EU in November 2017. The Company will use a temporary exception from the application and will implement IFRS 9 together with IFRS 17. Additional disclosures are presented below in point 2. 1.

IFRS 17 and IFRS 4 (effective from 1 January 2023), issued in June 2020, aim to help companies implement IFRS 17, simplifying some requirements of the standard to reduce costs and clarifying presentation of financial results. Postponement of its effectiveness to 2023 allows a transition period and additional relief on first application of IFRS 17. The amendment to IFRS 4 changed the fixed date of temporary exception from IFRS 9 from 1 January 2022 to 1 January 2023.

IFRS 14 Regulatory Deferral Accounts, issued in January 2014 and effective from 1 January 2016, is an interim standard which allows entities beginning to prepare financial statements in accordance with IFRS, to continue to use the previous procedures for reporting values of regulated prices. In order to improve comparability with entities which already apply IFRS and which do not report accruals, IFRS 14 requires recognition of the deferred effect of regulated prices to be recorded separately. The European Commission decided not to begin an approval process for this temporary standard but will wait for its final version.

IFRS 17 Insurance Contracts, issued in May 2017 and effective from 1 January 2022, is a new comprehensive accounting standard for insurance contracts that replaces IFRS 4. IFRS 17 sets out disclosure requirements for both the Company's insurance contracts and reinsurance contracts. IFRS 17 provides information on the liabilities, risks and performance of insurance contracts, increases the transparency of the financial reporting of insurance companies, which provides investors and analysts with greater confidence in the understanding of insurance and introduces homogeneous accounting for all insurance contracts based on the current measurement model.

The main characteristics of the new accounting model for insurance contracts are:

- Valuation based on the present value of future cash flows, including explicit risk margins, reassessed in each accounting period
- A Contractual Service Margin (CSM), which represents an unearned portion of the profits from insurance contracts that will be dissolved during the service provision (i.e., over the lifetime of the cover)
- Some changes in the expected present value of future cash flows adjusted against the CSM, therefore affecting the economic outcome during the remaining service life
- Effects of a change in the discount rate will be recognized either in the income statement or in other comprehensive income and losses – based on the decision of the company
- The deposit component will not be recognized in the income statement but directly in the balance sheet
- A new concept for the presentation of insurance revenues and the cost of providing insurance

The impact of this Standard on the Company's financial statements, as well as on its data, systems and processes, will be significant. The Company is in the implementation phase of the standard. The standard has not yet been approved by the EU.

Interest Rate Benchmark Reform – Phase II - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021) were issued in August 2020. By Phase II, the IASB had completed activities responding to the impact of IBOR Reform on financial reporting. The amendments present temporary relief, dealing with issues affecting financial reporting statements, where the existing benchmark is replaced with a risk-free interest rate (RFR), for example on hedging. There are also changes in IFRS 7 – additional disclosures that allow users of financial statements to understand the impacts of Interest Rate Benchmark Reform on financial instruments and risk management policy. The amendments were approved by the EU in January 2021.

The amendments to IFRS 16, Rental Relief due to the COVID-19 pandemic (effective from 1 January 2020), issued in May 2020, can be applied retrospectively to financial reports not approved for issue by 28 May 2020. The IASB adjusted the standard to provide relief to tenants from application of the procedure, accounting for modification of leasing contracts with rental discounts, offered directly in response to the impact of the COVID-19 pandemic. The amendment offers a practical guide for tenants, so that all changes in lease payments resulting from a pandemic, and which meet the following conditions, can be charged as if they were not a modification of the leasing contract:

- A change in lease payments results in an adjusted lease fee that is almost equal to or less than the fee before the change.
- A reduction in lease payments only applies to those originally due on or before 30 June 2021.
- There are no significant changes to other leasing contract conditions.

The amendment was approved by the EU in October 2020.

The amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current (effective from 1 January 2023 - postponed for a year due to the COVID-19 pandemic), issued in January 2020, aims to promote a consistent approach to the assessment of requirements by helping companies to decide whether liabilities with indefinite maturity should be classified in the balance sheet as current or non-current. The amendment has an effect on the presentation of liabilities in the balance sheet. However, it does not change the existing requirements relating to measurement or recognition of assets, liabilities, revenues or costs, or the scope of information to be disclosed on them by an accounting entity. The amendment also clarifies the requirements for classification of debt that may be repaid by issuing own shares. The amendment has not yet been approved by the EU.

The amendments to IAS 8, Definition of accounting estimates (effective from 1 January 2023), issued in February 2021, introduced the definition of accounting estimates and other adjustments to IAS 8, which aims to help companies differentiate between changes in accounting estimates and accounting policies. The amendment has not yet been approved by the EU.

The amendments to IAS 1 Presentation of Financial Statements issued in February 2021 and effective from 1 January 2023, aims to improve disclosure of accounting policies. The amendment changed paragraphs 117-122 IAS 1 so that companies are required to publish material accounting policies instead of a significant and adjusted "Materiality practice statement" to include the procedure and examples of materiality application in disclosure accounting policies. The amendment has not yet been approved by EU.

Amendments to IFRS 3, IAS 16 and IAS 37 and Improvements to International Financial Reporting Standards 2018-2020 (effective from 1 January 2022) issued in May 2020:

- IFRS 3 adjusts the reference in IFRS 3 to a Conceptual Framework, without changing accounting requirements for business combinations.

- IAS 16 prohibits a company from deducting from the cost of tangible assets, the amount obtained from the sale of goods produced while the company is preparing an asset for its intended use. Instead, the company must present account revenues from sales and related costs in the income statement.
- IAS 37 specifies the costs a company includes in determining the cost of fulfilling a contract, to assess whether it is an onerous contract.
- Improvements to International of International Financial Reporting Standards 2018-2020 represent small changes to IFRS 1, IFRS 9, IAS 41 and illustrated examples, which are part of IFRS 16.

The amendments have not yet been approved by the EU.

Unless stated otherwise, the new standards and interpretations will have no significant impact on the financial statements.

Disclosures on the temporary exemption from application of IFRS 9

The Company has used a temporary exemption from application of IFRS 9 in accordance with the amendment to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

The Company qualifies for temporary exemption from application of IFRS 9. The carrying amount of liabilities related to insurance activities as at 31 December 2015 (EUR 462,594 thousand) is above 90% of the total carrying amount of liabilities (EUR 479,731 thousand).

Liabilities which were not included in the calculation (%) as at 31 December 2015 are listed below:

- Derivative financial instruments measured at fair value (EUR 1,445 thousand)
- Tax liabilities (EUR 6,687 thousand)
- Other liabilities - in particular, employee-related, current payables to suppliers (EUR 9,005 thousand)

Disclosures related to financial instruments as at 31 December 2020 in accordance with the amendment to IFRS 4 are presented below.

Notes to the financial statements

Fair value and changes in fair value of financial assets in scope of IFRS 9, detailing instruments whose contractual cash flows represent solely payments of principal and interest

	Fair value 2020	Change in fair value in 2020
At fair value through profit or loss	172,967	1,411
Own mutual funds	–	–
Mutual funds underlying the provision for covering the risk of investments in the name of the insured	172,053	1,956
Derivative financial instruments	914	(545)
Available for sale and loans and receivables*	337,204	2,433
Financial assets whose contractual cash flows represent solely payments of principal and interest	316,312	1,406
Bonds	315,192	1,406
Repos	–	–
Loans and receivables	1,120	–
Financial assets whose contractual cash flows do not represent solely payments of principal and interest **	20,892	1,027
Equities	7,428	(113)
Mutual funds	13,464	1,140

	Fair value 2019	Change in fair value in 2019
At fair value through profit or loss	208,601	6,385
Own mutual funds	5,317	3,083
Mutual funds underlying the provision for covering the risk of investments in the name of the insured	202,791	2,952
Derivative financial instruments	368	298
Bonds	125	52
Available for sale and loans and receivables*	309,977	16,535
Financial assets whose contractual cash flows represent solely payments of principal and interest	292,264	11,456
Bonds	290,544	15,712
Repos	–	(4,196)
Loans and receivables	1,720	(60)
Financial assets whose contractual cash flows do not represent solely payments of principal and interest **	17,713	5,079
Equities	6,190	1,757
Mutual funds	11,523	3,322

*Insurance and reinsurance receivables are out of scope of IFRS 9
** These assets would be classified as 'at fair value through profit or loss' had we applied IFRS 9

Notes to the financial statements

The carrying amount of bonds whose contractual cash flows represent solely payments of principal and interest by credit risk exposure:

	Carrying amount (IAS 39)	
	31 December 2020	31 December 2019
AAA	6,636	6,549
AA	10,464	9,492
A	172,238	162,407
BBB	110,585	95,015
Non-investment grade	15,269	9,842
Non-rated	–	7,239
Total	**315,192**	**290,544**

The table below gives an overview of fair values of instruments whose contractual cash flows represent solely payments of principal and interest and their credit risk is not low (Non-investment grade and Unrated):

	Carrying amount (IAS 39)		Fair value	
	2020	2019	2020	2019
Bonds	15,269	17,081	15,269	17,081
Repos	–	–	–	–

2.2 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights which are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are carried at cost in these financial statements according to IAS 27. As of the date of the financial statements, the Company assesses whether there is any objective evidence of the impairment of subsidiaries in the same way as described in Note 2.19 for non-monetary assets and performs an impairment test.

b) Associates

Associates are all entities over which the Company has significant influence but not control, usually associated with a shareholding of 20%-50% of the voting rights. Investments in associates are carried at cost in these financial statements according to IAS 27. As of the date of the financial statements, the Company assesses whether there is any objective evidence for the impairment of subsidiaries in the same way as described in Note 2.19 for non-monetary assets and performs an impairment test.

c) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually-agreed sharing of control of an arrangement. Joint ventures are carried at cost. As of the date of the financial statements, the Company assesses whether there is any objective evidence of the impairment of joint ventures in the same way as described in Note 2.19 for non-monetary assets and performs an impairment test.

2.3 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

Items included in the Company's financial statements are stated in euros, which is the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in thousands of euros, which is the Company's presentation currency.

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b) Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations are recognized in the income statement.

Translation differences on non-monetary items, such as investment funds held at fair value through profit or loss, are reported as part of the gains or losses in the income statement. Translation differences on non-monetary items, such as equity securities classified as financial assets available for sale, are included in the valuation variances from revaluation of securities classified as financial assets available for sale.

2.4 INTANGIBLE ASSETS

a) Value of business acquired (VOBA)
Insurance liabilities assumed and insurance assets acquired in a business combination from a party under common control are measured at fair value on the date of acquisition.

As at 1 January 2008, the VOBA of the life portfolio of the original ČPS was determined on the basis of the embedded value calculation principles, using the best estimate assumptions.

As at 1 January 2008, the VOBA of the non-life portfolio of the original ČPS was determined on the basis of best estimates of the future development of the non-life portfolio (cancellations, claims development, costs).

VOBA is an intangible asset with a finite useful life. VOBA is gradually amortized through the income statement over the period for which profits from the acquired insurance contracts are expected (for the life part of VOBA it is 30 years and for non-life part it is 15 years). VOBA is tested for impairment at each balance sheet date. The procedure is described in Note 2. 19.

b) Software
Costs incurred for licenses and for putting computer software into use are capitalized. These costs are amortized on the basis of the expected useful life (up to five years).

All other costs associated with developing or maintaining computer software programs are recognized as an expense when incurred.

2.5 TANGIBLE ASSETS

a) Acquisition costs
Tangible assets comprise mainly buildings and land, motor vehicles and equipment. They are stated at historical cost less accumulated depreciation and impairment losses. Historical costs include expenses that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

b) Depreciation
Depreciation charges are calculated using the straight-line method over estimated useful lives as follows:

Buildings	15 to 40 years
Machinery and equipment	2 to 6 years
Motor vehicles	4 years
Office equipment	6 years
Low-value tangible assets	1 to 2 years

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate. Gains and losses on disposals are determined as the difference between the proceeds and the asset's carrying amount and are recognized in the income statement.

An asset's carrying amount is written down immediately to its recoverable amount, if greater than its estimated recoverable amount (Note 2.19).

2.6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company rents office premises throughout the territory of Slovakia for its activities. Rental of premises in which the headquarters and regional departments are located was classified as a long-term. Rental of the remaining office space (most of which is closed for an indefinite period with two months notice on both the lessor and the tenant) was classified as short-term.

Right-of-use assets were valued at initial acquisition on the basis of the present value of future cash flows.

Acquisition value contains:
a) Value of financial liabilities from lease contracts at initial recognition
b) Lease payments prior to lease start, net of any incentives received from the lessor
c) Initial direct costs

d) Costs to bring assets into the condition required under a lease contract

Right-of-use assets are depreciated using the straight-line method over the shorter of the useful life or the term of lease. If the Company is reasonably certain that it will exercise an option to purchase, the right-of-use fixed assets are depreciated over the useful life of the underlying asset.

The Company depreciates rented office premises using the straight-line method over the estimated term of lease (five to seven years).
Financial liabilities from lease contracts are valued at initial acquisition based on the present value of future lease payments including fixed and variable payments (based on an index or rate), net of any incentives received from the lessor.

The rental of office premises includes options to extend or prematurely terminate the lease. These options are used to enable the Company to operationally manage such leases. The Company assessed these options and where it is reasonably certain of their usage, they have been reflected in the valuation of the financial liability from lease contracts.

Lease payments are discounted using the implicit lease discount rate. If this rate cannot be determined (as is the case for the Company's lease contracts), the Company has used the rate it would have to pay to borrow the funds necessary to acquire similar assets, or similar value to the right-of-use assets in a similar economic environment, under similar conditions.

To determine this rate, the Company used a risk-free interest rate as the basis, adjusted for a credit risk mark-up and conditions specific to a lease contract (e.g., duration period, currency, country and collateral).

The Company is exposed to potential future increases in variable lease payments (based on an index or rate) that are not included in the financial liability from lease contracts until this situation occurs. If the situation occurs and lease payments are adjusted based on an index or rate, the financial liability from lease contracts is adjusted against the asset.

Lease payments are allocated between the payment of principal and financial costs. Financial costs are recorded in the income statement over the term of lease so as to result in interest on the residual value of the financial liability under the lease contracts in each period.

Payments related to short-term lease (up to one year) and lease of low value assets (up to EUR 5,000) are recognized on a straight-line basis as an expense in the income statement.

2.7 REINSURANCE CONTRACTS

The Company cedes to the reinsurers the shares on risk arising from insurance activities for reducing possible net losses. Assets, liabilities, income and expenses resulting from reinsurance contracts are presented separately from those arising from related insurance contracts, as the reinsurance contracts do not free the Company from direct liabilities towards the insured. The rights arising from contracts where substantial insurance risk is transferred are recognized as reinsurance assets.

Assets arising from reinsurance consist of short-term receivables from reinsurers (classified as loans and receivables), as well as long-term receivables from reinsurers (classified as reinsurance assets) which depend on the expected insurance claims and benefits arising under the related reinsured insurance contracts. Reinsurance assets are measured on the same basis as provisions set up for the corresponding reinsured insurance contracts and in accordance with the terms and conditions of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense on the same basis as premiums for insurance contracts.

The Company assesses its reinsurance assets for impairment on each balance sheet date. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the income statement. The Company gathers objective evidence that a reinsurance asset is impaired using the same process as adopted for financial assets held at amortized cost. The impairment loss on reinsurance assets is also calculated following the same method as for these financial assets. This process is described in Note 2. 19.

2.8 FINANCIAL ASSETS AND LIABILITIES

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and financial assets available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments as at the acquisition date.

Regular purchases and sales of financial assets are recognized at the trade date (mutual funds certificates) – the date on which the Company commits to purchase or sell the asset or at the settlement date (other financial assets). Financial assets are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition, except for financial assets measured at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. In the case of financial assets traded in an active and liquid market, the fair value is their quoted market price. If the market for a financial asset is not active or the market price not available, the Company establishes fair value by using valuation techniques (DCF – discounted cash flow analysis). If the fair value of equity instruments cannot be reliably determined, the financial assets are measured at cost. Financial assets are derecognized from the balance sheet when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled, or expires.

a) Financial assets stated at fair value through profit or loss

Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if it is part of the financial assets portfolio where there is evidence of short-term profit-taking, or if it is so determined by the Company's management. It is also an asset which is managed and its performance evaluated on a fair value basis in line with the Company's investment strategy. Information regarding the fair value of these financial assets is provided internally to the Company's management.

Financial assets designated at fair value through profit or loss upon initial recognition are those that are in internal and external funds to match insurance contract liabilities where the risk of fair value changes is borne by the insured. The measurement of these assets at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (so-called accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company does not recognize day-one profit in this respect.

Financial assets at fair value through profit or loss are subsequently valued at fair value. Realized and unrealized gains and losses arising from changes in fair value, as well as foreign exchange differences are recognized in the income statement.

b) Loans and receivables

This category comprises non-derivative financial assets with fixed payments that are not quoted in an active market. It does not include financial assets at fair value through profit or loss or those available for sale. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method, less impairment allowances. An impairment allowance for loans and receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to their original terms (Note 2.19). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment in the same way as other loans and receivables. An exception is made for receivables arising from unit-linked insurance, for which the impairment allowances are created for the full amount of the receivable.

c) Financial assets available for sale

Financial assets available for sale are non-derivative financial assets, either designated in this category by the Company's management or not classified in any of the other categories.

Financial assets available for sale are subsequently carried at fair value. Unrealized gains and losses on financial assets available for sale are recognized in other comprehensive income as part of the revaluation reserve for available-for-sale financial assets, until they are sold or determined to be impaired. Unrealized foreign exchange gains and losses on debt securities are recognized in the income statement.

When sold or impaired, the cumulative gains and losses previously recognized in other comprehensive income are reclassified to the income statement.

This category includes listed securities, investment fund units neither held for trading nor designated as financial assets at fair value through profit or loss, and listed securities designated as available for sale.

If an available-for-sale financial asset is interest bearing, interest calculated using the effective interest method is recognized in the income statement. Dividends on equity instruments available for sale are recognized in the income statement when the Company's right to receive payments is established.

d) Derivative financial instruments

Derivative financial instruments are classified as financial assets and financial liabilities at fair value through profit or loss. Initially and also subsequently, derivative financial instruments are measured at fair value, and fair value changes are recognized in the income statement. Transaction costs related to the purchase and sale of derivative financial instruments are recognized in the income statement when incurred. The Company does not recognize day-one profit in this respect.

Financial derivatives include currency and interest rate swaps concluded with counterparties on the exchange of future cash flows based on nominal values outside a stock exchange (OTC). Futures are marketable on a stock exchange.

The fair value of financial derivatives not traded in an active market is determined based on the value which the Company would receive or pay, after considering the current market conditions and the current creditworthiness of participants in the transaction, if the contract was terminated on the balance sheet date.

Financial derivatives are recognized as financial assets if their fair value is positive. If negative, they are recognized as financial liabilities.

The Company has adopted hedge accounting. The Company uses two types of hedging (both of them are fair value hedges) – interest rate risk and foreign exchange risk hedges.

- **Interest rate risk hedge**

The strategy of the Company is to hedge against the change in fair value of the portfolio with fixed income. The Company hedges against changes in fair value, which occur as a result of a change in the risk-free interest rate (for the purpose of hedge accounting defined as a change in the IRS rate). The Company does not hedge against changes in fair value due to changes in the credit risk.

The Company adopted hedge accounting in order to also reflect the strategy in the financial statements. The Company manages the risk by using a dynamic strategy - it modifies positions within the fixed income portfolio and the hedging derivates (interest rate swaps), which are used for modifying and hedging interest sensitivity of the whole portfolio.

The position of individual instruments in the portfolio, either underlying assets or hedging derivatives, are closed, modified or terminated even before the date of maturity of the instruments according to the actual risk capacity or appetite, development of issuer credit quality, change of instrument liquidity or its relative ratio between risk and income.

Hedge accounting is applied to a group of assets. The Company selects instruments with fixed income representing hedged items, as well as their volume, always at the beginning of the month. It determines that the group of assets fulfills the conditions stated in Article 83 of IAS 39 – that the assets in the group share the risk exposure and that a change in fair value attributable to the hedged risk for each individual item in the group is approximately proportional to the overall change in fair value attributable to the hedged risk of the group of items.

- **Foreign exchange risk hedge**

The Company dynamically hedges instruments in its investment portfolios, which are denominated in foreign currency by foreign currency derivates (mainly currency swaps). All foreign currency risks are hedged (all foreign currencies and instruments – bonds, shares, etc.). Revaluation of hedging derivates is recognized in the income statement. Revaluation of non-monetary assets (e.g., shares) classified as available for sale is recognized in equity. This inconsistency can lead to profit / loss volatility. The purpose of hedge accounting is to eliminate this inconsistency and to recognize revaluation of non-monetary assets available for sale related to the foreign exchange rate changes in the income statement.

For both types of hedges the Company performs prospective and retrospective testing of hedge effectiveness on a monthly basis. Hedges were effective as of the balance sheet date.

2.9 DEFERRED ACQUISITION COSTS (DAC)

DAC include costs incurred in relation to new insurance contracts and for non-life insurance, also with the renewal of existing insurance contracts. They include direct costs (such as commission, forms, doctors' fees), and indirect costs (such as marketing costs, salaries of the sales staff: product managers and underwriters).

The Company only defers direct acquisition costs (commission) up to the amount of their expected return on future income from the related insurance contracts. An exception is for acquisition costs in life insurance for products with the Zillmer provision, where acquisition costs are deferred up to the calculated amount.

For non-life insurance contracts, DAC are amortized over the terms of the insurance policies in the same ratio as that of unearned premium to gross written premium.

For life insurance contracts, acquisition cost capitalization is not applied in cases where its application would lead to inconsistencies in periods between costs incurred and revenues, especially in the following cases:

a) Products acquired in an acquisition
b) Products with single premium payment
c) Commission for special deposits
d) Products for which the Zillmer method is applied
e) Products which are not available for sale and their acquisition costs were not historically expected to be deferred.

For amortization of deferred acquisition costs, the principle of linear amortization, conducted out of initial capitalized costs is applied:

a) For a period during which the initial charges are deducted from the premium
b) For a period during which the premium is paid if no initial charges are established

The product groups Dynamik Plus and Dynamik (portfolio in run-off) are exceptions, where the amortization period according to the original amortization scheme was set at five years.

Recoverability of deferred acquisition costs is tested within the liability adequacy test at each balance sheet date. In the event of insufficient provisions in non-life insurance, the Company releases the relevant DAC. Should this not be sufficient to cover future costs, the Company sets up a provision for unexpired risks. In the event of insufficient provisions in life insurance, the Company will decide on releasing DAC and/or setting up a provision for insufficient premium.

2.10 INCOME TAX

The income tax arising from the result of operations of the current period, consists of tax due and deferred tax. The income tax is recognized in the income statement, except for the tax that relates to items recognized directly in other comprehensive income. In that instance the income tax is also posted directly to other comprehensive income.

The income tax due is the expected tax liability relating to the taxable profit for the current period, calculated using the tax rate applicable as at the balance sheet date. The tax due also includes adjustments of the tax liabilities of past accounting periods and a special levy on business in regulated industries under Act. No. 235/2012 Coll. as amended.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination which, at the time of the transaction, affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates that have been approved or partially approved by tax laws and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.11 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount is shown on the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held on call with banks. Term deposits are presented as part of financial assets since they are primarily intended to cover the liabilities from insurance contracts. Cash and cash equivalents are stated at nominal value plus accrued interest.

2.13 SHARE CAPITAL

Ordinary shares are classified as share capital when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

2.14 INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION AND MEASUREMENT

The Company concludes contracts which transfer insurance risk or insurance and financial risk. Insurance contracts are those which transfer significant insurance risk. Such contracts may also transfer financial risk. The Company defines as a significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event which are at least 10% more than the benefits payable if the insured event does not occur and such an event is likely. Investment contracts are those that transfer financial risk with no significant insurance risk. These contracts are classified on the basis of product characteristics.

A number of insurance and investment contracts contain discretionary participation features (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

a) Which are likely to be a significant portion of the total contractual benefits
b) Whose amount or timing is at the discretion of the Company
c) Which are contractually based on:
   i) The performance of a specified pool of contracts or a specified type of contract
   ii) Realized or unrealized investment returns on a specified pool of assets held by the Company
   iii) The profit or loss of the Company, fund or other entity that issues the contract

A portion of additional DPF is considered to be significant if additional benefits constitute a significant portion of all contractual payments. DPF is part of insurance liabilities.

a) Summary of the classification of insurance contracts

The following grouping of insurance contracts in homogeneous groups is used for the valuation of revenue, costs and liabilities from insurance contracts.

An overview of homogeneous groups and classifications according to IFRS 4 is shown below.

Segment	Insurance contract	Investment contracts with DPF	Investment contracts without DPF
Non-life insurance	x		
Life insurance			
Life insurance contracts with fixed and guaranteed terms	x	x	
Variable life insurance contracts	x	x	
Investment life insurance contracts (unit-linked and index-linked)	x		x

b) Valuation of insurance contracts

Non-life insurance contracts

These contracts include casualty, property and personal insurance contracts, in general called non-life insurance.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for individual and business customers who become liable to pay compensation to a third party for bodily harm, property or other damage.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (coverage in case of interrupted business operation).

Personal insurance contracts primarily protect the Company's customers from the consequences of events (such as accidental death or disability) that would affect the ability of the customer or their dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage.

Claims and loss adjustment expenses are charged to the income statement when incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by contract holders. They include direct and indirect claim settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims, except for insurance claims paid in the form of an annuity.

Insurance contracts liabilities are valued according to the type of liability. The method of valuation of the liabilities is described in section 2. 15.

Life insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (such as death or pure endowment) over a long period. There may be supplementary insurance cover (riders) agreed under these insurance contracts, such as accidental permanent injury insurance and serious illness insurance.

Insurance contracts with fixed and guaranteed terms contain a minimum guaranteed interest rate (0% up to 6% p.a.). Some contracts also contain DPF, which entitle policyholders to participate in returns on investment in excess of the minimum guaranteed interest rate in the form of a profit share. The Company decides the participation rate and profit share per year.

Premiums are recognized as revenue when they become payable by the contract holder. Insurance benefits are recorded as an expense when incurred.

Claims and loss adjustment expenses are charged to the income statement when incurred, based on the estimated liability to provide compensation owed to policy holders or beneficiaries. They include direct and indirect claim settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company.

Insurance contract liabilities are valued according to the type of liability. The method of valuation of the liabilities is described in section 2. 15.

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported. The method of valuation of the liabilities is described in section 2. 15.

Investment life insurance contracts (unit-linked and index-linked)
Investment life insurance contracts enable allocation of part of the premium to funds. The development of liabilities from premiums allocated to funds is expressed in client units of the insured. There may be supplementary insurance cover (rider) agreed under these insurance contracts.

Depending on the significance of the insurance risks, contracts are classified as:
- Insurance contracts
- Investment contracts without DPF.

Accounting policies depend on classification of individual insurance contracts.

As regards premiums and insurance benefits, accounting policies for contracts classified as insurance contracts are the same as those for life insurance contracts with fixed and guaranteed terms. For investment contracts without DPF, risk premium and fees agreed in contracts are recognized as income and a portion of insurance benefits which is above the value of the fund is recognized as an expense. Insurance benefits corresponding to the fund value are recorded in the balance sheet.

The valuation of liabilities from the portion of a premium allocated to funds is determined by the so-called current account method, i.e., the liability is increased by premium payments and decreased by applicable deductions from the premium. The liability is reduced on a monthly basis by risk premium, administrative and other agreed fees and, if applicable, paid surrender values.

Changes in investment life insurance liabilities corresponding to changes in the value of underlying assets are recorded for:
- Contracts classified as insurance contracts in the income statements
- Investment contracts without DPF in the balance sheet

Changes in other liabilities are recorded in the income statement.

The method of valuation of the liabilities is described in section 2. 15.

Variable life insurance contracts
Variable life insurance contracts include the option of variable risk selection. Insurance products in this category may also provide variability in relation to investment risk, which includes the option to allocate premium to a part:
- With a guaranteed interest rate
- With an announced interest rate, the level of which is decided by the Company
- Where the investment risk is borne by the policyholder

There may be supplementary insurance cover (rider) agreed under these insurance contracts.

Accounting policies for these contracts are the same as those for life insurance contracts with fixed and guaranteed terms, regarding premium and insurance benefits.

The valuation of the parts of liabilities with a guaranteed interest rate and supplementary insurance cover follows accounting policies valid for valuation of liabilities for contracts with fixed and guaranteed terms.

The valuation of liablities from parts of contracts where premiums are allocated to funds follows the accounting policies valid for valuation of liabilities for investment life insurance contracts classified as insurance contracts.

The method of valuation of the liabilities is described in section 2.15

Changes in variable life insurance liabilities are recorded in the income statement.

c) Liability adequacy test
Non-life insurance
At each balance sheet date, a liability adequacy test for unearned premium reserve in non-life insurance is performed by comparing the expected values of claim payments and expenses related to the remaining period of active contracts and the unearned premium from these contracts, net of deferred acquisition costs. The amount of expected cash flows from claim payments and expenses is estimated, based on the claims development for the elapsed period of the contract and is adjusted for significant individual claims which are not expected to recur. If the test shows that provisions are insufficient, insufficiency will be additionally set up through the income statement by writing off DAC. If writing off DAC is insufficient to cover the deficiency, a provision for unexpired risks is set up. A liability adequacy test is performed for product groups which include insurance contracts with similar risk profiles.

For annuities, the assumptions used in calculating the provision include all future cash flows and changes are immediately recognized in the income statement.

The adequacy of claims provisions in non-life insurance is tested by comparison with an alternative calculation of the amount of the ultimate loss using the triangle of insurance benefits paid. If this calculated loss is less than the ultimate loss determined by accounting policies, the provision is sufficient. Otherwise a provision will be set up through the income statement.

Life insurance
At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of contractual liabilities. Accounting value of insurance liabilities after deducting the related DAC in life insurance is compared with fair value of insurance liabilities. In performing these tests, fair value of insurance liabilities is set as current best estimates of future contractual cash flows increased by risk margin. When setting the best estimate of insurance liabilities the Company uses current assumptions (i.e., best estimate) of mortality, incidence of other insurance risks, cancellations of insurance contracts and costs derived from Company specific conditions, particularly commissions, administrative expenses, loss adjustment expenses and financial investment expenses.The Company takes into account the basic principles when assessing the best estimate and risk margin, which are established in legal enactments adopting Solvency II (mainly Directive 2009/138/EC and legislative proposals of the delegating legal directive as at the balance sheet date). Financial assumptions used in liability adequacy test are set up based on the same principles as in Solvency II. Any insufficiency is immediately charged to the income statement.

The Company performs the adequacy test separately for homogeneous life insurance product groups. Any sufficiency or deficiency between these groups is not compensated.

During the reporting period, the Company adjusted assumptions of the aggregation of insurance contracts into homogeneous groups so that individual connected components of insurance contracts are not reported in separate homogeneous groups.

2.15 INSURANCE CONTRACT LIABILITIES AND LIABILITIES FROM INVESTMENT CONTRACTS WITHOUT DPF

a) Life insurance contract liabilities and liabilities from investment contracts without DPF
Technical provision for life insurance
Technical provision for life insurance consists of the following segments:
a) Life insurance contract liability: Provision for guaranteed benefits
b) Life insurance contract liability: Provision for profit share
c) Life insurance contract liability: Deferred liability to the policyholders
d) Life insurance contract liability: Provision from the liability adequacy test

Technical provision for life insurance – provision for guaranteed benefits is created for guaranteed liabilities from life insurance contracts with a guaranteed technical interest rate. The technical provision is calculated as the sum of provisions for individual life insurance contracts. Depending on the technical features of insurance, the following principles are applied for the calculation of technical provision:

a) The present value principle: the provision amount is set as the present value of future payables of the insurance company, including administrative expenses less future premium. At provision calculation, the same assumptions are used as those at pricing.
b) The capital value principle: the provision amount is set in the amount of capital value, i.e., paid insurance premium less risk premium and charges, increased by the value of the technical interest rate as at the balance sheet date (“account type provision”).
c) The Zillmer method principle: the technical provision is reduced by the unamortized portion of the costs up to a maximum of one-off initial costs included in the premium. The Zillmer method is not applied to products with:
  - Account type provision
  - Regular premium payments for which initial costs are not included in the premium as one-off costs
  - Single premiums,
d) The non-negativity principle: a negative provision amount is replaced by zero

Shadow accounting
In accordance with IFRS, 4 the Company may change its accounting procedures so that the unrealized gains or losses from assets recognized in other comprehensive income will affect the amount of liabilities from insurance contracts, in the same manner as if they were realized. This procedure is so-called shadow accounting. The Company therefore, using the shadow accounting principle, increased technical provision in life insurance against other comprehensive income in an amount corresponding to the share of unallocated surpluses, arising from the valuation difference on available-for-sale securities (also reported in other comprehensive income).

Provision for covering the risk of investments in the name of the policyholders (unit-linked)
The provision for covering the risk of investments in the name of the policyholders has been set up for insurance contracts linked to investment life insurance (unit-linked) where the economic risk of variability in yield or growth of the invested funds is carried only by the person who concluded the insurance contract with the insurance company. Technical provision is created for contracts classified as insurance contracts.

Technical provision is calculated as the sum of provisions calculated for individual life insurance contracts referred to in the paragraph above. The insurance company manages the account in the form of units ("client units") for each such insurance policy. The insurance account is increased by units of the premium paid and reduced by units of risk premium and administrative charges in accordance with the particular insurance terms. The provision is set at the market value of client units and its value is determined by multiplying the client units and the current market price as at the balance sheet date. In the event of a negative value of the technical provision for an individual policy, the insurance company posts the negative portion as a receivable from the insured.

Financial liabilities from investment contracts without DPF (unit-linked, index-linked)
For contracts classified as investment contracts without DPF, a financial liability from investment contracts without DPF is created to cover commitments on the investment of funds on behalf of the policyholders, and the method of establishing that liabilitiy is the same as that for provision covering the risk of investment in the name of policyholders.

Unearned premium reserve
Unearned premium reserve includes the unearned part of the written premium that relates to subsequent accounting periods as at the balance sheet date.

The unearned premium reserve is calculated using the pro-rata temporis method based on the exact number of days related to the future periods and based on the exact number of days for which the premium is written. The technical provision is set as the sum of provisions for all insurance contracts.

The technical provision is not created for:
a) Insurance contracts and investment contracts with DPF with single premium
b) Unit linked and variable insurance contracts to a part corresponding to the liabilities where the whole premium is used as a provision for covering the risk of investment in the name of policyholders or to the creation of technical liabilities from investment contracts without DPF
c) Contracts or parts of contracts where the whole premium is used as an account type provision

Provision for insurance claims
The provision for insurance claims in life insurance represents an estimate of total expenses for insurance benefits that result from insured events incurred by the end of the accounting period, regardless of whether or not they have been reported.

The provision for insurance claims from insured events that have been reported but not yet settled (RBNS) is set up in the amount of an expected insurance benefit when the insured event is reported. If the insurance benefit concerns survival or death or an insurance event from supplementary risk riders (i.e., insurance benefits related to the termination of an insurance contract/risk), simultaneously with the creation of RBNS, depending on the type of contract, the technical provision for life insurance or a provision to cover the risk of investing funds on behalf of the policyholders is released. After the claim is settled, the RBNS provision is released and the final expense on insurance benefit is recognized.

For contracts classified as investment contracts without DPF, the method of RBNS creation is the same as for insurance contracts and investment contracts with DPF. Liabilities for the fund value are presented separately from the liabilities from insurance contracts and investment contracts with DPF as a part of payables to clients.

For insurance benefits paid in annuities or pension, the RBNS provision is created as the present value of the future payments.

The estimate of RBNS always includes an estimated amount of the related internal and external loss adjustment expenses.

For riders in life insurance, as part of RBNS a so-called IBNER provision is set up, i.e., a provision for insured events already incurred but not sufficiently reported. The method of determining the amount of this provision is the same as for IBNER in non-life insurance (Note 2.15 b).

Provision for insurance benefits from insured events incurred but not reported at the balance sheet date (IBNR) is set up on the basis of the estimates of insurance benefits from these events. For riders in life insurance and for claims related to death, the provision is set up identically as for accidental insurance in non-life insurance (Note 2.15 b).

The estimate of IBNR always includes an estimated amount of the related internal and external loss adjustment expenses.

b) Non-life insurance contract liabilities
Unearned premium reserve
The unearned premium reserve is set up in non-life insurance for the part of the written premium relating to future accounting periods. Its amount is calculated, using the pro-rata temporis method, as the total sum of technical provisions calculated for individual insurance contracts at the balance sheet date.

The provision for unexpired risk can be a part of the unearned premium reserve. The provision for unexpired risk is set up if the written premium relating to future periods is not sufficient to cover all insurance benefits on the insured events and future costs that relate to valid insurance contracts (liability adequacy test).

Provision for insurance claims
The provision for insurance claims in non-life insurance represents an estimate of total expenses for insurance claims that result from insured events incurred by the end of the accounting period, regardless of whether or not they have been reported.

The provision for insurance claims from insured events that have been reported (RBNS) is set up when the insured event is reported in the amount of the expected insurance benefit. In the event that the amount of the insurance benefit at the time of reporting an insured event cannot be estimated based on the known facts, the typical average values for the particular type of insured events will be used as the first estimate. This assessment is then improved at each subsequent supplement of data on insured events. At the completion of an insured event the RBNS will be released and the final expense on insurance benefit will be recognized.

For insurance benefits paid in annuities or pension, the RBNS provision has been set up as the present value of future payments.

The estimate of RBNS always includes an estimated amount of the related internal and external loss adjustment expenses.
A so-called IBNER provision is set up as part of the RBNS provision in non-life insurance, i.e., a provision for insured events already incurred but not sufficiently reported. The amount of this provision is determined as the difference between the estimated ultimate loss and the following items: insurance benefits already paid, the balance of RBNS and the estimate of IBNR.

The estimate of so-called ultimate loss is calculated by the triangular method. The lines of the triangle represent accident years and the columns of the triangle contain cumulative data about the payment of insurance benefits and changes in RBNS in each subsequent accounting period. The triangle data is adjusted for extremely high losses. The ultimate loss is determined from data on and over the diagonal by using weighted development coefficients. If triangular methods are not suitable, due to concerns about the quality of historical data, especially due to legislative changes or significant uncertainty (for example, the COVID-19 pandemic), another appropriate method is used, such as one based on the frequency and expected level of damage.

Provision for insurance benefits from insured events, incurred but not reported as at the balance sheet date (IBNR), is set up on the basis of the estimates of insurance benefits from these insurance events. The estimate of IBNR is determined by the triangular method from a specially modified triangle of cumulative data about the insured events. The lines of the triangle represent accident years and the columns of the triangle contain cumulative data about the payments of insurance benefits and changes in RBNS. The triangle data is adjusted for extremely high losses. The estimated total amount of insurance benefit is determined from data on and over the diagonal by using weighted development coefficients. IBNR will then be determined as the final value less the sum of the values on and over the diagonal.

The estimate of IBNR always includes an estimated amount of the related internal and external loss adjustment expenses.

2.16 RECEIVABLES AND PAYABLES RELATED TO INSURANCE CONTRACTS

Receivables and payables related to insurance contracts are financial instruments including amounts due to policyholders, agents and brokers. Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate, less any impairment allowances. If objective indicators show that the receivables arising from insurance contracts are impaired, the Company adequately reduces their carrying amount and recognizes the impairment loss in the income statement. The impairment testing process is described in Note 2. 19.

Payables related to insurance contracts are initially recognized at fair value less transaction costs. Subsequently they are valued at amortized cost using the effective interest rate.

2.17 DEPOSITS FROM REINSURERS

This item includes deposits received from reinsurers from the ceded direct insurance business, mainly due to the reinsurer's share of the Company's technical provisions. Reinsurers provide deposits to meet their contractual obligations and to participate in cases of major claims or in reinsurance of large insurance portfolios. These deposits are recognized according to contractual conditions reflecting the reinsurer's share in the business ceded. Interest on these deposits is recognized in the income statement as interest expense on the amortized cost basis, using the effective interest method.

2.18 REVENUE RECOGNITION

a) Income from fees and commissions
Reinsurance commission and profit shares from reinsurers include commission received from reinsurers, receivables from reinsurers resulting from reinsurance commission and the share in profit resulting from reinsurance contracts. Reinsurance commission from insurance is accrued in the same way as the unearned premium ceded to reinsurers.

A reinsurance commission is recognized in the same way as costs incurred for the acquisition of particular reinsurance contracts in accordance with the reinsurance terms and conditions effective for the respective year. The profit commission related to reinsurance contracts is accrued.

b) Interest income and interest expenses
Interest income and interest expenses for all interest-bearing financial instruments, including those stated at fair value through profit or loss, are recognized within income/loss from financial investments, using the effective interest method.

c) Dividend income
Dividend income is recognized when the Company's right to receive payment is established.

d) Income from settlement of insurance claims
Income from settlement of insurance claims is recorded at the time the services are rendered.

2.19 IMPAIRMENT OF ASSETS

a) Financial assets carried at amortized cost
At each balance sheet date, the Company reassesses whether there is any objective indication that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is recognized only if there is an objective indication of impairment. This is as a result of one or more events which have occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Objective indicators that a financial asset or a group of financial assets is impaired include the following:

- Significant financial problems of the debtor or issuer
- A breach of contractual conditions, such as a default or delinquency in payments
- A creditor, due to legal or economic reasons related to the debtor's financial problems, gives the debtor a discount which was originally not intended
- It becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganization
- Termination of the active market for the given financial asset due to financial difficulties
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be matched to individual financial assets in the group, including:
  - Adverse changes in the solvency of issuers or debtors in the group or
  - National or regional economic conditions that correlate with defaults on the assets in the group

The Company first assesses whether objective indications of impairment exist individually for financial assets which are significant. If the Company concludes that no objective indications of impairment exist for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics. These are categorized by asset type, industrial sector, territory, maturity, and similar relevant factors and collectively assessed for impairment. Assets that were individually assessed for impairment and for which an impairment was identified are not included in a collective assessment of impairment.

Future cash flows in a group of financial assets which are collectively assessed for impairment are estimated on the basis of contractual cash flows from the Company's assets and historical loss experience for the Company's assets with similar credit risk characteristics. Historical loss experience is adjusted, based on current observable data to reflect the effects of current conditions. These are judged not to affect the period on which the historical loss experience is based and to remove the effects of conditions in a historical period that no longer exist.

If there is an objective indication that an impairment loss has been incurred on loans and receivables or investments held to maturity, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Exceptions are receivables from unit-linked insurance, where provision is set in the full amount of the receivable, which reduces an accounting mismatch between written premium and setting up the technical provision for life insurance. The carrying amount of the asset is reduced by using a valuation allowance account and the loss is recognized in the income statement. If an investment held to maturity or a receivable or a loan has a floating interest rate, then the discount rate for measuring any impairment loss is determined as the current contractual interest rate. The Company may also determine the amount of the impairment loss as the difference between the financial asset's fair value set on the basis of its market price and the carrying amount.

In a subsequent period, if the amount of the impairment loss decreases and this decrease is objectively related to an event that occurred after the impairment was recognized (such as improved credit rating of the debtor or issuer), the reported impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

b) Financial assets carried at fair value

The Company assesses at each balance sheet date whether there is an objective indication that a financial asset is impaired. In the case of equity securities classified as available for sale, a prolonged (more than one year) or significant (more than 30%) diminution in the fair value of the security below its acquisition cost is taken into account except for investment in Lion River, where the decrease of fair value below its aquistion costs is expected in the first five years (J-curve). If any such evidence exists for financial assets available for sale, the cumulative loss is removed from valuation variances in other comprehensive income and it is recognized in the income statement. The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss. If in the following period the fair value of the equity security increases, these increases in the fair value of the equity security are recognized in other comprehensive income. The impairment loss on debt securities is released through the income statement, if in a subsequent period, the fair value of a debt instrument increases and this increase objectively relates to an event that occurred after the impairment loss was recognized in the income statement.

c) Impairment of subsidiaries, associates and joint ventures

In the case of investments in subsidiaries, associates or joint ventures, the test for impairment is performed as a comparison of the acquisition cost with the recoverable amount of the investment, decreased by impairment losses already recognized in the income statement. Impairment is recognized in the income statement.

d) Impairment of other non-financial assets

Assets which have an indefinite useful life are not amortized. However, they are tested for impairment on an annual basis. Assets which are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which separately identifiable cash flows (cash-generating units) exist. Impaired non-monetary assets other than goodwill are reviewed at each balance sheet date to establish whether or not the impairment can be reversed.

Intangible assets that represent the value of an acquired insurance portfolio in life and non-life insurance, are assets with a definite useful life. The carrying value of this asset is tested for impairment when there are objective indicators that impairment could have occurred. An example of an indicator of a possible impairment loss is a change in the assumptions used in the initial recognition of this asset. If necessary, the test is conducted by the "embedded value" methodology on the actual balance of the acquired portfolio using current best estimates.

2.20 EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits include salaries, annual holiday entitlement and wage compensation for public holidays. They are accounted for at their nominal value and are recognized as personnel costs in the income statement.

Social insurance and pension plans with defined contributions

During the year, the Company pays contributions to statutory health, medical and injury insurance and to the guarantee and unemployment funds in amounts determined by law, based on gross salaries. During the year, the Company contributes to these funds at 35.2% (31 December 2019: 35.2%) of the gross salaries up to the amount of monthly salary pursuant to relevant legal regulations. The employee contribution was 13.4% (31 December 2019: 13.4%).

The costs of the statutory health, medical and injury insurance and the guarantee and unemployment funds are recognized as costs in the same period as related personnel costs. No other liabilities relate to them.

The Company classifies employee benefits relating to pensions (such as contributions to supplementary pension saving) as defined contribution plans.

Liabilities from defined contribution plans are recognized as costs when incurred. No other liabilities relate to them.

Unfunded defined benefit pension plans

Based on IAS 19, except for short-term employee benefits, provision for defined benefit plans is included, such as termination indemnities and other long-term employee benefits. They are measured according to the Projected Unit Credit Method (in accordance with IAS 19), which implies that the defined benefit liability is influenced by many variables, such as mortality, employee turnover, salary trends, expected inflation and expected return on investment. The liability recognized on the balance sheet represents the net total of the present value of the defined benefit obligation.

The rate used to discount future cash flows is determined by reference to market yields as at the balance sheet date on high-quality corporate bonds. The actuarial assumptions are periodically tested to confirm their consistency.

Severance benefits

Severance benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.21 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the Company's shareholders approve the profit distribution and the dividend amount.

2.22 SHARE-BASED PAYMENT

Provision for share-based payment is a form of long-term plan for remuneration of the Group's top management. Reward for achieving objectives is paid in the form of shares of Assicurazioni Generali S.p.A. The plan is set out in cycles that last three financial years. The total number of shares is divided into three tranches - 30%, 30% and 40% each year. The payment of each tranche depends on whether the given criterion was met in the year and whether the manager is still the Group's employee at the end of the three-year cycle.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and uses assumptions that affect the reported amounts of assets and liabilities in the following accounting periods. Estimates and judgments are continually re-evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Significant estimates and assumptions, which have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the following accounting period, are described below.

The ultimate liability arising from claims made under insurance contracts

Estimating the ultimate liability arising from claims made under insurance contracts is the Company's most significant accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

On the balance sheet date, a provision is created for expected final expenses for the settlement of all insurance claims up to that time, regardless of whether they were reported or not. This provision includes also claim settlement costs, less the amount of claims already paid. The provision for non-life insurance claims is not discounted.

Data included as assumptions is mostly obtained from internally-acquired analyses of the Company or from other companies in the Group.

If sufficient data for determination of reliable trends of insurance claims is not available (mainly in the first years after introduction of a new product or risk), prudent assumptions are used.

Expenses for events, which were not settled, and IBNR provisions (Note 16) are estimated by various statistical methods. These methods extrapolate the trend of paid and incurred claims, average cost for insurance claims and ultimate loss expenses for insurance claims for each accident year on the basis of the historical trend and expected claims.

When using the statistical data of claims development, it is assumed that claims development from the past will recur in the future. However, the following are examples of possible disruptions to application of this rule:

- Economic, legal, political and social trends
- Changes in the structure of the portfolio of insurance contracts
- Impact of insurance claims of extraordinary scale

Estimate of future insurance benefits arising from long-term insurance contracts

The valuation of liabilities from life insurance consists of two steps. In the first step, future liabilities from insurance are measured, prior to putting a new product on the market.

For life insurance contracts, the Company sets assumptions of mortality or that some other insured event will occur, that an insurance policy will be voluntarily terminated, plus future expenses and future investment income increased by a risk premium. For life insurance products, these assumptions, which are included in the insurance premium, are not changed during the entire term of insurance. They are used to calculate liabilities during the entire lifetime of the policy.

In the second step, on every balance-sheet date the Company reassesses whether liabilities from insurance contracts calculated, based on assumptions set prior to concluding the policy, are adequate. If the liabilities are adequate, the original assumptions are used for the valuation. But if not, the original assumptions are modified, based on actual financial and operational assumptions, increased by a risk margin.

The liability adequacy test in life insurance is determined by the method of discounted cash flows.

Future cash flows for all life insurance products include premiums, insurance benefits, administrative expenses, loss adjustment expenses, investment costs and commissions. The present value of these cash flows is compared with the carrying amount of technical provisions in life insurance, including deferred liabilities to the insured, provision for covering the risk of investments in the name of the insured, unearned premium provision and the technical provision for claims, paid as pension decreased by deferred acquisition costs. If the present value of cash flows is higher, the Company will set up an appropriate technical provision through the income statement.

Subrogation receivables

The Company uses a mathematical - statistical method (Chain-Ladder) in calculation of subrogation receivable, assuming that the history of obtained subrogations is relevant to the future.

Impairment of securities available for sale

On every balance-sheet date, the Company examines whether there is objective evidence that financial assets, or a group of financial assets, is impaired. If there is such evidence, the Company determines the amount of the impairment loss (Note 20). The Company concludes that securities available for sale are impaired when there has been a significant or long-term diminution in their fair value below cost. The assessment of whether a significant or long-term diminution in fair value has occurred requires the use of estimates. The Company assesses, among other factors, the volatility in security prices, the financial performance of companies, industry and sector performance, changes in technology, plus operational and financing cash flows. To consider impairment may be appropriate when there is objective evidence that the financial performance of companies or the industry and sector performance have deteriorated, or when changes in technology have occurred and operating and financing cash flows have worsened.

Impact of Covid-19 pandemic

The COVID-19 pandemic has had both direct and indirect impacts on life and health risks worldwide. Direct effects relate to possible increases in health insurance claims or in the event of death. Indirect effects relate to the potential liquidity needs of customers caused by the associated economic crisis, which may mean higher payments for surrenders from prematurely terminated contracts.

In both cases, the Company has experienced no significant impact. The COVID-19 pandemic is an event included in the Group's operational risk management framework that could threaten the Company's business continuity and as such is continually assessed, mitigated and monitored.

The ongoing pandemic has increased exposure to several risks that affect people, processes and IT systems and of course, the external environment. A common approach has been adopted to deal with the emergency caused by COVID-19 throughout the Group, based on the implementation of mitigation measures, which is guaranteed by a working group that monitors developments through specialized committees and ensures coordinated activities. This means that the operational risk profile is only affected to a limited extent by the pandemic.

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4 RISK MANAGEMENT

Risk management is a core element of the Company's governance and management. Risk management processes consist of the identification and valuation of risks, quantification, as well as application and implementation of mitigation measures.

The Company's risk management is in line with the risk management policy of the Generali Group which is implemented locally and is in line with the requirements of the Solvency II directive.

Risk management policies
The Generali Group business model is based on the full accountability of managers in each country. Risk management policies are defined and managed at a local level to ensure the adequacy of specific risk-bearing sources. However, the Generali Group adopts a common set of policies and minimum requirements binding for all group companies to ensure an appropriate level of control, highlight potential synergies across different countries, and avoid any unexpected growth of overall risk exposure.

Priorities in risk management programs
Risk management activities contribute to the objective of managing corporate performance on a risk-weighted basis in all companies of the Generali Group. The basis of the system has already been implemented but the complexity of the implementation process requires that the following priorities are set:
- Retaining a stable solvency position and capital management in line with the Company's risk appetite
- Harmonized asset-liability management approaches adopted at all organizational levels within the Generali Group
- Promoting the development of a sustainable society and incorporating consideration of risks to sustainability into decision-making
- Identification, measurement and evaluation of operational risks

Due to its insurance activities, the Company is naturally exposed to several types of risk, which are related to movements in financial markets, an adverse development of the insurance risk in life and non-life insurance and other risks affecting ongoing economic operations. These risks can be grouped in the following five main categories: insurance risk, market risk, liquidity risk, credit risk and operational risk.

4.1 INSURANCE RISK

Insurance risk is analyzed for both life and non-life insurance business.

Insurance risk relates to the fact that it is not clear whether or when an insured event will occur, or how big the related claim will be. The main feature of an insurance contract is that such risk is incidental and cannot be predicted.

For the portfolio of insurance contracts where the probability theory is applied to pricing and provisioning, the main risk to which the Company is exposed is that the amount of insurance claims or benefits may be higher than the related insurance liabilities. This may occur if the number and significance of insured events and contributions which actually occurred, is higher than originally assumed. Insured events are random and the actual number of claims and benefits vary every year from the level calculated using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its own insurance underwriting strategy to diversify the type of insurance risks accepted and to achieve, within each of these categories, a sufficiently large population of risks to reduce the variability of the expected outcome. Factors increasing the insurance risk include insufficient diversification of risk in view of type and size, geographical location and the type of industrial sector.

Insurance risk in life insurance and non-life insurance is concentrated in the Slovak Republic.

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4.1.1 LIFE INSURANCE RISK

The Company's life insurance portfolio comprises long-term insurance contracts with fixed and guaranteed terms, variable life insurance and investment life insurance contracts. In addition to long-term insurance contracts, the Company also concludes short-term life insurance policies that are mostly collective agreements.

There is a particular emphasis on underwriting new contracts, covering the assessment of both medical and financial aspects of the insured. Standard underwriting manuals, forms, as well as medical and financial underwriting requirements have been established both for death risk and riders. To reduce the risk of insufficient premiums resulting from the risks covered, maximum limits have been set for coverage that fall under the Company's risk appetite. Reinsurance is another instrument for mitigating the mortality and morbidity risks. It is mainly applied by the Company for death insurance.

The tables below show the concentration of insurance risk of death in life insurance within groups per Sum at Risk (SaR), as well as the impact of reinsurance mitigating the risk exposure.

SUM AT RISK * (SAR) FOR DEATH INSURANCE AT THE END OF 2020

Interval SaR (in thousand EUR)	Interval total	Number of lives	Average age	Total after reinsurance
Less than 7	447,049	200,151	40	424,115
7 to 15	432,044	41,588	42	402,333
15 to 30	656,163	30,589	41	596,462
30 to 50	813,562	20,614	39	776,851
More than 50	2,039,828	25,103	36	1,851,163
Collective agreements	374,917	17,020	–	–
Total	**4,763,563**	**335,065**	**–**	**4,050,924**

SUM AT RISK * (SAR) FOR DEATH INSURANCE AT THE END OF 2019

Interval SaR (in thousand EUR)	Interval total	Number of lives***	Average age	Total after reinsurance**
Less than 7	426,003	181,219	40	386,005
7 to 15	422,459	40,779	41	368,820
15 to 30	641,999	30,162	41	543,842
30 to 50	753,940	19,132	38	655,408
More than 50	1,835,655	22,188	36	1,300,526
Collective agreements	519,781	18,456	–	–
Total	**4,599,837**	**311,936**	**–**	**3,254,601**

* The amount of SaR at risk is calculated for one life for all relevant contracts.
** In column "Total after reinsurance" is the result for 2019 given without taking into the ERGO insurance company

Important risks within the life insurance risk are cancellation risk and loss risk. Cancellation risk (risk related to a voluntary withdrawal from the insurance contract) and loss risk (risk related to inadequate charges and loadings in premiums to cover future expenses) are evaluated in a prudential manner when setting prices for new products, and are taken into account when generating and testing profit based on new tariff assumptions, derived either from the Company's experience or, if this experience is not sufficiently reliable or suitable, from the experience of other entities of the Generali Group. To mitigate cancellation risk, surrender penalties are generally included in the tariff and are set to compensate, at least partially, the loss of future profits. It is also the aim of the Company to project the commission systems to motivate agents and brokers to care for the portfolio.

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SENSITIVITY OF INSURANCE PROVISIONS TO THE CHANGE OF LIFE INSURANCE RISK PARAMETERS (FROM THE LIABILITY ADEQUACY TEST):

	2020		2019	
Mortality risk	Required minimum amount of provisions *	Provision insufficiency**	Required minimum amount of provisions *	Provision insufficiency**
Present value	32,470	616	69,510	4,301
Mortality +10% shift	36,424	994	72,804	4,681
Mortality - 10% shift	28,498	250	66,205	3,919
Cancellation risk				
Present value	32,470	616	69,510	4,301
Gradient +25% shift	75,371	593	106,316	3,399
Gradient - 25% shift	(24,471)	498	20,439	5,269
Loss risk				
Present value	32,470	616	69,510	4,301
Expenses +10% shift	44,367	2,481	79,497	5,806
Expenses - 10% shift	21,540	243	60,319	2,902

* The Company included the provision for covering the risk of investments on behalf of the insured into the liability adequacy test.
** Deficiency of the provisions is fully recognized in these financial statements.

The liability adequacy was performed as at the balance sheet date. Liabilities arising from life insurance contracts were estimated using the best estimates as the present value of the discounted future cash flows increased by a risk margin.

For the risk of death, the historical trend of the mortality decrease, observed in population tables, was included in the future cash flow estimate by the Company. The Company also included the effect of risk underwriting into the future cash flow estimate. The effect of underwriting the risk is set based on the death analysis registered from life policies compared to the death assumptions in population mortality tables. For the risk of disability, sickness or accident claims, the Company assumes incidence of these claims, based on the historical observation analysis of its own portfolio. The Company regularly compares the expected insurance premiums with actual experience. In the event of death, if mortality or other life-related risks deviate by 10% in the future, this change in assumptions will have little effect on the adequacy of provision as stated above.

The cancellation rates used for calculating future cash flows were based on the recent historical analysis of these rates. When analyzing cancellations, not only the mere likelihood of cancellation of the insurance contract but also the reduction of premiums is taken into consideration. In analyzing the cancellation of insurance contracts, the Company takes into account trends as well as the uncertainties associated with the change in the behavior of distribution channels and uncertainty associated with the sufficiency of long-term historical data. The Company regularly carries out a comparison of the expected values of reverse insurance contracts, expressed by the volume of cancelled and reduced premiums, with the current experience. If the number of cancellations with or without surrender changes by 25% in future years, this change in assumptions will have a minor impact on the liability adequacy test result, as described above. However, compared with the other parameters, the provision is the most sensitive to the changes in cancellation rates.

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4.1.2 NON-LIFE INSURANCE RISK

The insurance risk in non-life insurance may be split into two components: the price risk and the reserve risk.

The price risk is linked to the possibility that premiums collected from policyholders could be insufficient to cover future claims and expenses. The Company constantly monitors claims development and the frequency of claims and models extreme scenarios (such as major damage caused by a disaster) in order to assess premium and economic capital adequacy. The Company also tests the adequacy of the provision for unearned premium and in case of its deficiency, deferred acquisition costs are released, or if necessary, a provision for unexpired risk is recognized.

The reserve risk represents the risk that the amount of provisions for insurance benefits will not be sufficient in comparison to the paid insurance benefits. The Company analyzes historical data regarding the frequency and the amount of insurance benefits and uses different triangle methods to estimate the amount of provisions for insurance claims and to test their adequacy.

Exposure to disasters and reinsurance coverage
In the event of natural and other disasters occurring as a result of specific geographical circumstances, the Company acquires suitable reinsurance coverage, the level and economic profitability of which is determined by specific criteria.

Obligatory reinsurance is based on economic profitability parameters and on the ability to keep volatility of insurance benefits within acceptable limits. All methods are analyzed and the most suitable reinsurance programs are adopted, thus granting adequacy, appropriateness and expected profitability of the reinsurance coverage.

Facultative reinsurance is used for those insurance groups for which risk exposure exceeds the agreed capacity. The Company has no permission to cover risks outside the Generali Group guidelines that have been adopted in setting up the reinsurance structures, and to expose the Generali Group to a limit higher than the established capacity for each line of business.

IMPACT OF NATURAL DISASTERS ON THE FREQUENCY AND THE AMOUNT OF LOSSES IN THIS SEGMENT

	Before reinsurance		After reinsurance	
(in EUR)	2020	2019	2020	2019
Mean value of the amount of losses* - property	1,192	1,100	574	457
Mean value of the amount of losses * - disasters	18,524	25,448	17,265	19,127
Number of claims per 100 contracts / insured objects [in %]	1,80 %	2,39 %	1,80 %	2,39 %

* Amount of losses is the sum of claims and RBNS at the end of the year

The policy of insurance underwriting risk in non-life insurance
The Company's underwriting policy covers all types of insurance sold, with a special focus on individuals and small or medium-sized business and commercial lines within the non-life segment.

The focus is mainly on products with low or medium-sized volatility. The underwriting guidelines are characterized by particular prudence related to emerging risks, with a systematic exclusion of guarantees concerning asbestos. The Company annually reviews the established underwriting limits, which are mandatory for all risk underwriters in life and non-life insurance.

Concentration risk in non-life insurance
As in life insurance, also in non-life insurance the Company is exposed to the risk of occurrence of several major damages due to the lack of risk diversification. The following table shows the diversification of the insurance risk according to probable maximum loss (PML) and the number of insured objects for PML within the specified intervals.

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PML IN ASSETS AT THE END OF 2020

Interval (in ths. EUR)	Total in interval (in ths. EUR)	Number of objects	Total after reinsurance
less than 25	2,990,964	826,411	1,671,644
25 – 100	8,385,226	144,881	4,818,394
100 - 1,000	23,817,020	122,716	13,750,621
1,000 - 10,000	19,156,626	8,858	10,055,441
10,000 - 50,000	3,250,800	176	220,398
more than 50,000	3,600,886	36	57,231
Total	**61,201,523**	**1,103,078**	**30,573,729**

PML IN ASSETS AT THE END OF 2019

Interval (in ths. EUR)	Total in interval (in ths. EUR)	Number of objects	Total after reinsurance
less than 25	2,512,264	741,418	1,390,845
25 – 100	7,090,497	122,852	4,111,671
100 - 1,000	18,613,492	93,852	10,769,815
1,000 - 10,000	16,309,524	7,575	8,268,856
10,000 - 50,000	2,827,443	151	144,183
more than 50,000	4,389,580	32	54,275
Total	**51,742,800**	**965,880**	**24,739,645**

Reserve risk

The reserve risk is the risk that the technical provision for claims will not be sufficient to cover all liabilities arising from claims incurred.

The claims development table in the non-life insurance (excluding active reinsurance) shows the estimated ultimate loss by accident year and the development of this estimate in the subsequent reporting periods for all incurred losses from 2010 (and earlier). The ultimate loss includes paid losses and the RBNS and IBNR provisions. The amounts are shown net of reinsurance, claims handling expenses (ULAE) and subrogation claims. ULAE are considered at RBNS and IBNR. ULAE are unallocated loss adjustment expenses that are not claim-file specific but are calculated for all claims.

The estimate in the subsequent reporting periods has changed according to real paid claims and new information about frequency and the average amount of unpaid claims.

The difference between the ultimate cost of claims and cumulative claims paid until 2020 represents the claims provision related to accident years from 2010 (and earlier) to 2020.

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Estimate of ultimate cumulative claim costs:	2010 and earlier	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
at the end of the financial year	443,092	74,003	64,013	54,061	51,544	57,538	64,800	72,688	80,043	88,593	78,976	
one year later	436,973	68,284	65,019	52,128	50,968	54,190	63,331	71,445	78,726	89,315		
two years later	434,143	65,733	64,126	50,350	49,611	53,675	62,179	70,559	76,300			
three years later	430,758	63,472	63,464	49,983	48,512	52,802	61,434	68,023				
four years later	427,861	62,746	62,438	48,886	48,620	50,943	59,620					
five years later	427,246	62,323	61,478	48,741	47,490	50,153						
six years later	426,048	60,337	61,775	48,202	46,732							
seven years later	424,541	59,719	60,557	48,200								
eight years later	424,850	59,759	59,567									
nine years later	425,307	59,622										
ten years later	423,047											
Estimate of ultimate cumulative claim costs as at 31 December 2020	**423,047**	**59,622**	**59,567**	**48,200**	**46,732**	**50,153**	**59,620**	**68,023**	**76,300**	**89,315**	**78,976**	**1,059,555**
Cumulative payments at 31 December 2020	(416,864)	(58,075)	(56,842)	(45,824)	(43,861)	(47,960)	(54,592)	(63,102)	(67,337)	(70,948)	(48,543)	(973,947)
Provision for insurance claims shown on the balance sheet	**6,183**	**1,547**	**2,725**	**2,376**	**2,871**	**2,193**	**5,028**	**4,921**	**8,963**	**18,367**	**30,433**	**85,608**

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4.2 MARKET RISK

i) Currency risk

The Company is exposed to currency risk as a result of transactions in foreign currencies, as well as assets and liabilities denominated in foreign currencies.

The Company is also indirectly exposed to currency risk through financial assets invested in mutual funds, joint ventures and private equity which are further invested in various securities. The Company monitors the impact of such risk using the so-called look-through principle. Most of the financial assets in mutual funds are the Company assets for products for which the investment risk is borne by the insured.

As at 31 December 2020, the value of assets denominated in foreign currencies totaled EUR 33,673 thousand and EUR 47,353 thousand including indirect exposure from mutual funds (2019: EUR 33,229 thousand and EUR 36,753 thousand, respectively) and the value of liabilities denominated in foreign currencies amounted to zero (2019: EUR 0 thousand). The Company's major exposure exists towards issuers of securities seated in Europe and the United States. Assets are denominated in the US dollar, the Czech crown and the Polish zloty.

The Company monitors and manages currency risk on assets on a daily basis. Using short-term derivative financial instruments (currency swaps), the Company hedges significant positions in foreign currencies to EUR, thus eliminating the currency risk. Gains or losses on assets due to foreign exchange differences are offset by losses or gains from currency derivatives. The net impact of changes in foreign exchange rates compared to the euro on the Company's profit/(loss) is therefore insignificant.

FOREIGN EXCHANGE RISK SENSITIVITY (OPEN FOREIGN CURRENCY POSITION)

Balance as at 31 December 2020	USD	CZK	PLN	HUF	GBP	CHF	Other
Change in the exchange rate	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %
Profit or loss	+/- 82.9	+/- 133.6	+/- 106.5	+/- 0.9	+/- 0.6	0	0
Profit or loss (including mutual funds*)	+/- 425.3	+/- 846	+/- 129	+/- 1.2	+/- 49.2	+/- 4.9	+/- 236.8
Balance as at 31 December 2019							
Change in the exchange rate	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %
Profit or loss	+/- 97.4	+/- 123.2	+/- 236.9	+/- 4.3	+/- 0.4	0	0
Profit or loss (including mutual funds*)	+/- 191.7	+/- 127.3	+/- 239.8	+/- 5.1	+/- 13.6	+/- 5	+/- 232.2

* does not contain investments in the name of the policyholders

ii) Interest rate risk

Managing the interest rate risk
The Company monitors and regularly evaluates the development of market interest rates and their impact on the portfolio value, analyzing the mismatch between assets and liabilities. Based on this analysis, it determines the investment strategy to eliminate the mismatch. The Company analyzes interest rate risk mainly by performing duration analysis and its sensitivity to changes in the yield curve (total or partial). The Company regularly monitors whether the set investment policy is properly respected.

The Company is also exposed to a mismatch of assets and liabilities, due to the accounting procedures applied. This is particularly true for life insurance products with a guaranteed interest rate. The financial placement of technical provisions is classified in the category available for sale (AFS), with an impact on balance sheet values, but with no direct impact on the income statement (excluding realization and revaluation within the hedge accounting). On the other side, the technical liabilities are primarily calculated on the basis of unchanged assumptions and are adjusted only upwards for a possible deficiency. As a result, sensitivity to changes in interest rates on the liabilities side is only a factor if provisions become insufficient. The change is accounted for through the income statement. The impact of changes in interest rates on the balance sheet and income statement is presented in the following sensitivity analysis (assumptions on interest rates taken from the Company's internal model).

INTEREST RATE SENSITIVITY (DOES NOT INCLUDE INVESTMENTS IN THE NAME OF THE INSURED)

As at 31 December 2020	Bonds book value (decrease)/ increase	Bonds used in hedge accounting	Derivatives book value (decrease)/ increase	Mutual funds book value (decrease)/ increase	Technical provisions book value (decrease)/ increase	Impact on the income statement	Impact on equity
Impact of change of +100 bp	(11,921)	(475)	558	(41)	(448)	489	(10,956)
Impact of change of -100 bp	12,745	503	(592)	41	13,160	(13,208)	(966)
As at 31 December 2019							
Impact of change of +100 bp	(10,044)	(778)	679	(112)	(4,126)	3,915	(5,351)
Impact of change of -100 bp	10,693	831	(727)	112	12,747	(12,531)	(2,669)

Technical provisions reflect sensitivity to changes in interest rates, only if these changes affect the provision for insufficiency. Provision for insufficiency arises if the minimum required value based on the liability adequacy test is higher than the book value of the technical provisions. Discounting future cash flows in determining the minimum required value is based on the forward curve of risk-free rates applied at the balance sheet date. The bases for deriving the curve are euro swap rates valid on the date of valuation. When constructing the risk-free rate curve, the Company took into account the basic principles, which are established in legal enactments adopting Solvency II (mainly Directive 2009/138/EC and the legislative proposal of the delegating legal directive at the balance sheet date).

The Company is exposed to interest rate risk also indirectly through financial assets invested in investment funds which invest further in coupon securities. The Company monitors the impact of such risk using the so-called look-through principle. The majority of financial assets in investment funds represent products, for which the investment risk is borne by the insured. They are included in the category valued at fair value through profit and loss. The change in the value of liabilities, which exactly reflects the value of the client units and thus the value of the related asset, is also recognized in the profit and loss account. Therefore, the Company is not exposed to significant interest rate risk in this product segment.

In non-life insurance, the Company is exposed to interest rate risk mainly through financial assets, because technical provisions in non-life insurance are not discounted and do not contain either financial options or guarantees. The only exception is the provision for claims in the form of annuities in MTPL.

iii) Other price risk

Other price risk is a risk that the fair value of, or future cash flows from, a financial instrument will fluctuate as a result of changes in market prices (other than changes resulting from interest rate or currency risks). This applies, regardless of whether these changes are caused by factors specific to the particular financial instrument or by factors that affect all similar financial instruments traded in the market. The Company's other price risk results mainly from investments in securities, the fair value of which are affected by developments in capital or money markets.

Unexpected movements in the prices of shares, currencies and risk-free rates may adversely affect the market value of the Company's investments. These assets are invested with the objective of meeting obligations towards policyholders in life and non-life insurance and generating revenues for shareholders. The same changes may affect the present value of insurance liabilities.

The Company manages price risk (other than interest rate and currency risks) by applying the principle of risk diversification, focusing on the issuer's credit risk and the liquidity risk.

The Company is exposed to other price risk also indirectly through financial assets invested in mutual funds, which are further invested in various securities. The Company monitors the impact of such risk using the so-called look-through principle. The majority of financial assets in investment funds represent products, for which the investment risk is born by the insured.

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PRICE CHANGE SENSITIVITY (DOES NOT CONTAIN INVESTMENTS IN THE NAME OF THE POLICYHOLDERS)

Balance as at 31 December 2020 Impact on	Profit/(loss)	Other comprehensive income
Price change	+/-10 %	+/-10 %
Profit or loss	–	+/- 2,089
Profit or loss (including mutual funds)	–	+/- 2,199
Balance as at 31 December 2019 Impact on		
Price change	-/+ 10 %	-/+ 10 %
Profit or loss	–	+/- 1,771
Profit or loss (including mutual funds)	–	+/- 2,002

4.3 LIQUIDITY RISK

The Company's objective is to eliminate liquidity risk. Certain assets, up to 10%, are held on bank accounts of the Company in cash or they are invested in current short-term deposits, to enable flexible access to liquidity.

The Company prepares the cash-flow plan for the whole fiscal year, with income and expenditure updated on a monthly basis. The operational cash flow is prepared on a daily basis for at least seven subsequent workdays.

The following tables show the estimated amount and timing of cash flows from financial assets and financial and insurance liabilities:

2020	Estimated cash flows (undiscounted)					
	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years	Total
Bonds	198,610	106,190	11,536	218	114	316,668
Repo	–	–	–	–	–	–
Derivates	(261)	–	–	–	–	(261)
Shares	7,428	–	–	–	–	7,428
Index shares (exchange – traded fund)	13,464	–	–	–	–	13,464
Mutual funds*	2,375	–	–	–	–	2,375
Total	**221,616**	**106,190**	**11,536**	**218**	**114**	**339,674**

* Does not contain a financial investments on behalf of policyholders

2020	Estimated cash flows (undiscounted)					
	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years	Total
Life insurance contracts with fixed and guaranteed terms*	(90,931)	(38,059)	(9,063)	1,641	12,215	(124,197)
Unit-linked products - insurance*	3,451	32,397	24,208	17,924	40,422	118,402
Unit-linked products - investment	22,174	1,100	631	350	342	24,597
Non-life insurance	120,311	8,117	4,114	2,006	2,995	137,543
Active reinsurance	4,021	40	–	–	–	4,061
Deposits from reinsurers	203	–	–	–	–	203
Lease liabilities	6,877	–	–	–	–	6,877
Trade and other liabilities	81,245	–	–	–	–	81,245
Total	**147,351**	**3,595**	**19,890**	**21,921**	**55,974**	**248,731**

* Cash flows from variable life contracts are included in the part unit-linked insurance and contracts with fixed terms, based on the nature of the liability.

Weighted duration of bonds: 3.95 years
Average maturity of liabilities: 8.07 years

2019	Estimated cash flows (undiscounted)					
	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years	Total
Bonds	189,600	100,047	5,314	–	–	294,961
Repo	–	–	–	–	–	–
Derivates	(1,018)	(269)	–	–	–	(1,287)
Shares	6,190	–	–	–	–	6,190
Index shares (exchange – traded fund)	11,523	–	–	–	–	11,523
Mutual funds*	5,443	–	–	–	–	5,443
Total	**211,738**	**99,778**	**5,314**	**–**	**–**	**316,830**

* Does not contain a financial investments on behalf of insured

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2019	Estimated cash flows (undiscounted)					
	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years	Total
Life insurance contracts with fixed and guaranteed terms*	(88,290)	8,279	24,712	25,465	58,132	28,298
Unit-linked products - insurance*	2,413	1,645	925	523	507	6,013
Unit-linked products - investment	43,310	4,562	2,566	1,450	1,406	53,294
Non-life insurance	116,863	11,171	4,796	2,392	3,211	138,433
Active reinsurance	2,836	39	–	–	–	2,875
Deposits from reinsurers	228	–	–	–	–	228
Lease liabilities	7,653	1,205	–	–	–	8,858
Trade and other liabilities	63,818	–	–	–	–	63,818
Total	**148,831**	**26,901**	**32,999**	**29,830**	**63,256**	**301,817**

* Cash flows from variable life contracts are included in the part unit-linked insurance and contracts with fixed terms, based on the nature of the liability

Weighted duration of bonds: 3.60 years
Average maturity of liabilities: 9.02 years

4.4 CREDIT RISK

The Generali Group and the Company have defined their investment policy, which includes rules and principles of investment management, in order to reduce credit risk. The rules and principles encourage diversification of the portfolio. Taking into consideration its risk profile and risk appetite, the Company defined a set of specific limits based on type and rating of particular financial instruments. Through this approach the Company ensures diversity of its portfolio and the amount of risk accepted.

The Company regularly monitors fulfillment of the set limits.

The Company's credit risk exposure is as follows:

As at 31 December 2020	Bonds available for sale		Loans and receivables				
Credit risk	Corporate	Government	To customers	Other receivables	Reinsurance assets	Cash	Repo
AAA	6,636	–	–	–	–	12	–
AA	7,478	2,986	–	76	1,955	–	–
A	49,693	126,184	–	21	2,221	24,393	–
BBB	79,310	21,951	–	1,219	85	4,926	–
BB	7,807	3,003	–	–	–	–	–
B	–	–	–	–	–	–	–
CCC	–	–	–	–	–	–	–
Non-rated	10,144	–	17,863	996	56,093	1,743	–
Total	**161,068**	**154,125**	**17,863**	**2,312**	**60,354**	**31,074**	**–**

* of which EUR 55,648 thousand represents the share of GP Reinsurance with SCR (Solvency Capital Requirement – the amount of funds that insurance and reinsurance companies are required to hold according to Solvency II directive) amounting to 238%

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As at 31 December 2019	Bonds available for sale		Loans and receivables				
Credit risk	Corporate	Government	To customers	Other receivables	Reinsurance assets	Cash	Repo
AAA	6,549	–		–	–	12	–
AA	7,976	1,516	73	–	1,703	–	–
A	35,515	126,891	19	–	3,512	16,015	–
BBB	69,233	25,783	–	–	277	4,479	–
BB	5,515	3,012	–	–	–	–	–
B	1,315	–	–	–	–	–	–
CCC	–	–	–	–	–	–	–
Non-rated	7,239	–	18,993	2,212	55,897*	5,373	–
Total	**133,342**	**157,202**	**19,085**	**2,212**	**61,389**	**25,879**	**–**

*of which EUR 55,503 thousand represents the share of GP Reinsurance with SCR (Solvency Capital Requirement – the amount of funds that insurance and reinsurance companies are required to hold according to Solvency II directive) amounting to 240%

THE MAXIMUM CREDIT RISK EXPOSURE IS SHOWN IN THE FOLLOWING TABLE:

	Not yet due, not impaired	Overdue, not impaired		Impaired		Total
As at 31 December 2020		0 – 3 months	3 – 6 months	6 months – 1 year	More than 1 year	
Financial assets available for sale (without shares)	315,192	1 year	–	–	–	315,192
Financial assets and liabilities at fair value through profit and loss (without shares and mutual funds)	(310)	–	–	–	–	(310)
Cash and term deposits	31,074	–	–	–	–	31,074
Loans and receivables*	5,290	11,590	1,009	1,010	1,276	20,175
Reinsurance assets	60,354	–	–	–	–	60,354
Total	**411,600**	**11,590**	**1,009**	**1,010**	**1,276**	**426,485**

* Receivables classified as 'Overdue, not impaired' are those individually not impaired, which have been collectively assessed for impairment based on the groups with similar credit risk characteristics.

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THE MAXIMUM CREDIT RISK EXPOSURE IS SHOWN IN THE FOLLOWING TABLE:

	Not yet due, not impaired	Overdue, not impaired			Impaired	Total
As at 31 December 2019		0 – 3 months	3 – 6 months	6 months – 1 year	More than 1 year	
Financial assets available for sale (without shares)	290,544	–	–	–	–	290,544
Financial assets and liabilities at fair value through profit and loss (without shares and mutual funds)	(1,238)	–	–	–	–	(1,238)
Cash and term deposits	25,879	–	–	–	–	25,879
Loans and receivables*	4,330	14,047	979	1,380	561	21,297
Reinsurance assets	61,389	–	–	–	–	61,389
Total	**380,904**	**14,047**	**979**	**1,380**	**561**	**397,871**

* Receivables classified as 'Overdue, not impaired' are those individually not impaired, which have been collectively assessed for impairment based on the groups with similar credit risk characteristics.

Financial assets are presented at net value. Movements in the respective impairment allowances were as follows:

IMPAIRMENT ALLOWANCES FOR RECEIVABLES FROM THE INSURED

	2020	2019
Opening balance	10,684	10,292
Write-offs of receivables	(2,021)	(495)
Creation/(Release)	696	887
Closing balance	**9,359**	**10,684**

IMPAIRMENT ALLOWANCES FOR OTHER RECEIVABLES

	2020	2019
Opening balance	42	146
Write-offs of receivables	–	–
Creation/(Release)	–	(104)
Closing balance	**42**	**42**

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4.5 OPERATIONAL RISK

The Company defines operational risk as a loss arising from the lack or underperformance of internal processes, human resources, systems or as a result of external events. Due to the range of the operational risk definition, the risks may be further segmented into these main categories: compliance risk, financial reporting risk, human resource performance, clients and products, business interruption and system failure, performance and process management, internal fraud, external fraud and damage of tangible assets.

In order to manage operational risk, the Company has adopted a policy of operational risk management, which defines strategies, principles and processes for identification, assessment and management of current and future operational risks, to which it is exposed.

Management of operational risk is primarily focused on proactive identification, evaluation and measurement of operational events, as well as assessment of the quality of the processes and corrective measures for prevention of such events.

In this context the process of managing the operational risk is focused on reducing the risk and consists of the following processes:

- **Identification:** sets principles, tools and methodology for adequate identification and classification of operational risks
- **Measurement:** sets principles, tools and methodology for assessing operational risks
- **Management:** sets principles for reduction, transferring or maintaining the risk level
- **Monitoring:** monitors development of the risk profile in line with principles set in policies and directives
- **Reporting:** is focused on setting up adequate flow of information about operational risk to internal and organizational structures of the Company, as well as to the supervisory board and other stakeholders.

Particular principles, methodology and tools are defined at the Generali Group level; however, the Company implements them in a way which reflects its local needs and specifics.

4.6 CAPITAL MANAGEMENT

The Company calculates capital requirements based on so-called standard formula. However, to gain a complex overview, the Company performs its own alternative assessment of capital requirements.

Based on preliminary calculations, the Company fulfills regulatory capital requirements in respect of its solvency position as of 31 December 2020. The final solvency position according to the Solvency II requirements will be available after the date of the financial statements and will be published as part of the Solvency and Financial Condition Report (SFCR), in April 2021. The acquisition of the insurance portfolio of ERGO Poisťovňa, a. s. does not have a material impact on the solvency margin of the Company, neither its own resources nor the Solvency Capital Requirement. The solvency ratio as at 31 December 2019, in accordance with the requirements of Solvency II, was published as part of the Company's Solvency and Financial Condition Report in the course of 2020 and reached 292.9%. At that date, the Company had own funds of EUR 208.4 mil.

In order to monitor and manage capital, the Company annually prepares a Plan of Capital Management, which includes the expected development of capital for the period of the strategic plan (i.e., three following years). The plan takes into consideration capital issue, capital redemption, capital repayment, dividends and influence of temporary directives (if applicable). The Plan of Capital Management indicates the Company's balanced and sufficient solvency position for the following years.

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4.7 FAIR VALUE HIERARCHY

In accordance with the amendment to IFRS 13 on disclosing information that reflects the significance of inputs in valuing financial assets at fair value, the Company classifies financial assets according to the following fair value hierarchy:
- **Level 1:** financial assets and liabilities valued based on prices quoted in active markets
- **Level 2:** in determining the fair value of financial assets and liabilities, valuation techniques are used with inputs which are based on market-observable data
- **Level 3:** the fair value of financial assets and liabilities is determined using valuation techniques with inputs other than market observable data

For financial assets traded in active markets, the determination of fair values is based on quoted market prices. For other financial assets, fair value is determined using valuation techniques. For calculating the fair value of financial assets for which a market price was not established as at 31 December 2020, the method of discounted cash-flows was used. This was based on the interest rates of a yield curve for each financial instrument denominated in the relevant currency, issued by Bloomberg or Reuters. Using linear interpolation, zero coupon rates are calculated from the yield curve, which is then applied in discounting the cash-flows (Bootstrapping method).

The assumptions and inputs used in the valuation include risk-free and benchmarking interest rates, credit risk margins and other margins used in estimating the discount rate, value of bonds and shares and foreign exchange rates. The purpose of valuation techniques is to calculate a fair value that reflects the value of the financial instrument as at the balance sheet date, that a buyer would pay under usual business conditions. For determining the fair value of standard and lower complexity financial instruments, the Company applies models that use market observable data as inputs, without requiring significant management estimates, which reduces the uncertainty related to determining the fair value. In the case of fair value pricing of certain financial instruments, the Company used additional information not derived from the market (credit risk margin), which requires more judgment. Such instruments are recognized as Level 3 assets.

Within Level 3 the Company also recognized shares, for which market price was established using an independent valuation by a third party or based on the value of equity.

Specific information is disclosed for Level 3 (significant inputs based on other than market observable data).

	Fair value 31 December 2020	Valuation technique	Non-market inputs	Range
Bonds	4,763	Discounted cash flows	Additional margin for credit risk	160 – 303 bp
Shares	5,857	Net asset value (NAV)	–	–

	Fair value 31 December 2019	Valuation technique	Non-market inputs	Range
Bonds	4,973	Discounted cash flows	Additional margin for credit risk	22 – 459 bp
Shares	4,475	Net asset value (NAV)	–	–

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In 2020, the Company performed classification of fair value financial assets and liabilities, according to requirements stated above as follows:

FAIR VALUE HIERARCHY

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Derivative financial assets				
Interest rate swaps	–	(1,156)	–	(1,156)
Currency swaps	–	846	–	846
Total	–	**(310)**	–	**(310)**
Other financial assets at fair value through profit or loss				
Bonds	–	19,611	–	19,611
Investment funds	152,250	–	–	152,250
Cash		192		192
Total	**152,250**	**19,803**	**–**	**172,053**
Available-for-sale financial assets				
Bonds	247,507	62,922	4,763	315,192
Shares	15,035	–	5,857	20,892
Total	**262,542**	**62,922**	**10,620**	**336,084**
Total financial assets recognized at fair value	**414,792**	**82,415**	**10,620**	**507,827**

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FAIR VALUE HIERARCHY

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Derivative financial assets				
Interest rate swaps	–	(1,548)	–	(1,548)
Currency swaps	–	310	–	310
Total	**–**	**(1,238)**	**–**	**(1,238)**
Other financial assets at fair value through profit or loss				
Bonds	–	25,266	–	25,266
Investment funds	167,956	–	–	167,956
Cash	–	15,011	–	15,011
Total	**167,956**	**40,277**	**–**	**208,233**
Available-for-sale financial assets				
Bonds	259,122	26,449	4,973	290,544
Shares	13,238	–	4,475	17,713
Total	**272,360**	**26,449**	**9,448**	**308,257**
Total financial assets recognized at fair value	**440,316**	**65,488**	**9,448**	**515,252**

Transfers	2020	2019
Transfer from level 2 to level 1	525	–
Transfer from level 3 to level 1	–	–
Transfer from level 1 to level 2	46,130	2,412
Transfer from level 3 to level 2	191	6,427
Transfer from level 1 to level 3	–	–
Transfer from level 2 to level 3	–	–

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Movements in financial assets classified as Level 3 were as follows:

	2020	2019
As at 1 January	**9,448**	**9,283**
Transfers to level 3		
Disposals (sales and maturity)	–	–
Purchases	1,088	5,922
Profit/(Loss) from revaluation (other comprehensive income/ (loss))	331	343
Net movement in fair value (income statement)	–	–
Transfer from level 3	(191)	(6,427)
Other	(55)	432
Change in accrued interest income	(1)	(105)
As at 31 December	**10,620**	**9,448**

If possible, the Company tests sensitivity of fair values of financial instruments classified as Level 3 to changes in inputs based on data other than market observable data, using adequate alternatives. The Company collects the data on the valuation of financial instruments classified as Level 3 from independent third parties (if such data is available), or if necessary, it subsequently validates the data, using internal valuation models, external models or data acquired from securities dealers. If the third party, from which the Company derives the information about the valuation, is not willing to provide the sensitivity analysis, or if no information from third parties is available, the Company, where possible, conducts its own sensitivity analysis under the following conditions:

- In the case of valuation data provided by a third party and subsequently validated via internal models that use material inputs based on other than market observable data, the valuation using the internal model is tested for realistic changes in other than market inputs.
- In the case of valuation data provided by a third party which was not subsequently validated or was validated using external models or data acquired from securities dealers, the valuation provided by a third party as a whole is regarded as an input based on other than market observable data. The sensitivity is determined using internal models into which adequate alternatives of inputs are entered (such as revenue, NAV multiple, the internal return rate (%) or other valuation multiples for a given financial instrument).

Based on the methodology described above, it has been possible to conduct sensitivity analysis of financial instruments classified as Level 3 as follows:

	Fair value at 31 December 2020	+/- 100 bp	+/- 20% price change
Bonds	4,763	-148/+150	+/-953
Shares	5,857	–	+/-1,171

	Fair value at 31 December 2019	+/- 100 bp	+/- 20% price change
Bonds	4,973	-195/+192	+/-995
Shares	4,475	–	+/-895

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5 TANGIBLE ASSETS

As at 1 January 2019	Buildings	Land	Motor vehicles	Office equipment	Machinery and equipment	Total
Acquisition cost	1,900	102	2,257	1,069	3,435	8,763
Accumulated depreciation	(859)	–	(1,760)	(958)	(2,364)	(5,941)
Net book value	**1,041**	**102**	**497**	**111**	**1,071**	**2,822**
Year ended 31 December 2019						
Opening balance	1,041	102	497	111	1,071	2,822
Additions	–	–	1,039	145	552	1,736
Disposals – at acquisition cost	(585)	(46)	(674)	(225)	(814)	(2,344)
Disposals – accumulated depreciation	288	–	674	225	808	1,995
Provision	148	–	–	–	–	148
Depreciation	(61)	–	(374)	(190)	(469)	(1,094)
Net book value at the end of the year	**831**	**56**	**1,162**	**66**	**1,148**	**3,263**
As at 31 December 2019						
Acquisition cost	1,463	56	2,622	989	3,173	8,303
Accumulated depreciation	(632)	–	(1,460)	(923)	(2,025)	(5,040)
Net book value	**831**	**56**	**1,162**	**66**	**1,148**	**3,263**
Year ended 31 December 2020						
Opening balance	831	56	1,162	66	1,148	3,263
Additions	–	–	388	50	423	861
Disposals – at acquisition cost	(13)	–	(424)	(136)	(390)	(963)
Disposals – accumulated depreciation	5	–	402	136	388	931
Depreciation	(51)	–	(436)	(74)	(598)	(1,159)
Net book value at the end of the year	**772**	**56**	**1,092**	**42**	**971**	**2,933**
As at 31 December 2020						
Acquisition cost	1,450	56	2,586	903	3,206	8,201
Accumulated depreciation	(678)	–	(1,494)	(861)	(2,235)	(5,268)
Net book value	**772**	**56**	**1,092**	**42**	**971**	**2,933**

The Company has its tangible assets insured by Allianz - Slovenská Poisťovňa, a.s. The insured amount for property insurance is EUR 15,595 thousand.

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6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company rents office premises throughout the territory of Slovakia for its activities. Rental of premises in which the headquarters and regional departments are located was classified as long-term.

Until 31 December 2018, leases were classified as either finance leases or operating leases. As of 1 January 2019, the Company recognized property – right-of-use assets and related financial liabilities from the lease contracts.

As at 1 January 2019	Office premises	Total
Acquisition cost	8,395	8,395
Accumulated depreciation	–	–
Net book value	**8,395**	**8,395**
Year ended 31 December 2019		
Opening balance	8,395	8,395
Additions	–	–
Disposals – at acquisition cost	–	–
Disposals – accumulated depreciation	–	–
Depreciation	(1,284)	(1,284)
Provision	–	–
Net book value at the end of the year	**7,111**	**7,111**
As at 31 December 2019		
Acquisition cost	8,395	8,395
Accumulated depreciation	(1,284)	(1,284)
Net book value	**7,111**	**7,111**
Year ended 31 December 2020		
Opening balance	7,111	7,111
Additions	160	160
Disposals – at acquisition cost	(109)	(109)
Disposals – accumulated depreciation	23	23
Depreciation	(1,296)	(1,296)
Provision	–	–
Net book value at the end of the year	**5,889**	**5,889**
As at 31 December 2020		
Acquisition cost	8,446	8,446
Accumulated depreciation	(2,557)	(2,557)
Net book value	**5,889**	**5,889**

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Lease liability is as follows:

	As of 31 December 2020	As of 31 December 2019
Maturity up to one year	1,480	1,416
Maturity fom two to five years	5,397	5,594
Maturity over five years	–	1,195
Total	**6,877**	**8,205**

Corresponding interest expense reported in the finance costs of 2020 was in the amount of EUR 147 thousand (2019: EUR 185 thousand).

Costs related to short-term lease and lease of low value assets are included in administrative expenses and for 2020 amounted to EUR 136 thousand (2019: EUR 141 thousand).

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7 INTANGIBLE ASSETS

As at 1 January 2019	Software	VOBA	Other intangible assets	Total
Acquisition cost	17,014	64,989	936	82,939
Accumulated amortization	(11,905)	(43,532)	(96)	(55,533)
Net book value	**5,109**	**21,457**	**840**	**27,406**
Year ended 31 December 2019				
Opening balance	5,109	21,457	840	27,406
Additions	1,483	476	–	1,959
Disposals - at acquisition cost	(203)	–	–	(203)
Disposals - accumulated amortization	203	–	–	203
Amortization	–	(476)	–	(476)
Provision - change	(1,474)	(2,853)	(187)	(4,514)
Net book value	**5,118**	**18,604**	**653**	**24,375**
As at 31 December 2019				
Acquisition cost	18,294	64,989	936	84,219
Accumulated amortization	(13,176)	(46,385)	(283)	(59,844)
Net book value	**5,118**	**18,604**	**653**	**24,375**
Year ended 31 December 2020				
Opening balance	5,118	18,604	653	24,375
Additions	2,970	–	–	2,970
Disposals - at acquisition cost	(12)	–	–	(12)
Disposals - accumulated amortization	–	–	–	–
Amortization	(1 622)	(2 612)	(187)	(4 421)
Net book value	**6 454**	**15 992**	**466**	**22 912**
As at 31 December 2020				
Acquisition cost	21,252	64,989	936	87,177
Accumulated amortization	(14,798)	(48,997)	(469)	(64,265)
Net book value	**6,454**	**15,992**	**466**	**22,912**

The Company assessed whether there was any objective indication of impairment of the acquired portfolio of insurance contracts (Value of business acquired, “VOBA”) except ERGO and concluded that no such evidence existed. VOBA is consistently lower than the difference between the book and the minimum required value of technical provisions in life and non-life insurance (as a result of the liability adequacy test) and there are no reasons to reassess the assumptions used in determining the value of the portfolio.

In 2019, the Company acquired the ERGO insurance portfolio. After initial accounting treatment of the transferred balances, the Company recognized VOBA of EUR 476 thousand. The Company reassessed the unit costs for the policies in the acquired portfolio (also taking into account migration and implementation costs) and the increase in the cancellations after the portfolio was taken over. After taking into account the new assumptions, the Company decided to write-off the recognized VOBA of EUR 476 thousand in full as at 31 December 2019.

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8 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investments in subsidiaries, associates and joint ventures as at 31 December 2020 related to shares in the pension company VÚB Generali d. s. s., a. s., SMALL GREF a. s. and GSL Services, s. r. o. Both VÚB Generali d. s. s., a. s. and GSL Services, s. r. o. have their registered offices in the Slovak Republic. The core business of VÚB Generali d. s. s., a. s. is creation and administration of pension funds. SMALL GREF a. s. is headquartered in the Czech Republic and its core business is purchase and trading with capital investments in real estate companies, real estate funds and real estate projects, as well as providing loans for real estate activities.

	31 December 2020	31 December 2019
As at 1 January	33,371	28,852
Acquisition of SMALL GREF, a.s.	–	4,519
As at 31 December	**33,371**	**33,371**

As at 31 December 2020	Equity share	Acquisition cost	Impairment allowance	Book value
VUB Generali d.s.s., a.s. (joint venture)	50 %	16,597	–	16,597
SMALL GREF a.s. (associate)	20.71 %	16,767	–	16,767
GSL Services, s.r.o. (subsidiary)	100 %	7	–	7
Total		**33,371**	–	**33,371**
As at 31 December 2019				
VUB Generali d.s.s., a.s. (joint venture)	50 %	16,597	–	16,597
SMALL GREF a.s. (associate)	20.71 %	16,767	–	16,767
GSL Services, s.r.o. (subsidiary)	100 %	7	–	7
Total		**33,371**	–	**33,371**

Financial information on subsidiaries, associates and joint ventures:

As at 31 December 2020	Assets	Liabilities	Equity	Revenue	Profit/(loss)
VUB Generali d.s.s., a.s.	23,275	1,320	21,955	10,800	6,884
SMALL GREF a.s.	90,853	22	90,831	757	691
GSL Services, s.r.o.	17	0	17	31	(38)
As at 31 December 2019					
VUB Generali d.s.s., a.s.	25,321	2,217	23,104	13,013	8,726
SMALL GREF a.s.	90,232	0	90,232	1,043	970
GSL Services, s.r.o.	60	679	(619)	38	(38)

Data on VUB Generali d.s.s., a.s. was sourced from audited financial statements, while data on SMALL GREF a. s. and GSL Services, s. r. o. was sourced from unaudited financial statements.

9 FINANCIAL ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
Term deposits	–	–
Repos	–	–
Available for sale	336,084	308,257
At fair value through profit or loss	172,053	208,233
Derivatives	914	368
Total financial assets	**509,051**	**516,858**
Financial liabilities from investment contracts (Note 16)	24,956	52,622
Financial liabilities from lease contracts (Note 6)	6,877	8,205
Derivatives	1,224	1,607
Total financial liabilities	**33,057**	**62,434**

Reconciliation of the group of financial assets monitored by management of the Company to categories used in the balance sheet:

Financial assets available for sale	31 December 2020	31 December 2019
Government bonds	154,124	157,202
Corporate bonds	161,068	133,342
Total bonds	**315,192**	**290,544**
Shares	20,892	17,713
Total financial assets available for sale	**336,084**	**308,257**

Financial assets and liabilities at fair value through profit or loss and derivatives	31 December 2020	31 December 2019
Bond funds	20,143	21,728
Equity funds	51,056	58,343
Alternative investment funds	5,729	4,953
Mixed funds	72,586	77,571
Money market funds	632	2,951
Real estate funds	2,104	2,197
Other funds	–	213
Corporate bonds	19,611	25,266
Cash and cash equivalents	192	15,011
Derivatives	914	368
Total financial assets	**172,967**	**208,601**
Derivatives	(1,224)	(1,607)
Total financial liabilities	**(1,224)**	**(1,607)**

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Mutual funds covering the provision related to investments in the name of policyholders and financial liabilities from investment contracts amounted to EUR 150,469 thousand (as at 31 December 2019: EUR 162,639 thousand), mutual funds held by the Company amounted to EUR 1,781 thousand (as at 31 December 2019: EUR 5,317 thousand).

Corporate bonds covering the provision related to investments in the name of policyholders and financial liabilities from investment contracts amounted to EUR 19,016 thousand (as at 31 December 2019: EUR 25,140 thousand), corporate bonds held by the Company amounted to EUR 595 thousand (as at 31 December 2019: EUR 126 thousand).

In addition, the Company covered the provision related to investments in the name of policyholders and financial liabilities from investment contracts as at 31 December 2019 also with cash, as it sold part of the assets because the maturity of the policies it covered was close to balance sheet date.

Movements in financial assets and liabilities are as follows:

	Financial assets and liabilities at fair value through profit or loss	Financial assets available for sale
As at the beginning of 2019	**138,667**	**287,466**
Disposals (sale and maturity)	(24,531)	(44,087)
Purchases	3,915	61,567
Acquisition of ERGO	59,710	–
Profit/(Loss) from revaluation (other comprehensive income/(loss))	–	4,085
Net movement in fair value (income statement)	14,223	(322)
Impairment loss	–	(30)
Others	15,011	–
Change of accrued interest income	–	(422)
As at the end of 2019	**206,995**	**308,257**
Disposals (sale and maturity)	(30,257)	(53,036)
Purchases	9,137	82,963
Profit/(Loss) from revaluation (other comprehensive income/(loss))	–	2,715
Net movement in fair value (income statement)	687	(4,228)
Impairment loss	–	(315)
Others	(14,819)	–
Change of accrued interest income	–	(272)
As at the end of 2020	**171,743**	**336,084**

The fair value of financial assets with an existing market price as at 31 December 2020 has been determined by using the existing market price.

The fair value of financial assets for which no market price existed as at 31 December 2020 was calculated by using the method of discounted cash flows from the yield curve interest rates for individual financial instruments denominated in the given currency, published by Bloomberg or Reuters. Using linear interpolation, zero coupon rates are calculated from the yield curve, which is then applied in discounting the cash-flows (the Bootstrapping method).

Notes to the financial statements

	Underlying asset value due				Fair value
As at 31 December 2020	within 1 month	within 1 year	within 10 years	over 10 years	Assets/(Liabilities)
Interest rate swaps	–	–	10,000	–	(1,156)
Currency swaps	16,178	14,256	–	–	846
Total	**16,178**	**14,256**	**10,000**	**–**	**(310)**
As at 31 December 2019					
Interest rate swaps	–	–	12,500	–	(1,548)
Currency swaps	20,147	8,582	–	–	310
Total	**20,147**	**8,582**	**12,500**	**–**	**(1,238)**

Offsetting financial assets and liabilities

Financial assets which are subject to offsetting under "master netting agreements" or other similar agreements (enforcable by law) are as follows:

				Not offset			
31 December 2020	Gross value of financial assets	Offset gross values	Net value of financial assets	Financial instruments	Cash collateral received	Securities collateral received	Net values
Deriváty	914	–	914	–	–	–	914
Spolu	**914**	**–**	**914**	**–**	**–**	**–**	**914**
31 December 2019							
Deriváty	368	–	368	–	–	–	368
Spolu	**368**	**–**	**368**	**–**	**–**	**–**	**368**

Financial liabilities which are subject to offsetting under "master netting agreements" or other similar agreements (enforced by law) are as follows:

				Not offset			
31 December 2020	Gross value of financial liabilities	Offset gross values	Net value of financial liabilities	Financial instruments	Cash collateral granted	Securities collateral granted	Net values
Derivatives	1,224	–	1,224	–	1,120	–	1,224
Total	**1,224**	**–**	**1,224**	**–**	**1,120**	**–**	**1,224**
31 December 2019							
Derivatives	1,607	–	1,607	–	1,720	–	1,607
Total	**1,607**	**–**	**1,607**	**–**	**1,720**	**–**	**1,607**

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10 REINSURANCE ASSETS

The reinsurer's share in technical provisions was as follows:

	31 December 2020	31 December 2019
Provision for unearned premium (UPR)	21,673	19,300
Provision for claims reported but not settled (RBNS) and loss adjustment expenses	34,922	39,437
Provision for claims incurred but not reported (IBNR)	3,260	1,930
Life insurance contract liabilities	499	722
Total	**60,354**	**61,389**

11 LOANS AND RECEIVABLES

	31 December 2020	31 December 2019
Receivables from clients	17,863	18,901
Receivables from reinsurers	275	184
Other receivables	2,037	2,212
Total	**20,175**	**21,297**

Receivables from clients, from reinsurers and other receivables are shown net of impairment allowance.

Overview of impairment allowances is described below. Estimated fair value of receivables does not differ significantly from the book value.

	31 December 2020	31 December 2019
Bad debt provision for receivables from clients*	(9,359)	(10,684)
Bad debt provision for receivables from agents	(42)	(42)
Bad debt provision for other receivables	–	–
Total	**(9,401)**	**(10,726)**

* Of the total sum of provisions for receivables from clients a provision for receivables from unit-linked insurance amounted to EUR 1,104 thousand (31 December 2019: EUR 1,159 thousand). This provision is created in the whole amount of unpaid insurance premium, thereby reducing the accounting mismatch between posting of insurance premium and creation of technical provisions in life insurance.

Notes to the financial statements

12 DEFERRED ACQUISITION COSTS

	31 December 2020	31 December 2019
At the beginning of the period	69,177	60,165
Additions/(Disposals) of deferred acquisition costs during the year (Note 23)	9,105	9,012
At the end of the period	**78,282**	**69,177**

13 DEFERRED INCOME TAX

Deferred income taxes are calculated for all temporary differences under the balance sheet liability method, using the valid 21% tax rate, as follows:

	31 December 2020	31 December 2019
Deferred tax assets		
- with expected realization after more than 12 months	1,907	2,165
- with expected realization within 12 months	5,515	5,073
	7,422	**7,238**
Deferred tax liabilities		
- with expected settlement after more than 12 months	(7,267)	(7,345)
- with expected settlement within 12 months	(1,969)	(1,851)
	(9,236)	**(9,196)**
Net deferred tax liability	**(1,814)**	**(1,958)**

Movements in deferred income tax are as follows:

Year ended	31 December 2020	31 December 2019
At the beginning of the year	(1,958)	(2,098)
Tax recognized in the income statement (Note 26)	921	1,080
Tax charged to other comprehensive income (Note 15)	(777)	(940)
At the end of the year	**(1,814)**	**(1,958)**

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Movements in deferred tax asset and liability during the year are as follows:

	1 January 2020	Other comprehensive income	Income statement	31 December 2020
Deferred tax asset				
Intangible assets	–	–	–	–
Impairment of receivables	1,009	–	(154)	855
Expenses tax-deductible when paid	2,370	–	296	2,666
Employee benefits	44	–	8	52
Provision for bonuses	492	–	13	505
IBNR	2,243	–	209	2,452
Unrealized revaluation gain credited to policyholders	1,080	(188)	–	892
Total	**7,238**	**(188)**	**372**	**7,422**

	1 January 2020	Other comprehensive income	Income statement	31 December 2020
Deferred tax liability				
Tangible assets	(124)	–	1	(123)
Revaluation of financial assets available for sale	(5,165)	(589)	–	(5,754)
VOBA	(3,907)	–	548	(3,359)
Total	**(9,196)**	**(589)**	**549**	**(9,236)**

	1 January 2019	Other comprehensive income	Income statement	31 December 2019
Deferred tax asset				
Intangible assets	–	–	–	–
Impairment of receivables	995	–	14	1,009
Expenses tax-deductible when paid	2,137	–	233	2,370
Employee benefits	36	–	8	44
Provision for bonuses	490	–	2	492
IBNR	2,055	–	188	2,243
Unrealized revaluation gain credited to policyholders	1,149	(69)	–	1,080
Total	**6,862**	**(69)**	**445**	**7,238**

Notes to the financial statements

	1 January 2019	Other comprehensive income	Income statement	31 December 2019
Deferred tax liability				
Tangible assets	(160)	–	36	(124)
Revaluation of financial assets available for sale	(4,294)	(871)	–	(5,165)
VOBA	(4,506)	–	599	(3,907)
Total	**(8,960)**	**(871)**	**635**	**(9,196)**

The Company recorded a deferred tax liability from revaluation of available-for-sale financial assets.

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14 CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Bank accounts	31,062	25,867
Cash equivalents	12	12
Total	**31,074**	**25,879**

Cash in banks and cash equivalents represent funds immediately available, which are intended to cover the operational needs of the Company.

15 EQUITY

SHARE CAPITAL

	Number of shares	Ordinary shares in EUR thousand
As at 1 January 2019	**75,302**	**25,000**
Changes during the year	–	–
As at 31 December 2019	**75,302**	**25,000**
Changes during the year	–	–
As at 31 December 2020	**75,302**	**25,000**

The Company issued a total of 75,302 shares. All shares are held by GENERALI CEE Holding B.V., which represents a 100% share in the share capital.

The total amount of ordinary registered shares is 75,302 (at 31 December 2019: 75,302). The nominal value is EUR 332 per share. All issued shares are fully paid. Shares are not listed.

Legal reserve fund

The Company creates a legal reserve fund, in compliance with the Commercial Code, of 10% of net profit for the current accounting period up to 20% of the share capital. The legal reserve fund is used to cover losses of the Company and cannot be distributed.

Based on the decision of the General Meeting, the legal reserve fund was not increased in 2020 (remained at the value of EUR 5,648 thousand) since it exceeded 20% of the share capital in 2015.

PROFIT / (LOSS) FROM PREVIOUS AND CURRENT YEARS

	31 December 2020	31 December 2019
Profit/(loss) from previous years	87,912	87,045
Profit/(loss) of the current year	22,779	10,165
Dividend payments	(10,165)	(9,647)
Total	**100,526**	**87,563**

The financial statements for 2019 were approved at the General Meeting held on 7 April 2020. Based on the decision of the General Meeting the profit of EUR 10,165 thousand was decided to be paid as a dividend. Out of this amount, in 2020 Company paid EUR 5,165 thousand as a dividend payment to the shareholder.

Notes to the financial statements

REVALUATION OF SECURITIES AVAILABLE FOR SALE

At the beginning of 2019	**11,843**
Unrealized gain from revaluation attributable to policyholders	327
Unrealized gain from revaluation attributable to policyholders – deferred tax	(69)
Loss from the available-for-sale financial assets revaluation	4,085
Loss from the available-for-sale financial assets revaluation – deferred tax	(859)
Transfers to net profit upon impairment	30
Transfers to net profit upon impairment – deferred tax	(6)
Transfers to net profit upon sale	25
Deferred tax upon sale	(6)
At the end of 2019	**15,370**
Unrealized gain from revaluation attributable to policyholders	893
Unrealized gain from revaluation attributable to policyholders – deferred tax	(188)
Gain from the available-for-sale financial assets revaluation	2,715
Gain from the available-for-sale financial assets revaluation – deferred tax	(517)
Transfers to net profit upon impairment	315
Transfers to net profit upon impairment – deferred tax	(66)
Transfers to net profit upon sale	(225)
Deferred tax upon sale	(6)
At the end of 2020	**18,293**

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16 INSURANCE CONTRACT LIABILITIES AND FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS

The Company has the following insurance contract liabilities:

Gross	31 December 2020	31 December 2019
- Claims reported but not settled (RBNS) and loss adjustment expenses	95,515	101,560
- Claims incurred but not reported (IBNR)	14,932	12,608
- Provision for unearned premium	57,548	51,938
- Provision for profit sharing and premium refund	2,224	1,667
- Life insurance contract liabilities	179,526	182,610
- Provision for covering the risk of investments in the name of the insured	144,722	150,169
Total insurance contract liabilities, gross	**494,467**	**500,552**

Share of reinsurers (reinsurance assets)	31 December 2020	31 December 2019
- Claims reported but not settled (RBNS) and loss adjustment expenses	34,922	39,437
- Claims incurred but not reported (IBNR)	3,260	1,930
- Provision for unearned premium	21,673	19,300
- Provision for profit sharing and premium refund	–	–
- Life insurance contract liabilities	499	722
- Provision for covering the risk of investments in the name of the insured	–	–
Total share of reinsurance on insurance contract liabilities	**60,354**	**61,389**

Net	31 December 2020	31 December 2019
- Claims reported but not settled (RBNS) and loss adjustment expenses	60,593	62,123
- Claims incurred but not reported (IBNR)	11,672	10,678
- Provision for unearned premium	35,875	32,638
- Provision for profit sharing and premium refund	2,224	1,667
- Life insurance contract liabilities	179,027	181,888
- Provision for covering the risk of investments in the name of the insured	144,722	150,169
Total net insurance contract liabilities	**434,113**	**439,163**

Notes to the financial statements

Movements in insurance contract liabilities and reinsurance assets

a) Provisions for insurance claims (RBNS and IBNR, including loss adjustment expenses)

NON-LIFE INSURANCE

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	87,210	(38,036)	49,174	82,349	(36,383)	45,966
IBNR	4,541	(1,847)	2,694	4,108	(1,673)	2,435
Total at the beginning of the year	**91,751**	**(39,883)**	**51,868**	**86,457**	**(38,056)**	**48,401**
Insurance claims paid for claims settled in the year	(74,127)	30,800	(43,327)	(76,102)	29,727	(46,375)
Change in liabilities	67,984	(27,230)	40,754	81,299	(31,554)	49,745
ERGO – acquisition of portfolio	–	–	–	97	–	97
Total at the end of year	**85,608**	**(36,313)**	**49,295**	**91,751**	**(39,883)**	**51,868**
RBNS	80,540	(33,335)	47,205	87,210	(38,036)	49,174
IBNR	5,068	(2,978)	2,090	4,541	(1,847)	2,694
Total at the end of year	**85,608**	**(36,313)**	**49,295**	**91,751**	**(39,883)**	**51,868**

LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	9,786	(274)	9,512	9,250	(440)	8,810
IBNR	7,315	–	7,315	6,848	–	6,848
Total at the beginning of the year	**17,101**	**(274)**	**16,827**	**16,098**	**(440)**	**15,658**
Insurance claims paid for claims settled in the year	(38,365)	1,078	(37,287)	(31,910)	930	(30,980)
ERGO – acquistion of portfolio	–	–	–	124	–	124
Change in liabilities	40,234	(1,097)	39,137	32,789	(764)	32,025
Total at the end of year	**18,970**	**(293)**	**18,677**	**17,101**	**(274)**	**16,827**
RBNS	10,112	(293)	9,819	9,786	(274)	9,512
IBNR	8,858	–	8,858	7,315	–	7,315
Total at the end of year	**18,970**	**(293)**	**18,677**	**17,101**	**(274)**	**16,827**

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CONTRACTS WHERE THE RISK OF INVESTMENT IS BORNE BY THE POLICYHOLDER

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
RBNS	2,691	–	2,691	2,537	–	2,537
IBNR	626	–	626	473	–	473
Total at the beginning of the year	**3,317**	**–**	**3,317**	**3,010**	**–**	**3,010**
Insurance claims paid for claims settled in the year	(21,912)	–	(21,912)	(23,988)	–	(23,988)
ERGO – acquisiton of portfolio	–	–	–	40	–	40
Change in liabilities	21,728	–	21,728	24,255	–	24,255
Total at the end of year	**3,133**	**–**	**3,133**	**3,317**	**–**	**3,317**
RBNS	2,556	–	2,556	2,691	–	2,691
IBNR	577	–	577	626	–	626
Total at the end of year	**3,133**	**–**	**3,133**	**3,317**	**–**	**3,317**

ACTIVE REINSURANCE

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
RBNS	1,873	(1,127)	746	1,247	(659)	588
IBNR	126	(83)	43	80	(53)	27
Total at the beginning of the year	**1,999**	**(1,210)**	**789**	**1,327**	**(712)**	**615**
Insurance claims paid for claims settled in the year	(868)	554	(314)	(764)	481	(283)
Change in liabilities	1,605	(920)	685	1,436	(979)	457
Total at the end of year	**2,736**	**(1,576)**	**1,160**	**1,999**	**(1,210)**	**789**
RBNS	2,307	(1,294)	1,013	1,873	(1,127)	746
IBNR	429	(282)	147	126	(83)	43
Total at the end of year	**2,736**	**(1,576)**	**1,160**	**1,999**	**(1,210)**	**789**

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b) Provisions for unearned premium

NON-LIFE INSURANCE

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
At the beginning of the year	46,220	(18,814)	27,406	42,976	(17,702)	25,274
ERGO – acquisition of portfolio	–	–	–	436	–	436
Change	5,134	(2,226)	2,908	2,808	(1,112)	1,696
At the end of the year	**51,354**	**(21,040)**	**30,314**	**46,220**	**(18,814)**	**27,406**

LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
At the beginning of the year	5,111	(148)	4,963	4,750	(131)	4,619
ERGO – acquisition of portfolio	–	–	–	22	–	22
Change	249	(16)	233	339	(17)	322
At the end of the year	**5,360**	**(164)**	**5,196**	**5,111**	**(148)**	**4,963**

ACTIVE REINSURANCE

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
At the beginning of the year	607	(338)	269	496	(356)	140
Change	227	(131)	96	111	18	129
At the end of the year	**834**	**(469)**	**365**	**607**	**(338)**	**269**

c) Life insurance contract liabilities

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
At the beginning of the year	182,610	(722)	181,888	167,732	(406)	167,326
Increase from premiums	14,776	(148)	14,628	18,005	(539)	17,466
ERGO – acquisition of portfolio	–	–	–	4,592	–	4,592
Release due to death, surrenders and other terminations in the year	(13,193)	371	(12,822)	(11,302)	223	(11,079)
Change – provision for the share on profit (DPF)	(89)	–	(89)	(108)	–	(108)
Change – Liability adequacy test	(3,685)	–	(3,685)	4,018	–	4,018
Change – Deferred liabilities to the insured (DPF)	(893)	–	(893)	(327)	–	(327)
At the end of the year	**179,526**	**(499)**	**179,027**	**182,610**	**(722)**	**181,888**

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DEFERRED LIABILITIES TO THE INSURED – MOVEMENTS

At the beginning of 2019	**5,472**
Adjustment from unrealized gains and losses on assets available for sale (Note 15)	(327)
At the end of 2019	**5,145**
Adjustment from unrealized gains and losses on assets available for sale (Note 15)	(893)
At the end of 2020	**4,252**

LIFE INSURANCE CONTRACT LIABILITIES – BREAKDOWN BY COMPONENT

	31 December 2020	31 December 2019
Life insurance contract liabilities	**179,526**	**182,610**
Provision for guaranteed benefits	174,658	173,164
Provision for unallocated share on profit	–	–
Provision from liability adequacy test	616	4,301
Deferred liability to policyholders	4,252	5,145

d) Provision for covering the risk of investments in the name of the insured (unit linked)

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	150,169	–	150,169	138,192	–	138,192
Insurance premium less charges	17,495	–	17,495	17,599	–	17,599
ERGO – acquisition of portfolio	–	–	–	5,174	–	5,174
Release due to death, surrenders and other terminations in the year	(22,395)	–	(22,395)	(24,888)	–	(24,888)
Change in valuation of mutual fund shares	(547)	–	(547)	14,092	–	14,092
Total at the end of the year	**144,722**	**–**	**144,722**	**150,169**	**–**	**150,169**

Notes to the financial statements

e) Financial liabilities from investment contracts

	31 December 2020			31 December 2019		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	52,622	–	52,622	–	–	–
Insurance premium less charges	47	–	47	9	–	9
ERGO – acquisition of portfolio	–	–	–	55,568	–	55,568
Release due to death, surrenders and other terminations in the year	(27,691)	–	(27,691)	(3,990)	–	(3,990)
Release due to charges	(112)	–	(112)	(49)	–	(49)
Change in valuation of mutual fund shares	90	–	90	1,084	–	1,084
Total at the end of the year	**24,956**	**–**	**24,956**	**52,622**	**–**	**52,622**

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17 TRADE AND OTHER LIABILITIES

	31 December 2020	31 December 2019
Financial and insurance liabilities:		
Payables to clients*	15,535	12,703
Deposit – travel agency insolvencies	7,414	2,668
Payables – brokers and agents	3,356	2,914
Payables – co-insurance	–	10
Payables from reinsurance	22,363	19,987
Amounts due to related parties	5,000	–
Payables – suppliers	781	632
Accruals:		
Commissions	6,411	5,821
General expenses – not settled rental, services and other expenses	3,111	3,020
Payable from a rental agreement	630	–
Total financial liabilities	**64,601**	**47,755**
Non-financial liabilities:		
Payables – employees	1,028	958
Payables – social security	543	528
Accruals – personal expenses	2,806	2,733
Provisions for employee benefits	253	211
Other provisions	449	438
Accrued commissions from reinsurers	5,358	4,776
8% levy from non-life insurance (including MPTL)	3,837	4,106
VAT and other taxes	2,370	2,313
Total non-financial liabilities	**16,644**	**16,063**
Total liabilities	**81,245**	**63,818**

* From this amount, EUR 13,832 thousand represents unmatched payments and premiums paid in advance (31 December 2019: EUR 11,890 thousand).

Notes to the financial statements

ACCRUED COMMISSION FROM REINSURERS

	31 December 2020	31 December 2019
Opening balance	4,776	4,553
Net usage/creation	582	223
Closing balance	**5,358**	**4,776**

All liabilities are within due date.

LIABILITIES TO EMPLOYEES ALSO INCLUDE LIABILITIES FROM THE SOCIAL FUND

	31 December 2020	31 December 2019
Opening balance	67	55
Creation from salaries	203	190
Usage	(170)	(178)
Closing balance	**100**	**67**

18 NET EARNED PREMIUM

	Gross amount		Reinsurers' share		Net amount	
	2020	2019	2020	2019	2020	2019
Written premium in non-life insurance	157,348	146,861	(68,549)	(62,358)	88,799	84,503
Written premium in life insurance	110,578	107,676	(2,506)	(5,559)	108,072	102,117
Written premium in active reinsurance	6,227	6,424	(3,720)	(3,753)	2,507	2,671
Total written premium	**274,153**	**260,961**	**(74,775)**	**(71,670)**	**199,378**	**189,291**
Non-life insurance, change in provision for unearned premium	(5,135)	(2,808)	2,226	1,112	(2,909)	(1,696)
Life insurance, change in provision for unearned premium	(248)	(339)	15	17	(233)	(322)
Active reinsurance, change in provision for unearned premium	(227)	(111)	132	(18)	(95)	(129)
Total change in provision for unearned premium	**(5,610)**	**(3,258)**	**2,373**	**1,111**	**(3,237)**	**(2,147)**
Earned premium in non-life insurance	152,213	144,053	(66,323)	(61,246)	85,890	82,807
Earned premium in life insurance	110,330	107,337	(2,491)	(5,542)	107,839	101,795
Earned premium in active reinsurance	6,000	6,313	(3,588)	(3,771)	2,412	2,542
Total earned premium	**268,543**	**257,703**	**(72,402)**	**(70,559)**	**196,141**	**187,144**

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19 INCOME/(LOSS) FROM FINANCIAL INVESTMENTS AND INCOME/(LOSS) FROM DERIVATIVE FINANCIAL INVESTMENTS

	2020	2019
Financial assets and liabilities at fair value through profit or loss		
Unrealized gain/ (loss) from other financial assets at fair value through profit or loss	–	(1,372)
Realized gain/ (loss) from other financial assets at fair value through profit or loss	–	1,665
Net change in fair value of investments on behalf of policyholders	(214)	15,176
	(214)	**15,469**
Hedge accounting – unrealized net profit/(loss) from derivative financial instruments	901	419
Hedge accounting – realized net profit/(loss) from derivative financial instruments	1,190	(2,055)
	2,091	**(1,636)**
Total	**1,877**	**13,833**
Financial assets available for sale		
Interest income from securities (coupon)	7,257	7,812
Amortization of discount/ premium	(1,065)	(1,975)
Realized net gain/ loss from financial assets available for sale	224	(26)
Realized net FX gain/ loss from financial assets available for sale	422	18
Unrealized net FX gain/ loss from financial assets available for sale	(3,371)	317
Unrealized net gain/ loss from financial assets available for sale	208	385
Dividend income	169	241
Total	**3,844**	**6,772**
- Out of which: Hedge accounting – net gain/(loss) from hedged financial investments	(2,962)	866
Other income*	**3,865**	**2,145**
Total	**9,586**	**22,750**
Out of which:		
Income/(loss) from financial investments	9,832	23,042
Income/(loss) from derivative financial instruments	(246)	(292)

*Includes dividend income from joint venture VÚB Generali-DSS.

20 IMPAIRMENT LOSS OF FINANCIAL ASSETS AVAILABLE FOR SALE

Except for expenses and revenues from financial assets available for sale disclosed in Note 19, the Company recognized an impairment loss on financial assets available for sale of EUR 315 thousand (2019: EUR 30 thousand).

Notes to the financial statements

21 OTHER INCOME

Other income includes commission from the management companies of investment funds of EUR 812 thousand (2019: EUR 866 thousand), commissions for arranging mortgage loans of EUR 930 thousand (2019: EUR 573), proceeds from the claims processing for foreign partners of EUR 303 thousand (2019: EUR 342 thousand), net proceeds from sale of assets of EUR 99 thousand (2019: EUR 491 thousand) administrative fees from investment contracts of EUR 112 ths. (2019: EUR 49 thousand), release of provision for building of EUR 0 thousand (2019: EUR 148 thousand) and other income of EUR 505 thousand (2019: EUR 440 thousand).

22 NET INSURANCE BENEFITS AND CLAIMS

	Gross amount		Reinsurers' share		Net amount	
	2020	2019	2020	2019	2020	2019
Claims paid	130,206	126,986	(30,397)	(31,406)	99,809	95,580
- of which subrogation	*(5,066)*	*(5,778)*	*2,036*	*2,352*	*(3,030)*	*(3,426)*
Claims handling expenses*	9,196	9,002	–	–	9,196	9,002
Change in provisions for insurance claims	(3,720)	6,877	3,200	(2,185)	(520)	4,692
Change in provisions for profit sharing and bonuses	557	(74)	–	–	557	(74)
Profit sharing	358	729	–	–	358	729
Change in the technical provision for life insurance	(2,190)	10,612	223	(315)	(1,967)	10,297
Change in the provision for unit-linked insurance contracts on behalf of policyholders	(5,447)	6,802	–	–	(5,447)	6,802
Other costs for insurance benefits	–	–	–	–	–	–
Total	**128,960**	**160,934**	**(26,974)**	**(33,906)**	**101,986**	**127,028**

*Out of which internal claims handling costs allocated from administrative expenses represent the amount of EUR 4,718 thousand (2019: EUR 4,509 thousand).

23 COMMISSION AND OTHER ACQUISITION COSTS

	Commission		Deferred acquisition costs		Other acquisition costs		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-life insurance	34,726	31,785	(1,078)	(1,524)	9,510	9,468	43,158	39,729
Life insurance	26,404	27,592	(7,831)	(7,451)	5,133	4,989	23,706	25,130
Active reinsurance	2,476	2,259	(196)	(37)	287	301	2,567	2,523
Total	**63,606**	**61,636**	**(9,105)**	**(9,012)**	**14,930**	**14,758**	**69,431**	**67,382**

Other acquisition costs include advertising and promotional costs, trade promotion, education, consumption of forms and medical charges.

24 FINANCE COSTS

Finance costs mainly include expenses for investment management and interest expense from leasing contracts (Note 6). Investment management expenses include all costs of managing financial investments, including staff costs of asset managers of EUR 961 thousand in 2020 (2019: EUR 847 thousand).

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25 COSTS BY CATEGORY

Commission and other acquisition costs, investment management expenses and administrative costs are broken down by category in the following table:

	2020	2019
Wages and salaries	13,865	13,319
Remuneration paid to the Board of Directors – short-term employee benefits	1,440	1,186
Pension costs (members of the Board of Directors)	42	53
Other social costs (members of the Board of Directors)	218	234
Social costs (employees)	5,247	4,963
Other personnel costs, of which:	245	230
- defined benefit plan (change of provision)	42	41
- defined benefit plan	203	189
Total personnel costs	**21,057**	**19,985**
Advertising and promotional activities	4,248	3,312
Rental	444	439
Depreciation – right-of-use assets (Note 6)	1,296	1,291
IT expenses	2,340	1,926
Postal and telecommunication services	1,134	1,138
Audit fee*	260	241
Travel costs	287	502
Training courses	330	355
Depreciation and amortization (Note 5 and 7)	5,580	5,608
Investment management expenses (Note 24)	1,108	1,027
Commission (including accruals)	54,501	52,624
Change in the impairment allowance for receivables (Note 11)	(1,404)	358
Written off receivables	2,021	495
Assistance services	387	668
Other	4,800	5,288
out of which internal claims handling costs	(4,718)	(4,509)
Total costs other than insurance claims and benefits	**93,671**	**90,748**

*of which: statutory audit EUR 104 thousand
other assurance services (including Solvency II) EUR 156 thousand

The members of the Supervisory Board received no income for their Supervisory Board membership in 2020.

Notes to the financial statements

26 INCOME TAX

	2020	2019
Income tax for the current period	6,255	3,653
Tax relating to previous periods	13	(48)
Special levy	1,763	843
Deferred tax (Note 13)	(921)	(1,080)
Total tax expenses	**7,110**	**3,368**

RECONCILIATION OF THE EFFECTIVE TAX RATE

	2020	2019
Profit/ (loss) before taxes	29,889	13,533
Income tax calculated using 21% tax rate	6,276	2,842
Tax non-deductible expenses, non-taxable income	(942)	(269)
Special levy	1,763	843
Additional tax for the year	13	(48)
Total tax expense	**7,110**	**3,368**

27 EMPLOYEE DETAILS

	2020	2019
Top management	21	23
Middle management	47	47
Other employees	550	542
Total	**618**	**612**

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28 TRANSACTIONS WITH RELATED PARTIES

Related party transactions were conducted under the same conditions that prevail in arm's length principle transactions.

Related parties are those counterparties that represent:

a) Enterprises which directly, or indirectly, through one or more intermediaries, control, or are controlled by, or are under the common control of, the reporting entity

b) Key management, consisting of those persons who have authority and responsibility for planning, directing and controlling the activities of the Company (for Board of Director's remuneration see Note 25)

Ultimate controlling entity:
Assicurazioni Generali, S. p. A., Trieste

Parent company:
Generali CEE Holding B. V. Amsterdam

Subsidiaries:
GSL Services, s. r. o. Bratislava

Joint ventures:
VÚB Generali, d. s. s., a. s., Bratislava

Associates:
SMALL GREF a. s.

Notes to the financial statements

Other related parties (with whom the Company had transactions):

Related parties without reinsurance 31 December 2020	Receivables	Payables	Financial* invest-ments*	Expenses	Income
Assicurazioni Generali S. p. A., Trieste	–	983	–	1,042	–
Generali Investments CEE, Investiční Společnost, a. s.	–	60	21,327	11,514	11,215
Generali Česká pojišťovna, a. s., Praha	–	6	–	13	1,039
Europ Assistance s. r. o., Praha	28	–	–	387	–
Europ Assistance Polska Sp. zo. o., Varšava	–	–	–	9	–
Generali Investments Luxembourg S. A.	–	–	54,926	22,096	21,630
Generali Versicherung AG, Wien	–	–	–	116	–
BG Fund Management Luxembourg S. A.	–	–	5,438	2,010	2,544
Generali Real Estate S. p. A., Trieste	–	–	–	–	–
Generali CEE Holding B. V., Amsterdam	69	5,045	–	62	–
Genertel Biztosító Zrt, Budapest	–	–	–	–	–
Generali IT S. r. o., Bratislava	–	–	–	–	1
Generali Real Estate S. p. A., CEE branch org. zložka, Praha	–	–	–	1	–
GSS – Generali Shared Services S. c. a. r. l., Czech branch, org. zložka, Praha	–	–	–	10	–
GSL Services, s. r. o., Bratislava	–	–	7	–	1
VÚB Generali, d. s. s., a. s. Bratislava	7	–	16,597	–	4,035
SMALL GREF a. s.,	–	–	16,767	–	89
Lion River I N. V.	–	–	5,337	–	–
Predstavenstvo Spoločnosti	–	–	–	1,700**	–
Total	**104**	**6,094**	**120,399**	**38,960**	**40,554**

*Generali Investments Luxembourg S.A., BG Fund Management Luxembourg S.A, and Generali Invest CEE Plc - mutual funds investments. Income and expenses represent revaluation of mutual funds.
**Represents wages, bonuses and social costs.

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Related parties – reinsurers' share	Receivables	Payables*	31 December 2020 Share on provisions	Expenses	Income	Change in technical provisions**
Assicurazioni Generali S. p. A., Trieste	–	326	790	2,185	847	(68)
Generali Česká pojišťovna, a. s., Praha	9	–	122	–	1	6
Europai Utazasi Biztosito Rt., Budapest	–	6	–	70	42	–
Generali Deutschland Versicherung AG, Aachen	–	–	3	3	1	–
Generali España, S. A. de Seguros y Reaseguros, Madrid	–	4	2	5	1	(2)
Generali France S. A., Paris	–	3	–	–	–	–
Generali Hellas Insurance Company S. A., Athens	–	135	87	156	11	(78)
Generali IARD S. A., Paris	–	–	2	12	14	9
Generali Italia S. p. A., Mogliano Veneto	–	21	102	189	64	163
Generali Towarzystwo Ubezpieczen, Varsava	–	2	1	3	–	–
Generali Versicherung AG, Wien	51	62	1,065	659	747	1,380
Generali Zavarovalnica d. d., Ljubljana	–	11	3	3	1	–
Europ Assistance S. A., Gennevilliers	–	492	–	697	–	–
Pojišťovna Patricie a. s., Praha	7	21	92	131	11	(80)
GP Reinsurance EAD, Sofia	–	24,487	55,648	63,455	45,490	1,889
Total	**67**	**25,570**	**57,917**	**67,568**	**47,230**	**3,219**

* including deposits from reinsurers and accrued reinsurance commission
** "()"= income, "+" = expense

Notes to the financial statements

Related parties without reinsurance 31 December 2019	Receivables	Payables	Financial investments*	Expenses	Income
Assicurazioni Generali S. p. A., Trieste	–	922	–	971	–
Generali Investments CEE, Investiční Společnost, a. s.	–	55	20,536	7,620	9,246
Generali Česká pojišťovna, a. s., Praha	–	8	–	253	1,028
Europ Assistance s. r. o., Praha	30	35	–	675	–
Europ Assistance Polska Sp. zo. o., Varšava	–	–	–	4	–
Generali Investments Luxembourg S. A.	–	–	62,204	11,604	16,886
Generali Versicherung AG, Wien	–	–	–	75	–
BG Fund Management Luxembourg S. A.	–	–	5,545	1,461	2,267
Generali Real Estate S. p. A., CEE branch org. zložka, Praha	–	–	–	1	–
Generali CEE Holding B. V., Amsterdam	27	11	–	76	–
GSS – Generali Shared Services S. c. a. r. l., Czech branch, org. zložka Praha	–	–	–	14	–
GSL Services, s. r. o., Bratislava	–	–	7	–	2
VÚB Generali, d. s. s., a. s. Bratislava	–	–	16,597	–	1,987
SMALL GREF a. s.,	–	–	16,767	–	145
Lion River I N. V.	–	–	4,249	–	–
Pojišťovna Patricie a. s., Praha	–	–	–	1	–
Predstavenstvo Spoločnosti	–	–	–	1,473**	–
Total	**57**	**1,031**	**125,905**	**24,228**	**31,561**

*Generali Investments Luxembourg S.A., BG Fund Management Luxembourg S.A, and Generali Invest CEE Plc - mutual funds investments. Income and expenses represent revaluation of mutual funds.
**Represents wages, bonuses and social costs.

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Related parties – reinsurers' share	Receivables	Payables*	31 December 2019 Share on provisions	Expenses	Income	Change in technical provisions**
Europ Assistance S. A., Gennevilliers	–	129	–	647	29	–
Assicurazioni Generali S. p. A., Trieste	–	586	722	3,030	1,217	220
Generali Česká pojišťovna, a. s., Praha	–	6	128	38	196	120
Europai Utazasi Biztosito Rt., Budapest	–	16	–	167	100	–
Generali Deutschland Versicherung AG, Aachen	–	2	3	3	1	(3)
Generali France S. A., Paris	–	4	–	–	–	–
Generali Hellas Insurance Company S. A., Athens	–	36	9	23	7	32
Generali IARD S. A., Paris	–	2	11	27	38	124
Generali Italia S. p. A., Mogliano Veneto	–	475	266	502	28	(261)
Pojišťovna Patricia a. s., Praha	14	2	13	21	25	87
Generali Towarzystwo Ubezpieczen, Varsava	–	4	1	3	1	–
Generali Versicherung AG, Wien	32	62	2,446	746	1,240	698
Generali Zavarovalnica d. d., Ljubljana	–	9	3	3	1	–
GP Reinsurance EAD, Sofia	–	20,980	56,490	59,884	44,953	(3,127)
Total	**46**	**22,313**	**60,092**	**65,094**	**47,836**	**(2,110)**

*including deposits from reinsurers and accrued reinsurance commission
** "()"= income, "+" = expense

The balances due to or from the companies mentioned above are related to reinsurance, advisory and management services. All balances were short-term, due within one month. None of the related parties stated above is a listed company, except for Assicurazioni Generali, S. p. A., Trieste, which is listed on the Milan Stock Exchange.

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29 CONTINGENT LIABILITIES AND CONTINGENT RECEIVABLES

Litigations

In connection with its insurance business, the Company faces several lawsuits. These relate particularly to refused insurance benefits (e.g., due to suspicion from fraud, or questionable entitlement to the insurance benefit). Upon refusal of the insurance benefit payment, the RBNS reserve is cancelled (reduced to nil), and is created again in the event of a review of the commitment when a lawsuit against the Company is filed. In this case, it is created again as a provision for insurance benefit, which considers the sued amount and potential related charges.

The number of lawsuits is acceptable, given the scope of insurance activities performed by the Company. The Company monitors the frequency of re-opened insurance events relating to refused insurance benefits or their part, as well as the volume and probability of success or failure in these lawsuits. The Company is not aware of any lawsuits pending which might have a significant adverse effect on its financial position.

Tax legislation

As many areas of Slovak tax law allow for more than one interpretation (especially transfer pricing), the tax authorities may decide to tax certain business activities, on which the Company believes that it should not be taxed. Tax authorities have not inspected the taxable periods from 2015 to 2020. Therefore, there may be a risk of additional tax being imposed. The management of the Company is not aware of any circumstances in this respect which may lead to significant costs in the future. The taxable periods which have not been checked by the tax authorities may be subject to tax inspection up to 2025 – up to five years after the end of the year in which the Company was obliged to file a tax return.

Pledges and bank guarantees

Všeobecná úverová banka, a. s. issued a rent guarantee of EUR 500 thousand, valid until 12 October 2021.

A pledge on real estate of EUR 11,935 thousand and a pledge on dematerialized securities of EUR 3,152 thousand (total of EUR 20,502 thousand) has been issued in favor of the Company to cover its own losses in case of potential claims resulting from insurance against insolvency of travel agencies.

The Company granted cash collateral to the companies Komerční banka, a.s., PPF Banka, a. s. and Československá obchodná banka, a. s. to cover derivative transactions in amount of EUR 1.75 million as at 31 December 2020 (31 December 2019 in amount of EUR 1.72 million).

The Company committed itself to purchase shares of Lion River I, N. V. in amount of EUR 10 million until 2022 (as at 31 December 2020 the investment amounted to EUR 5.3 million).

30 SUBSEQUENT EVENTS

After the preparation date of the financial statements, no significant events have occurred which would require a change in these financial statements as at 31 December 2020.

The cooperation between Generali Group companies in the Czech Republic and Slovakia deepened during 2020. As a result, opportunities for mutual synergies were identified. In order to realize them, the Boards of Directors of Generali Česká pojišťovna and Generali poisťovňa adopted a decision for creation of a transformation program in order to continue to seek and exploit the benefits of joint activities. From a legal perspective, assessment of the Company's most suitable business model is part of the Slovak market transformation program.

Non-financial information

In accordance with the derogation provided in Act No. 431/2002 Coll., the Company does not disclose any non-financial information in its Annual Report, as it is included in the consolidated Annual Report of Assicurazioni Generali S. p. A., with its registered office at Piazza Duca degli Abbruzi 2, 34132, Trieste, Italy.

Affidavit

I declare that the information contained in the Annual Report of Generali Poisťovňa, a. s., for 2020 is true and that no material circumstances have been omitted or misrepresented.

In Bratislava, on 1 April 2021

Ing. Michal Marendiak
Member of the Board of Directors

Contact details

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The Company is part of the Generali Group, which is included in the Italian List of Groups of Insurance Companies maintained by IVASS.

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