

# Generali CEE Holding B.V.

## Annual Report 2020

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# Letter from the Chairman and CEO



**Jaime**

**Anchústegui Melgarejo**

## **Dear Ladies and Gentlemen,**

Last year the whole world was paralysed by the Covid-19 pandemic. We have taken countless steps to protect the health of our people, whether they are our employees or agents, and also to preserve business continuity in order to deliver the best services to our clients and business partners. And our efforts in this respect are certainly not fading away. We relentlessly monitor the current situation to be able to react quickly to this unprecedented situation.

Undoubtedly, the pandemic brought us many unfamiliar challenges we had to face. We are proud that thanks to the enthusiasm and dedication of our people, we were able to react swiftly and adapt to conditions nobody could have imagined before.

## **Extraordinary International Fund**

Coronavirus hit economies hard and impacted the lives of our communities all around the world, including the countries where Generali operates, leading the Generali Group to lend a helping hand and establish an Extraordinary International Fund of up to € 100 million. These financial assets, most

of which had been already deployed during the year 2020, were aimed at mitigating the devastating consequences of the pandemic in many business sectors and helping where it was needed most. In the Austria, CEE and Russia Region, we are satisfied that we could support several initiatives with the amount of € 11 million.

Generali's commitment for the recovery of economies in Central and Eastern Europe is a signal of the prominent role of this Region for the Group. To best celebrate this year's 190th anniversary of Generali and keep our driving role, we will combine our old strength with the digital transformation.

## **Regional Digital Acceleration Program**

Arisen from the circumstances brought by the Covid-19 emergency, showing us that we need to reflect on ongoing pressure on traditional business models and take steps to accelerate the transformation process of these models, we successfully launched a Regional Digital Acceleration Program in May 2020.

One of the main ambitions of the program is to strengthen the base for the post-crisis rebound and in addition to further improve our value proposition towards our clients by accelerating the speed of our digitalisation journey. The program embodies fundamental organizational changes based on efficient leveraging of investments into the digital transformation.

As an example, we managed to deploy online tools allowing us to sell remotely almost all our products, especially in retail business, and we enabled remote signature and remote conclusion of policies in the Czech Republic, Austria, Poland, Slovakia, Slovenia or Hungary. Some of these countries also have adopted smart solutions for remote claims allowing customers to report damages on property and vehicles via video inspections. Such improvement helped us to get closer to our customers, making their contact with our company easier and smoother than ever before.





Luciano

Cirinà

### Financial results

Generali in the Austria, CEE and Russia Region belongs to the biggest contributors to the Group, proving stability and showing excellent results in 2020. Even despite a scenario that remains highly uncertain owing to the ongoing pandemic, we confirmed the importance of the regional markets for the Group's performance, highlighted by the record operating result.

In 2020, premium income reached €3,907 million, while the operating result was €653 million. As for technical results, the P&C business, with a volume of €2,874 million, reported an increase by 3,3%. The combined ratio decreased to 81.2% (the best for the Group worldwide). The Life segment reported a premium income of €1,033 million. We belong among the top 3 players in Austria, the Czech Republic, Hungary, Serbia, Slovakia and Slovenia, further strengthening our positions in all countries where we operate.

### Sustainability

We feel that being part of the community means we are responsible for shaping a brighter future for all of us. That is why we make sure that we act in an environmentally

responsible way. All companies of Generali CEE Holding are committed to implementing the objectives included in the Charter of Sustainability Commitments of the Generali Group, which consists of a wide range of environmental, social and governance topics (ESG) to be addressed and monitored through specific KPIs and to integrate these commitments into our daily business.

The Human Safety Net initiative – a global movement aiming to help the vulnerable and empower these disadvantaged members of our societies - is already launched in 11 countries of our region, with Bulgaria being the last member to join the initiative in 2020. Two out of three THSN programs are in our focus. Through country-specific initiatives, working closely with local NGOs, we have reached more than eight thousands beneficiaries already (be it children or their families). And we are determined to work hard to further strengthen the voice of The Human Safety Net movement so we can help those who need it most.

**Dear readers,** despite the unsettling circumstances marked by the Covid-19 emergency, we are another step closer to achieving the targets set within the Generali 2021 Strategy - to become a Lifetime Partner to our customers, which is deeply rooted in all our activities. It is not just defined by what we do but also by how we do it and surely, we will further keep our commitment and prove the purpose of Generali to all our stakeholders.

**Jaime Anchústegui Melgarejo**  
Chairman, Generali CEE Holding B.V.  
CEO International, Generali Group

**Luciano Cirinà**  
Austria, CEE & Russia Regional Officer  
CEO of Generali CEE Holding B.V.

# Economic and Insurance Market Development

## GENERAL ECONOMIC SITUATION IN 2020

Global economic activity was hit sharply by the COVID-19 pandemic and related lockdowns in 2020. The impact was concentrated mainly into the first half of the year. The second wave of pandemic in late 2020 had only limited impact on economic activity also due to the fact that, unlike in spring months, industry and foreign trade remained in full operation in final months of 2020 and in early 2021. The Eurozone GDP fell by 6.6% in 2020 and recovery in 2021 is expected to reach circa 4%.

The CEE economies could not escape impact of pandemic. Many of the regional countries are text-book examples of small open economies oriented on industry and exports or on tourism. These sectors were hit by pandemic-related lockdowns and GDP contraction seen in 2020 was at historical record in several cases. Monetary and fiscal policies tried to provide maximum support to the economy across the region. Deterioration in the labour market was not as dramatic as what would correspond to the sharp GDP decline: governments adopted programs addressed to soften impact of the crisis on employment and wage growth remained solid in many cases. Lockdowns still weighed on economic activity across region in early 2021: GDP is expected to grow in full-year terms but the development will depend on progress with vaccination and on ability to ease COVID-related restrictions during the year.

Price pressures remained surprisingly resilient, mainly in larger regional economies: although domestic demand and capacity utilization declined substantially, inflation increased in second half of 2020 and in early 2021 in many cases. While regional central banks offered economies support via significant monetary policy easing in 2020 via both interest rate cuts and non-standard measures, room for further steps in such direction seemed limited at start of 2021 and the Czech CNB may actually seriously consider tightening of its policy during the year.

The Czech GDP contracted by 5.6% in 2020, the decline was reported by both domestic demand (household consumption, investment expenditure) and by exports. While the economy fell sharply in the first half of 2020 as activity was hit by the first wave of pandemic and by related lockdowns, the second half of the year brought recovery of GDP growth in quarter-to-quarter terms. Both monetary and fiscal policy provided support to the domestic economy but higher than expected inflation in second half of 2020 discouraged the CNB from more monetary easing. While economic activity was impacted by lockdown measures in early 2021, recovery should follow later this year as progress in vaccination should help to get pandemic under control and the related restriction should be lifted subsequently.

The Polish full-year 2020 GDP decline at circa 2.7% put the country among European outperformers despite the sharp contraction in investment expenditure and negative full-year performance of household consumption and exports. While COVID-related lockdown weighed on economic activity in early 2021, there is expectation for a solid GDP recovery in the whole 2021 with further acceleration in 2022, while inflation is expected to stay above a 2.5% inflation target set by the Polish central bank.

The Hungarian GDP fell by 5.1% in 2020, as both domestic demand (investment and household consumption) and exports were hit pandemic, particularly in spring months. However, GDP increased in quarter-to-quarter terms in second half of 2020 and expectations for growth in 2021 are quite strong, above 5%, due to expected contribution of government programs that target housing renovations and optimism is also driven by a solid situation in the labour market.

In Slovakia, service industries sensitive to pandemic experienced a deep downturn in 2020, while industry managed to recover from losses. Restrictions were still in place in early spring 2021, which will cause another drop in economic activity. Gradual uplift of restrictions in 2Q 2021 should lead to a sharp recovery in economic activity and pre-crisis level of output could be reached by year's end. Substantial boost to recovery will be provided by government spending and EU supported projects.

Romania entered the pandemic with a loose fiscal policy stance, which led to worsening of fiscal and external metrics. On top of that, year 2020 was dominated by political themes as markets were waiting for general elections in December. The new government announced plan to consolidate public finances by 2024 after budget deficit jumped to nearly 10% of GDP in 2020. Rating agencies were patient after they cut the rating on the edge of the investment grade in the first half of 2020. The risk of a cut to junk decreased substantially thanks to the plan for fiscal consolidation. Central bank remained an anchor: it cut interest rates and ensured adequate liquidity conditions.

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Bulgarian economy contracted by 4.2% in 2020 which is not that bad given deep losses of relatively important tourism sector (ca. 10% of GDP). The country entered the pandemic with balanced macro picture and the government has plenty of fiscal manoeuvring space also in coming years. Besides the pandemic, the key event of the year was further progress toward euro adoption as the country entered the ERM 2 in July. Response of rating agencies was mixed. Positive outlooks vanished in spring 2020 but progress toward EMU entrance and large EU funds allocation led to positive actions afterwards.

Croatian economy fell by 8.4% in 2020 which is not that bad given the fact that tourism sector equals almost one fourth of GDP. Adding to that, part of the country was hit by series of devastating earthquakes. A large fiscal support was needed to mitigate such negative impacts and central bank was also active in order to help the state and the banking sector. Croatia joined the ERM 2 simultaneously with Bulgaria. Progress toward euro adoption was the main reason for the sovereign rating upgrade in later part of 2020 after a partial worsening that came already in spring with the first virus wave.

In Montenegro, international travel restrictions had significantly negative footprint on the vital tourism sector. The economy contracted by more than 20% year-on-year both in 2Q and 3Q 2020. For the entire year, contraction by around 15% looks inevitable. Adding to that, fiscal and external positions are stressed due to large and expensive infrastructure projects launched before the pandemic with a negative impact on the rating profile.

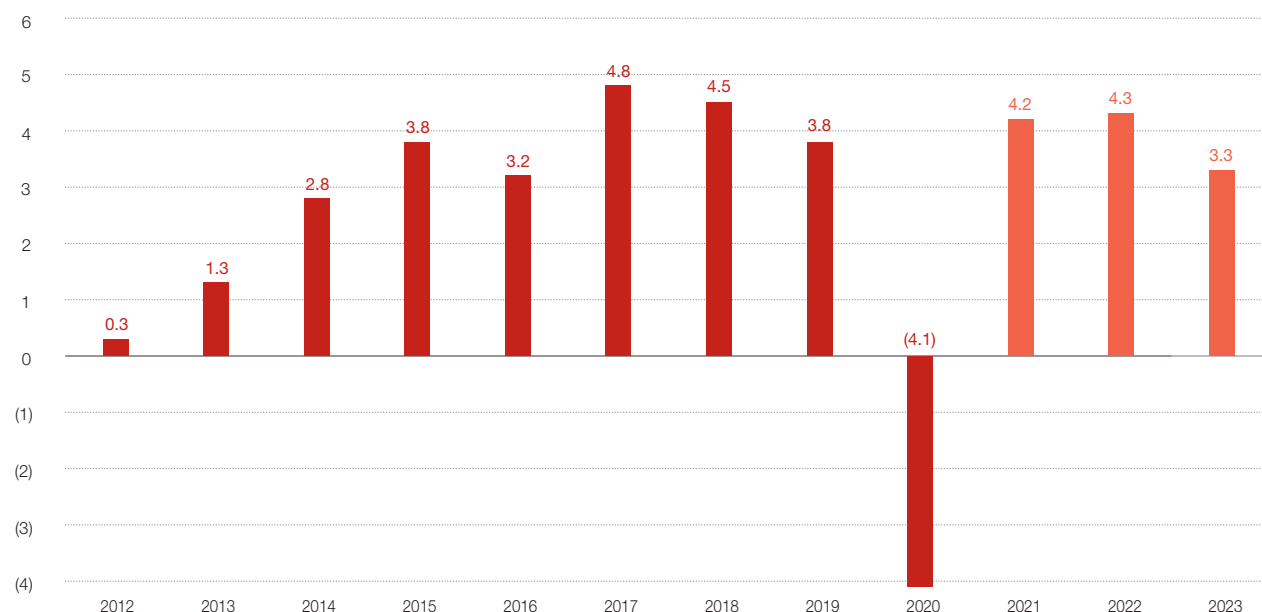
Impacts of the pandemic related crisis on Serbian economy are relatively shallow as the economy posted only mild contraction by 1% in 2020. Sizable fiscal and monetary response helped to mitigate the pandemic impact. Serbia also managed to attract solid chunk of FDIs. Swift vaccination with the best penetration in continental Europe thanks to diversification of vaccines sources and further fiscal stimulus planned for this year are encouraging for the growth outlook. Sovereign rating profile is close to the desired investment grade and the pandemic brought only single removal of positive outlook.

In Slovenia, negative effect of the pandemic on main economic figures appeared already in early 2020 and resulted in GDP decline by 5.5% in 2020. However, numerous stimulative packages helped to mitigate the impact. Inflation fell deeply below zero to one of the lowest levels across the whole Eurozone. There was almost no response of rating agencies to the crisis. Moody's even improved Slovenia's sovereign rating slightly but it was rather a catch up with other agencies.

## ECONOMIC CONDITIONS

All in all, GDP performance in the CEE region (in that area where Generali CEE Holding is present) was hit by pandemic-related restrictions in 2020 but GDP contraction was in most cases softer compared to the Eurozone average. For 2021 we expected GDP to grow in full-year terms, the actual performance will mainly depend on ability to get COVID-19 developments under control and to ease related restrictions. Economic recovery should continue in 2022 and 2023.

### Real GDP growth in CEE region (%)



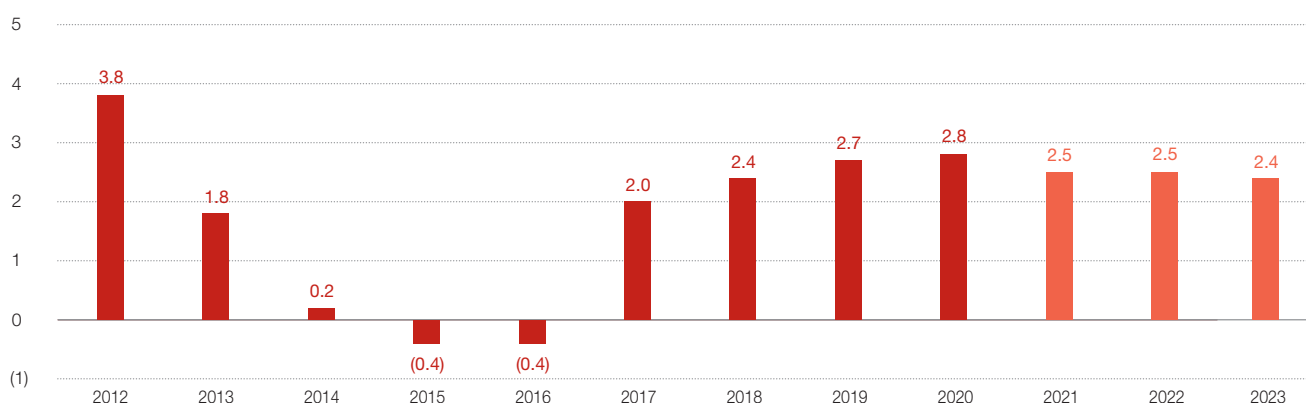
Note: Countries included are Bulgaria, Croatia, Czech republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovak republic, Slovenia



Real GDP growth (%)	2018	2019	2020f	2021f	2022f	2023f
CEE	4.5	3.8	(4.1)	4.2	4.3	3.3
Bulgaria	3.1	3.7	(3.9)	4.2	3.7	3.0
Croatia	2.8	2.9	(8.4)	4.0	3.5	2.8
Czech Republic	3.2	2.3	(5.6)	3.0	4.5	3.5
Hungary	5.4	4.6	(5.1)	5.2	4.2	3.2
Montenegro	5.1	4.1	(15.0)	7.0	3.5	3.0
Poland	5.4	4.6	(2.7)	4.1	4.6	3.4
Romania	4.5	4.1	(3.9)	4.0	3.6	3.0
Serbia	4.5	4.2	(1.0)	4.7	4.0	3.5
Slovakia	3.8	2.4	(5.2)	6.0	5.0	4.0
Slovenia	4.4	3.2	(5.5)	3.8	4.0	3.3

Inflationary pressures were mixed at start of 2021, as developments seen mainly in larger countries in the region in 2020 did not correspond with expectation that recession related to pandemic will lead to lower price pressures. While monetary policy stance was relaxed substantially in spring months of 2020, behaviour of central banks was more cautious in second half of the year. The outlook for 2021 counts mainly with stable interest rates but price pressures in the economy (e.g.: the Czech Republic) may lead to interest rate hikes in some cases.

#### Inflation in CEE region (%)



Note: Countries included are Bulgaria, Croatia, Czech republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia

Inflation (%)	2018	2019	2020f	2021f	2022f	2023f
CEE	2.4	2.7	2.8	2.5	2.5	2.4
Bulgaria	2.8	3.1	1.7	2.1	2.8	2.8
Croatia	1.5	0.8	0.1	1.0	1.5	1.7
Czech Republic	2.1	2.8	3.2	2.4	2.0	2.0
Hungary	2.8	3.4	3.3	3.3	3.0	3.0
Montenegro	2.6	0.4	(0.3)	1.3	1.5	1.5
Poland	1.7	2.3	3.4	2.8	2.6	2.5
Romania	4.6	3.8	2.6	3.0	2.7	2.8
Serbia	2.0	1.7	1.6	2.1	2.5	2.5
Slovakia	2.5	2.8	2.0	1.2	2.2	2.0
Slovenia	1.9	1.6	(0.1)	0.9	1.5	1.7

Fiscal balance deteriorated, as public finance was hit by pandemic-related recession and also by active fiscal policy response (e.g.: tax cuts, higher spending on subsidies to both households and companies). Outlook for 2021 expects lower fiscal deficits compared to 2020 but budgetary gaps will still remain significant in many cases. However, public debt to GDP ratio is expected to stabilize or even to decline, while countries where the debt ratio will still grow should report far less dramatic increase than in 2020.

The CEE currencies were hit by global market turmoil related to the first wave of COVID-19 in spring 2020 and later in 2020 by political factors including uncertainties related of elections in the U.S. and at that time still unresolved post-Brexit agreement. However, the last two months in 2020 formed mostly positive sentiment on CEE currencies. The Czech crown (the main operating currency of Generali CEE Holding) traded below 25.00 against the euro in early 2020 but weakened as much as above 27.80 in early spring and finished the year below 26.25. The Czech currency was volatile in early 2021: it firmed below 25.70 against the euro but global market sentiment combined with COVID-19 news-flow led it to levels above 26.40 in early March. The crown is expected to firm once fears over COVID-19 calm, its strengthening should be supported also by the CNB monetary policy outlook with possible interest rate hike later in 2021. Both Hungarian forint and Polish zloty may firm too once the global sentiment improves. Volatility of the forint discouraged the Hungarian central bank from more interest rate cuts in late summer while the Polish central bank intervened against strengthening of the zloty in late 2020. Central banks in Croatia, Romania and Serbia continued to be active in the foreign exchange markets in order to navigate behaviour of their currencies. With gradual steps toward euro adoption, stability of Croatian kuna versus euro is pretty likely. The Romanian leu is expected to keep tendency towards depreciation but the central bank is likely to smooth any bigger volatility. In Serbia, inclusion of dinar bonds into JPMorgan indices should be supportive for dinar but the central bank will limit any excessive moves as FX stability is a major goal.

## CEE INSURANCE MARKET DEVELOPMENT

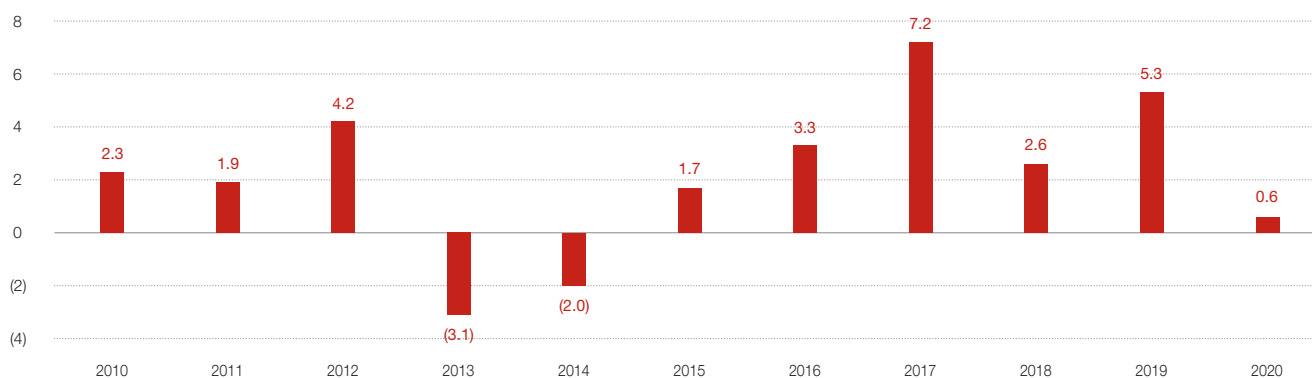
Over last ten years insurance markets in CEE region had been showing more or less steady development. During this period there were only two years of reaching negative rate. Starting from 2015, market was keeping slightly volatile, but positive trend. Looking at the last year 2020, the growth rates were strongly weakened, affected by Covid-19 pandemic.

In 2020 CEE market kept overall slight growth despite of Covid-19 pandemic and its impacts on insurance market. While non-life segment proved to be more resilient, showing lasting growth, life segment returned to decline after rather volatile development over the last four years. Life Regular still tends to grow, in contrary, the drops in life Single from previous year deepened on the majority of markets with available split for life Single and Regular segments.

Non-life market remained on positive track considering both, non-life Motor and Non-Motor, with majority of countries reporting growth over the year. Considering the largest markets, the most favourable development of non-life insurance was coming from the Czech Republic and Hungary. Both countries were benefiting from Motor segment, which was continuously growing in spite of significant decrease in new car sales. Alongside this trend, positive trend prevailed over heavily affected travel insurance also in Non-Motor. Another country, which has been growing fairly over 2020 was Croatia with significant increase of MTPL (Motor third party liability insurance) average prices, as the result of the increased number of policies together with the new regulatory measure (introduction of new MTPL claims criteria for bodily injuries). The growth in Croatia was however balanced by the strong decline in Non-Motor, mainly due to lower premium in credit insurance. Non-Motor has been, in contrary, the main driver of growth in Romania. Among countries, which grew slightly, was Poland, experiencing expected decline of average price in Motor, but also Serbia and Bulgaria. Drop in non-life premium appeared with 2020 only in case of Slovakia and Montenegro. In Slovakia, the decline was mainly caused by Non-Motor and collapse of travel insurance while Montenegro experienced the highest drop in MOD (Motor Own Damage insurance), but also other lines of business.

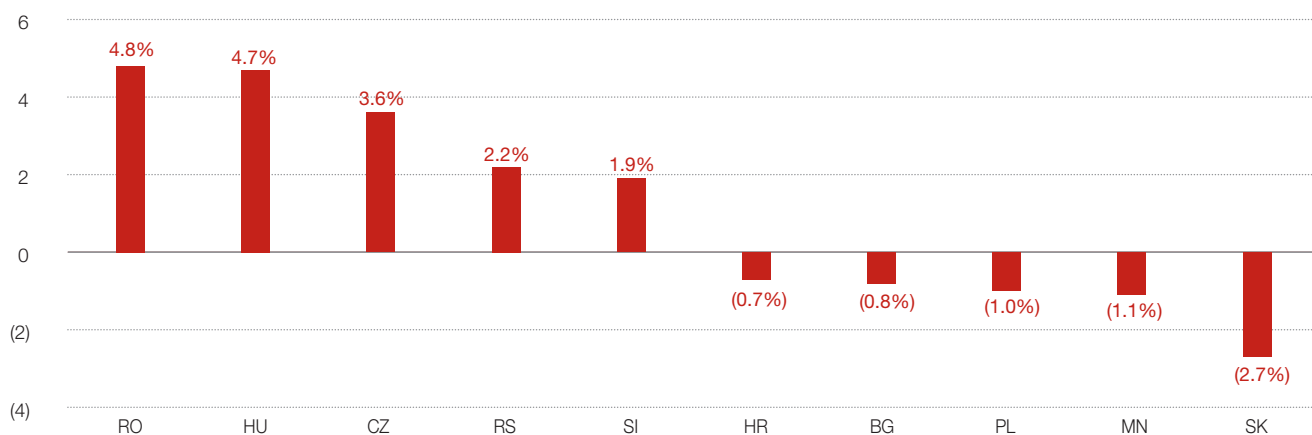
After the signs of recovery from previous year, life market returned to decline. The drop is mainly attributable to Life Single, which has been confirming the negative trend on majority of markets from preceding year. Moreover, the decline was strengthened in 2020 due to the overturned positive trend also in the Czech Republic. Life Regular, has been growing in all countries with available split, even accelerating in the Czech Republic. Total drop of life premiums on CEE market, has been eventually supported by significantly negative trend on Croatian and Bulgarian market.

#### CEE insurance market growth (%)



All in all the entire CEE insurance market reached €34.4 billion in 2020 (considering the countries with the presence of Generali CEE Holding) of which non-life segment represents 67% and life segment represents 33%.

#### Insurance market growth 2020 (%)



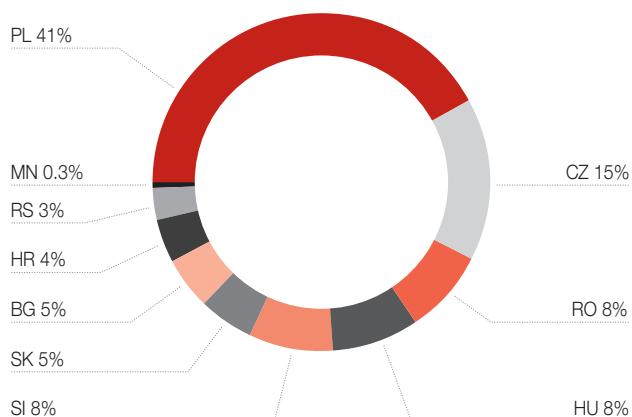
Note: Growth of Gross Written Premiums (non-life and life) in local currencies (weighted average for CEE). "CEE" represents the average rate for Generali CEE Holding countries (Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia).  
Source: National Insurance Markets Associations / Regulators, Generali CEE Research.



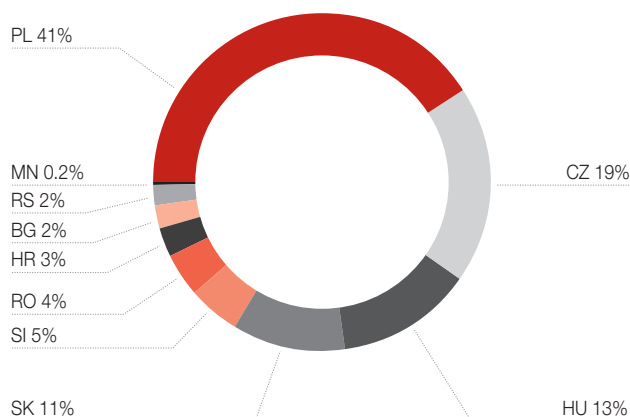
## CEE INSURANCE MARKET DEVELOPMENT BY SEGMENT

CEE insurance market is economically dominated by Central European countries. The biggest market is Poland which represents 41% of non-life as well as life premium volume.

**CEE Non-life market structure (2020)**



**CEE Life market structure (2020)**



Note: Bulgaria (BG), Croatia (HR), Czech republic (CZ), Hungary (HU), Montenegro (MN), Poland (PL), Romania (RO), Serbia (RS), Slovak republic (SK), Slovenia (SI)  
Source: National Insurance Markets Associations / Regulators, Generali CEE Research

Non-life market is keeping growth (+2.1%), only slightly weakened in comparison to previous favourable years. Lasting positive development is reflecting certain resistance to the impacts of Covid-19 pandemic. In general, Motor insurance continues to growth despite the heavy decrease in new car sales together with other unfavourable economic conditions accompanying the crises. The moderate growth could be observed in both MOD and MTPL with average price even increased in case of few markets. Neither Non-Motor has been in total affected significantly. Even though the development has been heavily influenced mainly by lower travel insurance.

Life premiums have been experienced volatile development over the last years reflecting the strength of drops reported in Life Single, but also growing trend in Life Regular. After favourable preceding year, total life premium returned to drop, proving also the hit by Covid-19 pandemic.

# The Holding's management

## BOARD OF DIRECTORS

**Jaime Anchústegui Melgarejo**

**Cristiano Borean**

**Heike Ottemann-Toyza**

**Luciano Cirinà**

**Carlo Schiavetto**

## EXECUTIVE COMMITTEE

**Luciano Cirinà**

Chief Executive Officer

**Josef Beneš**

Chief Investment Officer

**Andrej Bukovčan**

Human Resources & Organization

**Gianluca Colocci**

Corporate Development Officer  
(appointed on 1 September 2020)

**Walter Kupec**

Chief Insurance Officer P&C

**Antonella Maier**

Chief Insurance Officer Life&Health

**Gregor Pilgram**

Chief Customer and Distribution Officer  
(appointed on 11 March 2020)

**Thomas Plank**

Chief Operations Officer

**Carlo Schiavetto**

Chief Financial Officer  
(appointed as of 1 May 2020)

**Miroslav Singer**

Institutional Affairs & Economics

**Marcela Středová**

Chief Risk Officer

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**Luciano**
**Cirinà**
**Chief Executive Officer**

Luciano Cirinà has been based in Prague since March 2013. He is responsible of the Group's business in the Austria, CEE & Russia Region. Luciano is member of the Generali Group Management Committee from May 2016. In 2007 he was appointed CEO of Generali Versicherung AG in Austria before becoming Head of Generali Holding Vienna. From 2005 to 2006 he was Area Manager at the Company Head Office in Trieste, overseeing activities in Austria, Central and Eastern Europe, Greece, Tunisia and the Middle East. Prior to that, he served as Head of the Corporate Risks Division for Austria and CEE countries in Vienna from 1996 to 2004. Luciano began his career in 1989 with Deutscher Lloyd (Generali Group) in Munich as an Underwriter and later as Chief-Underwriter with responsibility of the Industrial Fire Underwriting Department. He graduated in Business Administration from the University of Trieste in 1988. Luciano was elected President of the Austrian Insurance Association in 2012.


**Josef**
**Beneš**

Josef Beneš became Chief Investment Officer of Generali CEE Holding and CEO of Generali Investments CEE in 2014. He is currently Regional CIO for the Austria, CEE & Russia Region of the Generali Group. He joined the Executive Committee of Generali CEE Holding in July 2016. He gathered vast experience in the financial industry in the Czech Republic and abroad. Josef Beneš holds Master Degrees from the University of Economics Prague and graduated from the Columbia University New York.


**Andrej**
**Bukovčan**

Andrej Bukovčan was appointed in December 2019 as Member of the Executive Committee of Generali CEE Holding B.V. responsible for Human Resources & Organization in the Austria, CEE & Russia Region. Andrej Bukovčan has joined Generali CEE Holding in May 2016, before, he held a position as Head of HR at Generali Poistovňa in Bratislava. He reached this position after a significant external experience, which provided him the opportunity to work extensively across different countries within the region, including Russia. Andrej Bukovčan has studied psychology and English language and literature at the Comenius University in Bratislava.


**Gianluca**
**Colocci**

Gianluca Colocci has been appointed as Corporate Development Officer of Austria, CEE & Russia Region, as of 1 September 2020, responsible mainly for Mergers and Acquisitions, Strategy, Bancassurance and coordination of strategic projects and initiatives in Russia. He started his professional career as Management Consultant in the financial services industry within a worldwide consultancy firm. He joined Generali Group in 1995 as analyst within the Treasury Dept. and since then has held a growing range of responsibilities over his tenure becoming Head of Investor Relations (1998), Head of Corporate Finance (2003), Head of Group Mergers & Acquisitions (2007). In 2008 following the establishment of Generali PPF Holding, joint venture for the insurance activities in CEE based in Prague, he was appointed member of the Executive Committee with responsibility for Mergers & Acquisitions and Country Manager for Insurance Operations. He returned to the Group Head Office in Italy, in 2013 he was Head of the Business Coordination Unit Growth Options and International Business coordinating operations in CEE, Asia, Generali Employee Benefits and Corporate & Commercial. From June 2014, Gianluca held the position of Group Head of Mergers & Acquisitions, which has been renamed to Mergers & Acquisitions, Group Bancassurance in October 2018, enlarging his responsibility over Group Bancassurance activities.





**Walter  
Kupec**

Walter Kupec was appointed as Chief Insurance Officer for Property & Casualty for the Austria, CEE & Russia Region (ACEER) in December 2019. Moreover, Walter is responsible for the ACEER Regional Global Corporate & Commercial. His career in the insurance industry began in 1980 with Zurich in Vienna as an Underwriter and later as Chief Underwriting Officer Austria, Head of Reinsurance and Risk Engineering. He was appointed as Member of Zurich's Board in 2004. Walter joined Generali Austria in 2007 as Member of the Board. He is currently Chief Insurance Officer for P&C of Generali Versicherung. On 1 January 2018, he became a member of the Executive Committee of Generali CEE Holding B.V.



**Antonella  
Maier**

Antonella Maier was appointed as Chief Insurance Officer for Life and Health Business for the Austria, CEE & Russia Region in December 2019. Antonella is a great expert in the life area and she has proven her managerial skills over many years as well as being appointed as one of the very first woman-manager in Assicurazioni Generali's history. She joined Assicurazioni Generali Trieste in 1983, throughout these years she had high managerial positions being responsible for Life and Employee Benefits in Generali Italia. Since 2009 Antonella was Member of the Management Board of Genertel Life becoming Managing Director in 2015, responsible for the life business of Banca Generali. Antonella Maier holds a Degree in Statistical and Actuarial Sciences from the University of Trieste.



**Gregor  
Pilgram**

As of 11 March 2020 Gregor Pilgram became responsible for Customer & Distribution area. He was appointed a member of the Executive Committee of Generali CEE Holding as of July 2013. Before taking the function of Chief Distribution Officer, Gregor held a position of Chief Financial Officer of Generali CEE Holding B.V. for seven years. As of 1 May 2020 he became Chief Executive Officer of Generali Versicherung as well as Generali Group's Country Manager in Austria. Gregor Pilgram, who graduated from Vienna Economic University with a degree in Business Administration, has been working for the Generali Group in various international functions since 1999. In 2004 he was appointed to the Board of Directors of Generali Slovenia and took over as chairman in 2008. Since then he has shared

responsibility for the activities in Croatia. He was awarded a "Young Managers of the Year 2010" award by Slovene Managers' Association for shaping the Slovene insurance market and bringing Generali in Slovenia to become one of the market leaders.



**Thomas  
Plank**

Thomas Plank was appointed as Chief Operations Officer of Generali CEE Holding B.V. in January 2018. He is COO and Member of the Extended Board of Generali Austria. He joined the Group in 2008 after working at Zurich in Vienna as Chief Information Officer from 1998. He began his career as software developer and project manager with IT companies. On 1 January 2018, he became a member of the Executive Committee of Generali CEE Holding as Chief Operations Officer for the Austria, CEE & Russia Region keeping his roles in Austria. After graduating in business informatics he completed his postgraduate thesis at the University of Vienna and was awarded a PhD in 1994.



**Carlo  
Schiavetto**

Carlo Schiavetto became Chief Financial Officer of Generali CEE Holding B.V. as of 1 May 2020 to supervise the financial performance and strategic development of 13 countries within the entire Austria, CEE & Russia Region. As of the same date he was appointed a member of the Executive Committee of Generali CEE Holding B.V. From his position of CFO, he is responsible for Consolidation & Accounting, Controlling, Debt, Treasury & Capital, Facility, Procurement and Reinsurance. Previously, Carlo held position of Head of Controlling at Generali CEE Holding B.V. based in Prague. Before moving to the Czech Capital in 2013, Carlo was Senior Controller at the Generali Group Control and Strategic Planning Department at the Corporate Center in Trieste in charge for the CEE countries. From 2004 till 2008

he was working for Allianz Group in Milan and Dublin as Financial Controller and Head of the Financial Department.



**Miroslav  
Singer**

Miroslav Singer became member of the Executive Committee of Generali CEE Holding B.V. as of 1 January 2018. He joined Generali CEE Holding in January 2017 as Director for Institutional Affairs and Chief Economist. He also holds a position of Chairman of the Supervisory Board of Generali Česká pojišťovna. Miroslav served as Governor of the Czech National Bank (CNB) from 2010 till 2016 and from 2005 till 2010, he was a CNB Board Member and Vice Governor. Prior to this, he worked as a deputy director, researcher and lecturer at the Economic Institute of the Charles University in Prague and the Center for Economic Research and Graduate Education of the Czech Academy of Science between 1991 and 1995. He also held management posts at the financial and industrial group Expandia, later becoming its CEO in 1995, until 2001.

From 2001 until 2005 Miroslav Singer was a director at PriceWaterhouseCoopers. After graduating in mathematical methods in economics at University of Economics, he completed his postgraduate thesis at the University of Pittsburgh and was awarded a PhD in 1995.



**Marcela  
Středová**

Marcela Středová was appointed Chief Risk Officer of Generali CEE Holding B.V. and member of the Executive Committee in 2017. Prior to this appointment, she worked as Chief Actuary of Generali CEE Holding. Among others, Marcela is holding a position of Head of Actuarial Department of Generali CEE Holding. She started her career in the insurance industry in 2000 and joined our Group company, former Česká pojišťovna as actuary in 2002. Marcela Středová studied at the Faculty of Mathematics and Physics at Charles University in Prague (doctorate exam: Specialization: Econometrics, Insurance) and holds an Executive MBA degree of the US Business School Prague.

# Financial Section



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# **I. Board of Directors Report**



# I. Board of Directors Report

## A. PROFILE

Generali CEE Holding is the parent company of a group of leading insurance companies in Central and Eastern Europe. It provides know-how and a professional and operational base for its insurance companies in 13 countries – Austria<sup>1</sup>, Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro, North Macedonia<sup>1</sup>, Poland, Romania, Russia<sup>1</sup>, Serbia, Slovakia and Slovenia. The Group's companies in these countries take care of more than 13 million clients and hold total assets of €19 billion (including advisory mandates).

Generali CEE Holding is a key part of the Generali Group, one of the largest global insurance and asset management providers. Established in 1831, it is present in 50 countries in the world, with a total premium income of €70.7 billion in 2020. With more than 72,000 employees serving 65.9 million customers, the Group has a leading position in Europe and a growing presence in Asia and Latin America. Commitment to sustainability is one of the enablers of Generali's strategy, inspired by the ambition to be the LifeTime Partner to its customers, offering innovative and personalized solutions thanks to an unmatched distribution network.

In 2020 the Generali Group's operating result reached €5.2 billion, up 0.3%, supported by the positive contributions of P&C, Asset Management and Holding and Other Business Segment.

In the Austria, CEE & Russia Region, The Generali Group showed strong business resilience in the face of the pandemic in both Life and P&C segments, confirming its ambition to become a LifeTime Partner to our customers and distributors through a series of initiatives launched in the Region to respond to the emergency. More specifically, it sought to meet customers' needs by guaranteeing the utmost flexibility in premium terms and payment methods, and in claims notification and management procedures.

As for the Extraordinary Fund for Covid-19 initiative set up by the Group, €11 million were addressed across the various countries in the Region. The emergency related to the pandemic was also the reason why the digital transformation of its existing processes in the Region was accelerated, which is enabling the foundation to be laid for further and solid future.

In the P&C business, our region marked the year with a combined ratio of 81.2%, supported mainly by the positive technical performance. Life gross written premiums reached €1,033 million and the P&C segment premium grew 3.3% to €2,874 million. We are the market leader in the Czech Republic, belonging to the top three players in Austria, Hungary, Serbia, Slovakia and Slovenia, further strengthening our positions in all countries where we operate.

The organizational unit of Generali CEE Holding is based in Prague with 136 employees from 14 nationalities. The companies of Generali CEE Holding offer insurance and financial products ranging from savings and family protection policies to unit-linked policies and complex plans for multinationals. In the P&C segment its portfolio ranges from mass market coverage such as motor, home, accident & health, to sophisticated commercial and industrial risk coverage.

Generali will lead the European insurance market for individuals, professionals and SMEs, while building a focused, international Asset Management platform and pursuing opportunities in high potential markets. In addition Generali CEE is proud to be one of the world's major players in the field of assistance, through the Europ Assistance group, which provides worldwide services in the motor, travel and health, home and family lines of business also in the region.

Generali CEE Holding and its companies employ nearly 13,000 (of which more than 2,800 salaried sales professionals) and cooperate with more than 8,500 tied agents.

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<sup>1</sup> The Austria, CEE & Russia Regional Office is also responsible for the Austrian and Russian market. Austria, North Macedonia and Russia are not included in the consolidated numbers in this document.

## GROUP HIGHLIGHTS

Gross Written Premium

€ 3,907 million



Life segment

26.3%



P&C segment

73.6%

Operating result

€ 653 million

of which is

12%

of the Generali Group's operating result



Net profit

€ 460 million

representing 25%  
of the Group's net result

Combined ratio

81.2%

Our people

13,000

Our clients

13 million



women

63%



men

37%

## B. FINANCIAL PERFORMANCE

In 2020, Generali CEE Holding maintained its financial position and further improved its profitability. At the end of 2020, the consolidated shareholder's equity attributable to Generali CEE Holding amounted to €5 billion (2019: €5 billion) and total assets amounted to €19 billion (2019: €19.8 billion).

The consolidated profit of the Group attributable to the equity holders of the parent amounted to €460 million (2019: €275 million). Operating result grew by €42.5 million to €653 million in 2020 which is above planned targets.

P&C gross written premiums went up by 0.6% in 2020 (an increase by €16 million) and reached €2,830 million.

Generali CEE Holding further enhanced its technical profitability succeeding to decrease combined ratio to 81.2% in 2020. Life insurance premiums amounted to €1,474 million. Operating result of life insurance segment amounted to €433 million, increasing by €83 million compared to 2019.

## C. RISK MANAGEMENT

The Group has implemented a risk management system that aims at identifying, evaluating and monitoring the most important risks to which the Group is exposed, i.e. risks whose consequences could affect the solvency of the Group or of any single business unit, or hamper the achievement of any Group goals.

The main objectives of the Group's risk management processes are to maintain identified risks below an acceptable level, optimise capital allocation, and improve the risk-adjusted performance for the Group as well as for each individual company.

The risk management processes apply to the whole Group, to all the countries where it operates, and to each business unit. However, the degree of integration and depth varies with the complexity of the underlying risks. The integration of processes within the Group is fundamental to ensure an efficient system of risk management and capital allocation for every business unit.

The risk management system is based on three main pillars:

- a) Risk measurement process: Assessing the solvency of the Group and all individual units.
- b) Risk governance process: Defining and controlling managerial decisions in relation to relevant risks.
- c) Risk management culture: Increasing value creation.

The Group is exposed to various risks as a result of its activities: insurance risk, liquidity risk, market risks (interest rate risk, equity price risk, and currency risk), credit risk, and operational risk. For detailed information on risk management, see Section E of the consolidated financial statements.

From the point of view of liquidity and solvency, the Group is well-positioned with its plentiful capital surplus. Attesting to the Group's standing is the high rating of its biggest subsidiary (Generali Česká pojišťovna a.s.). See Section E of the consolidated financial statements for more details on solvency position.

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## D. OVERVIEW OF OPERATIONS, BY COUNTRY AND SUBSIDIARY

### AUSTRIA<sup>1</sup>

#### Generali Austria

Generali Austria is the third-largest insurance group in Austria. Generali Austria comprises Generali Versicherung AG and BAWAG P.S.K. Versicherung AG. These companies offer a full range of insurance and pension products, which are supplemented by comprehensive assistance services.

Generali Austria holds a 50% stake in BONUS Pensionskassen Aktiengesellschaft and thus in BONUS Vorsorgekasse AG. Together with 3 Banken Gruppe Generali Austria is a shareholder in the fund company 3 Banken-Generali Investment-Gesellschaft m.b.H. As the leading shareholder Generali Versicherung AG acquired SK Versicherung AG in its entirety in 2020 and merged it as at October 31, 2020.

Generali Austria pursues the goal to be a lifetime partner of its stakeholders and wants to realize this with innovative customer services and product solutions as well as with a differentiated value proposition. The focus is on digitization and human touch. Generali Austria perceives new framework conditions and challenges as opportunities to actively shape the future.

Austria is the largest market in the Austria, CEE & Russia Region.



<sup>1</sup> Austria is not included into the numbers shown in the Annual Report.



more than  
**415**  
employees



P&C market share  
**7%**



gross written premium  
**€87.1 million**



**133**  
offices and client desks,  
16 claims centers

## BULGARIA

### Generali Bulgaria

With more than 415 employees in Bulgaria (including Generali Insurance AD, Generali Zakrila Medical and Dental Centre and GP Reinsurance) and the 7% P&C market share Generali Bulgaria is one of the major international insurers in Bulgaria. Its operations include Generali Insurance AD (P&C insurance) and Generali Zakrila Medical and Dental Centre – an outpatient medical facility. The company has 133 offices and client desks throughout the country. For better service of the liquidation process and convenience for the clients, the company has 16 specialized claims centres in the bigger cities of the country. The insurance products of Generali Bulgaria are offered by 556 agents, four intermediaries offering insurance products as an additional activity and 268 brokers. In 2020, Generali Bulgaria is taking 8th position on the insurance market with gross written premium €87.1 million.

### GP Reinsurance

GP Reinsurance EAD is a captive reinsurer based in Sofia, fully owned by Generali CEE Holding B.V. It provides P&C reinsurance solutions within the Group. In October 2017 the company acquired a license also for life reinsurance. The activity of GP Reinsurance EAD in 2020 continues to be managed in compliance with the strategic plan for development and goals, for which it was granted a license by the Financial Supervision Commission for performing reinsurance activities. The Company provides reinsurance services to companies from all countries of Generali CEE Holding. GP Reinsurance recorded gross written premium in P&C and life combined of €934 million and profit after tax amounted to €170 million in 2020.







more than  
**823**  
employees



P&C market share  
**7.5%**



gross written premium  
**€ 100.6 million**



**80**  
offices

## CROATIA

### Generali osiguranje

Since being established in Croatia, Generali osiguranje d.d. creates a new market perspectives on its own, giving a special importance to the innovation and a competitiveness of its products, as well as to the development of the distribution network – from its own and exclusive network as a vital sales functions, all to the multi-channel partnerships with banks, brokers and agencies – of which all are conditions for a further market step up.

Dedicated to the continuity of the trend of a constant development and a growth, Generali osiguranje in 2020 acquired the businesses of Izvor osiguranje d.d. and Generali zavarovalnica d.d., Zagreb Insurance Branch (former Adriatic Slovenica Zavarovalna družba d.d., Zagreb Branch), thus starting the new promising chapter. Further to it, 823 employees gathered in the network of more than 80 offices throughout the country are taking care of the company's clients.

Under the unprecedented context of pandemic and two devastating earthquakes that hit central Croatia at the beginning and the end of the year, Generali recorded a gross written premium of €100,6 million in total and market share of 7.5%.



**Generali Česká pojišťovna – the biggest and number one insurance company on the Czech market**



more than

**7,3 million**  
policies



total market share

**26.7%**



life insurance

**€ 400 mln EUR**



premium written

**€ 1.4 bln EUR**

## CZECH REPUBLIC

### Generali Česká pojišťovna

On 21 December 2019, Česká pojišťovna and Generali Pojišťovna created the biggest and number one insurance company on the Czech market – Generali Česká pojišťovna. As a composite insurance company with a wide range of both Life and P&C insurance products the company's insurance portfolio includes more than 7.3 million policies. In 2020, the total market share of Generali Česká pojišťovna measured the methodology of the Czech Insurers Association (ČAP) reached 26.7%, in life insurance it was 22.3% and in P&C insurance 28.9%. The position of Generali Česká pojišťovna as the strong and traditional insurer was confirmed by the company's financial results for the last year, when premium written exceeded, according to ČAP, €1.4 billion. Gross written premiums in P&C insurance amounted to €1 billion in 2020. Premiums written in life insurance reached €400 million.

### Generali penzijní společnost

Generali penzijní společnost is the leading provider of pension insurance in the Czech Republic. The company's is taking care about 1.1 million clients and it is easily accessible throughout the entire Czech Republic thanks to 900 sales points.

### Generali Investments CEE

Generali Investments CEE offers comprehensive products and services to individual investors and institutions in the area of collective investment and investment management. The company manages Czech mutual funds denominated in the Czech koruna and an Irish umbrella of investment funds offered in CZK, EUR and PLN. The major institutional clients include insurance, reinsurance companies, and pension funds within the Generali CEE Holding Group. Generali Investments CEE is one of the largest asset manager player in the CEE Region, with assets under management amounting regionally to €19 billion and assets under advisory of €5 billion, representing a market share of 8% in the CEE Region.





more than  
**1,400**  
employees



written premiums  
growth  
**7.3%**



**985,000**  
clients



gross written premium  
**€518 million**

## HUNGARY

With a market share of 15.2% in 2020 based on total direct GWP from the Hungarian National Bank (MNB) statistics, the Hungarian Generali Group – including Generali Biztosító, Genertel and European Travel Insurer – is one of the biggest player of the Hungarian insurance market. Due to its innovative business attitude and responsible financial management, the company boasts the trust of more than 985,000 clients. Generali operates with more than 1,400 employees and around 1,400 tied agents. The Hungarian Generali Group confirmed its stability while achieving growth in Life and in the P&C insurance segments.

The Group recorded 7.3% growth of gross written premiums amounting to €517.9 million in total. In the P&C segment GWP amounted to €372.9 million (+7.4%) and in Life to €145 million with 7.1% growth (+5.5%, regular premium, 19.3% single premium).





**137**

employees



P&C market share

**14.97%**



gross written premium

**€ 11.1 million**

## MONTENEGRO

### Generali Osiguranje Montenegro

Generali Osiguranje Montenegro is the 4th largest insurance company among P&C companies operating in Montenegro, with a full range of P&C insurance products including motor insurance, property, accident, travel, health and aviation. The company is offering its services with 137 employees of which 68 agents at more than 80 points of sale throughout the country. In 2020, Generali's market share in P&C was 14.97% and the gross premiums written reached €11.1 million.



Podgorica

Generali Group is the  
5<sup>th</sup> largest insurance  
group in Poland



**1,600**

employees



gross written premium

**€ 716 million**



life insurance

**€ 211 million**



P&C

**€ 505 million**

## POLAND

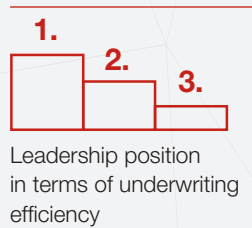
Generali Group has been present in Poland since 1998. It provides insurance life, P&C, pension and investment products to individuals and commercial entities. At the end of 2018 Generali acquired Concordia Polska (specialising in agriculture insurance) and Concordia Capital (life protection), which joined the group of existing 4 companies: Generali Towarzystwo Ubezpieczeń S.A., Generali Życie Towarzystwo Ubezpieczeń S.A., Generali Powszechne Towarzystwo Emerytalne S.A. Generali Finance Sp. z o.o. In October 2019 Generali Życie Towarzystwo Ubezpieczeń S.A. merged with Concordia Capital. The acquisition of an asset management company Union Investment was completed in July 2019 and rebranded to Generali Investments.

In 2020, Generali Group remained strong 5th position on the Polish market.

Generali Poland aims at long-term cooperation with clients by providing comprehensive protection of their assets at every stage of their lives. Generali Poland reported €716 million of GWP in 2020 and was a working place for 1,600 employees. P&C Gross Written Premiums totaled €505 million, while life insurance premiums amounted to €211 million. In 2020 Generali Investment reported €31 million sales revenue. Year 2020 Generali Poland again reported record year both in premium and profitability since its foundation.







**415**  
employees



gross written premium

**€ 128 million**

## ROMANIA

### Generali Romania Asigurare Reasigurare

With a history spanning on more than 180 years, Generali Romania is a leading insurer in terms of profitability and underwriting efficiency.

Generali's activity on the local market began in 1835, in the port city of Braila, with services consisting mainly of cargo insurance. Having become over time the market leader, through organic development and specific acquisitions, Generali ceased its activity in Romania in 1948 due to the political context, only to return with a greenfield operation in 1993.

The company has a composite activity, with a balanced life and non-life portfolio products designed to efficiently cover its retail and corporate clients' needs. The total volume of gross written premiums surpassed €128 million, with €103.2 million on non-life and €24.9 million on life. In a market dominated by the motor lines, Generali Romania is one of the top 10 insurers based on GWP, with significant market shares on technical insurance, Casco and liability.

The team of Generali Romania consists of 415 employees and more than 1,000 agents that support the ambition to become LifeTime partner to our clients with services of the highest quality.





Representative  
**office**  
in Russia

## RUSSIA

### Generali Russia & CIS

Generali Russia & CIS is an affiliate of Generali CEE Holding, registered in February 2018 to represent Generali in the area and to scout for new opportunities for development in Russia & CIS. This vehicle is also set to carry the participation of 38.46% in Ingosstrakh, the fourth largest insurer in the Russian market. In October 2018, Representative Office in Moscow was opened by Generali.





more than

**1,700**

employees



**52**

branches



gross written premium

**€ 188 million**

## SERBIA

### Generali Osiguranje Srbija

Generali Osiguranje Srbija is the largest privately-owned insurance company in Serbia. The company is the market leader in life and health insurance and one of the foremost Serbian insurance companies in terms of P&C, agriculture, accident and motor vehicle insurance. Headquartered in Belgrade, the company network consists of 52 branches spread in 3 regional centres across Serbia, with 1,200 points of sale and over 1,700 employees.

In 2020, gross written premiums amounted to €188 million. Life insurance premiums reached €61million, P&C premiums decreased by 5.1% to €127 million. Achieving excellent results in terms of profitability, Generali Osiguranje Srbija remained the most profitable insurance company in Serbia.



Belgrade



**618**

employees



**150**

points of sale



gross written premium

**€ 274.2 million**



third position  
on the market with

**10.8%**

market share

## SLOVAKIA

### Generali Poistovňa, a.s.

Generali Poistovňa, a. s. the third biggest insurance company in Slovakia, provides prompt and professional services thanks to its 618 employees and almost 800 internal agents. There are 150 points of sale all over Slovakia.

Gross written premiums experienced an increase in both main insurance segments. In P&C it grew by remarkable 6.7% to €163.6 million and in Life insurance by 2,7% to €110.6 million. Total GWP then amounted to €274.2 million. Generali has increased market share and in 2020 kept the third position on the market with a share of 10.8% (excluding investment contracts).





over

**1,400**

employees



gross written premium

**€426.1 million**

market share

**16.8%**

## SLOVENIA

### GENERALI zavarovalnica d.d.

Generali is one of the largest insurance companies in Slovenia, with a broad range of products in P&C as well in health and in Life insurance, and the biggest international insurance company in the country. At the end of 2020 had over 1,400 employees and more than 330 point of sales throughout the entire country. Generali products are also available through significant Slovenian banks and numerous partners. With the merger of Adriatic Slovenica, Generali zavarovalnica has improved its position and has become the third largest insurance company on the Slovenian insurance market with a 16.8% market share (P&C 18.6%, life 12.5% market share). It significantly expanded the range of insurance products and increased the volume of premiums, especially in the segment of health insurance. Total gross written premiums volume recorded €426.1 million.

### Generali Investments

Founded in 1994, Generali Investments is the oldest management company in Slovenia. The Company ended 2020 further consolidated its third place among Slovenian UCITS funds management companies, achieving an 18.1% market share with a fund of €582.7 million. Outside of Slovenia, it has 2 subsidiary companies in Croatia and Northern Macedonia. Generali Investments manages Generali Umbrella Fund with 16 subfunds and 2 alternative investment funds, with assets under management amounting to €1,299 million (as at 31 December 2020).



Ljubljana



Up to

**€100**

million in Generali Group  
Extraordinary  
International Fund

of which

**€11**

million for the Austria,  
CEE and Russia Region

**€3.5**

billion Group investment  
plan to support  
the recovery of the  
European economies

### **SME EnterPRIZE**

introduced in Austria,  
the Czech Republic  
and Hungary

### **The Human Safety Net**

More than

**8,000**

beneficiaries supported  
by The Human Safety Net

**11**

countries of the Region

Cooperating with

**12**

NGO Partners

## **E. SUSTAINABILITY**

Coronavirus hit our world hard and impacted the lives of our communities all around the globe, including the countries where Generali operates.

Generali Group lent a helping hand and established an Extraordinary International Fund of up to €100 million. These financial assets, most of which had been already deployed during the year 2020, were aimed at mitigating the devastating consequences of the pandemic in many business sectors and helping where it was needed most. In the Austria, CEE and Russia Region, we are satisfied that we could support several initiatives with the amount of €11 million.

Further, to mark this year's 190th anniversary of the Company, Generali launched "Fenice 190", a €3.5 billion investment plan to support the recovery of the European economies impacted by Covid-19. Generali provides a significant support for the most innovative, sustainable and strategic sectors for the restart of the European economy. All the initiatives will have a strong focus on environmental and social responsibility to support European SMEs energy transition, green housing, digital infrastructures and health. In a first phase, the Fund will support investments in Italy, France and Germany and right after it will reach Central and Eastern Europe, Generali Group's fourth largest market.

Generali CEE Holding and its subsidiaries are fully aware of the importance of sustainability and therefore we strive to integrate it into our daily business. The importance of implementing sustainability in our core business is clear: the integration of policies and commitments concerning sustainability issues contributes to positive long-term financial and economic growth. Sustainability includes a number of social, environmental, and corporate governance issues that Generali has identified and prioritized in its materiality matrix: for example, climate change, ageing population and new welfare, pandemics and extreme events. Among the environmental aspects, one of the company's aim is to raise employee awareness of the necessity of conserving energy, reducing paper promoting recycling and sorting waste for recycling or disposal.

Environmental-related policies are continuously updated in line with new developments which offer possibilities for improving these policies. Protecting the environment as a primary asset is one of the Group's guiding values, as stated also in the Charter of Sustainability Commitments. This document was accepted by the Executive Committee of Generali CEE Holding in 2017 and consequently cascaded in the entire Austria, CEE & Russia Region.

In February 2018 Generali approved the climate change strategy. The Generali Group has a clear climate change strategy which is in line with the principles of the Paris Pledge for Action defined under COP 21. Its Technical Note, which describes in a detail the commitments towards our fight against the climate crisis, was updated in March 2020 and is also available on [www.generali.com](http://www.generali.com) website.

The strategy includes actions in investments and underwriting, which represent the Group's core activities. With regard to investments, Generali, as asset owner will increase its exposure to green businesses and will gradually divest from coal related companies. In the case of underwriting, the range of offered products with environmental value will increase, keeping only the minimum level of exposure to the coal sector. The share in the portfolio of products related to the renewable energy sector will be increased and the offer of products with environmental value for the retail client and the SME sector will be expanded. Generali's current involvement in coal-related activities is minimal in relation to the total value of GWP.

As a proof of this, the Group's three-yearly business strategy 'Generali 2021' is aligned with our sustainability commitments. Generali has undertaken to increase premiums from social and green products by 7% – 9% and allocate €4.5 billion for green and sustainable investments by the end of 2021.

In April 2019, the Executive Committee of Generali CEE Holding approved the Group Sustainability Policy which outlines the system for identifying, assessing and managing the risks connected with environmental, social and corporate governance (ESG) factors. The same year Generali also became the first European insurance company to issue a green bond. It was confirmed in the Dow Jones Sustainability World index and included for the first time in the Dow Jones Sustainability Europe index. At the beginning of 2020, Generali ranked among the Corporate Knights' "2020 Global 100 Most Sustainable Corporations".

Companies of Generali CEE Holding, namely Generali in Austria, Hungary and Generali Česká pojišťovna in the Czech Republic, reflect another Generali 2021 strategic project which links sustainability, resilience, and recovery - SME EnterPRIZE. Generali will select the best sustainable practices implemented by SME entrepreneurs and award them during an international event to be held in Brussels on 29 September 2021.

Insurance companies of Generali CEE Holding are also active in helping communities. The Human Safety Net initiative – a global humanitarian movement aiming to empower disadvantaged members of our society – was activated in eleven countries of our region. The newest member of The Human Safety Net family, who joined in 2020, is Generali in Bulgaria. Also thanks to this fact, more than 8,000 vulnerable people have already been helped by The Human Safety Net programmes throughout the entire region, working with twelve non-governmental organisations (NGOs).

Two out of three The Human Safety Net's programmes were launched in various companies in the region. They target key social issues affecting communities including: creating equal life opportunities for children from disadvantaged backgrounds and saving newborns from the debilitating and potentially fatal consequences of asphyxia. The Human Safety Net, powered by Generali, is based on the idea that communities of 'people helping people' can bring about sustainable change, creating a positive ripple effect. It reflects Generali's commitment to contribute towards a healthy, resilient and sustainable society where people can develop and flourish to their full potential.

The strength of true partnership is always tested when facing challenging situation or crisis. Especially in 2020 when the entire world was affected by the Covid-19 pandemic we supported our NGO Partners with several fundraising and volunteering initiatives within the Austria, CEE & Russia Region.

We are committed to implementing the objectives included in the Charter of Sustainability Commitments of the Generali Group, which consist of a wide range of environmental, social and governance topics to be addressed and monitored through specific KPIs. The Annual Integrated Report 2020 and the Charter of Sustainability Commitments are available on [www.generali.com](http://www.generali.com) website. In accordance with EU Directive 95/2014/EU Article 19a par. 3 the Group does not disclose nonfinancial information in its consolidated financial statements as it is included in the consolidated financial statements of its ultimate parent company Assicurazioni Generali S.p.A.

## F. OUTLOOK FOR OPERATIONS

During 2020 the global economic activity was hit very hard by the COVID-19 pandemic and the related restriction measures imposed by state authorities; those measures were extended in many countries also in the 1st quarter of 2021 as a response of the further spreading of the pandemic.

Despite this scenario that continues to be highly uncertain, the more optimistic forecasts relating to the dissemination and the effectiveness of the vaccines are contributing to a strengthening of the prospects in the global economy in 2021, with the IMF now forecasting a global recovery of 6.0%

Central and Eastern Europe region is expected to grow by 4.2% in 2021, with further consolidation of the economic recovery in 2022 and 2023. Such forecast are however depending on real progress with vaccination and on the ability to ease the restrictions starting from the 2nd quarter of 2021. Inflationary pressures will still be present in the region, and this might lead in some cases to interest rate hikes by central banks (e.g. in the Czech Republic).

With regard to CEE insurance markets, in 2020 the growth rates were weakened compared to the previous years, being affected by the pandemic. In particular in life segment a drop in life single premiums in the majority of the markets led to an overall drop in the segment, whereas non-life markets proved their resilience, with an increase in premiums only slightly lower compared to previous favorable years. In 2021 we expect a similar development, with a further moderate increase in non-life segment, whereas the return to growth in life segment is still subject to more uncertainty.

Concerning the expected development of the Group results, we expect a slight increase in premium volume, driven by the non-life segment. The profit after taxes shall be in line with the results of 2020, although such estimate is still highly uncertain and subject to an improvement in the pandemic situation in the second half of the year.

Prague, 3 May 2021  
The Board of Directors

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## **II. Consolidated Financial Statements for the Year Ended 31 December 2020**

## II. Consolidated Financial Statements for the Year Ended 31 December 2020

### ACRONYMS:

Acronym	
AFS	Available for sale
ALM	Asset-liability management
CASCO	Casualty and collision car insurance
CCS	Cross currency swap
CDO	Credit default option
CDS	Credit default swap
DAC	Deferred acquisition costs
DDM	Dividend discount model
D&O	Directors and officers liability
DPF	Discretionary participation features
DPL	Deferred Policyholder Liability
ECAI	External Credit Assessment Institutions
ECL	Expected credit loss
ESMA	European Securities and Markets Authority
EU	European union
FV	Fair value
FVH	Fair value hierarchy
FVO	Fair value option
FVOCI	Fair value through other comprehensive income
FVTPL	Financial assets at fair value through profit or loss
GAAP	Generally accepted accounting principles
GDP	Gross Domestic Product
GWP	Gross written premium
IAS	International accounting standards
IASB	International accounting standards board
IBNR	Incurred but not reported
IFRIC	Interpretation of International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IRR	Internal rate of return
IRS	Interest rate swap
ISDA	International Swaps and Derivatives Association

## ACRONYMS:

Acronym	
LAT	Liability adequacy test
LTI	Long-term incentive
MTPL	Motor Third Party Liability
NAV	Net assets value
NCI	Non-Controlling Interest
OCI	Other comprehensive income
P&C	Property and Casualty
PPA	Purchase price allocation
PPE	Property, plant and equipment
PVFP	Present value of future profit
RBNS	Reported but not settled
REPO	Repurchase operations
ROE	Return on Equity
RORC	Return on Risk Capital
S&P	Standard & Poor's
SFCR	Solvency and Financial Condition Report
TSR	Total Shareholders' Return
ULAE	Unallocated Loss Adjustment Expenses
VOBA	Value of Business Acquired
WHT	Withholding tax

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 31 December**

(€ million)	Note	2020	2019
<b>Total assets</b>		<b>19,034</b>	<b>19,791</b>
<b>Intangible assets</b>	<b>F.1</b>	<b>2,161</b>	<b>2,271</b>
Goodwill	F.1.1	1,596	1,631
Other intangible assets	F.1.3	565	640
<b>Tangible Assets</b>	<b>F.2</b>	<b>168</b>	<b>185</b>
Land and buildings	F.2.1	136	154
Other tangible assets	F.2.4	32	31
<b>Investments</b>	<b>F.3</b>	<b>15,079</b>	<b>15,617</b>
Investment properties	F.3.1	448	534
Investments in associates and joint ventures	F.3.2	29	33
Held to maturity investments	F.3.3	29	27
Loans and receivables	F.3.4	619	1,346
Available for sale financial assets	F.3.5	11,292	10,886
Financial assets at fair value through profit or loss	F.3.6	2,662	2,791
of which financial assets relating to unit-linked policies	F.3.6	2,422	2,551
<b>Reinsurance assets</b>	<b>F.4</b>	<b>422</b>	<b>473</b>
<b>Receivables</b>	<b>F.5</b>	<b>489</b>	<b>538</b>
Receivables arising out of direct insurance operations		305	322
Receivables arising out of reinsurance operations		78	96
Trade and other receivables		78	107
Current income tax receivables		28	13
<b>Other assets</b>	<b>F.6</b>	<b>395</b>	<b>369</b>
Deferred acquisition costs	F.6.1	264	248
Deferred tax assets	F.26.1	91	65
Other assets - other		40	56
<b>Cash and cash equivalents</b>	<b>F.7</b>	<b>320</b>	<b>338</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 31 December**

(€ million)	Note	2020	2019
<b>Total shareholder's equity and liabilities</b>		<b>19,034</b>	<b>19,791</b>
<b>Shareholder's equity</b>	<b>F.8</b>	<b>5,118</b>	<b>5,269</b>
<b>Shareholder's equity attributable to the Group</b>		<b>4,894</b>	<b>5,010</b>
Share capital		-	-
Other reserves		4,894	5,010
<b>Shareholder's equity attributable to non-controlling interests</b>		<b>224</b>	<b>259</b>
<b>Other provisions</b>	<b>F.9</b>	<b>51</b>	<b>42</b>
<b>Insurance liabilities</b>	<b>F.10</b>	<b>7,979</b>	<b>8,219</b>
<b>Financial liabilities</b>	<b>F.11</b>	<b>4,814</b>	<b>5,249</b>
Financial liabilities at fair value through profit or loss		279	344
Financial liabilities at amortized cost		4,535	4,905
<b>Payables</b>	<b>F.12</b>	<b>714</b>	<b>673</b>
Payables arising out of direct insurance operations		216	229
Payables arising out of reinsurance operations		219	181
Current income tax payables		68	65
Other payables		211	198
<b>Other liabilities</b>	<b>F.13</b>	<b>358</b>	<b>339</b>
Deferred tax liabilities	F.26.1	119	126
Other liabilities - other		239	213

The notes on pages 49 to 155 are an integral part of these financial statements.

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December

(€ million)	Note	2020	2019
<b>Total income</b>		<b>4,081</b>	<b>4,325</b>
<b>Net earned premiums revenue</b>	<b>F.14</b>	<b>3,469</b>	<b>3,491</b>
Insurance premium revenue		3,847	3,899
Insurance premium ceded to reinsurers		(378)	(408)
<b>Fee and commission income and income from financial service activities</b>	<b>F.15</b>	<b>96</b>	<b>73</b>
<b>Net income/(losses) from financial instruments at fair value through profit or loss</b>	<b>F.16</b>	<b>15</b>	<b>220</b>
of which net income/(losses) from financial investments relating to unit-linked policies		63	220
<b>Share of results of associates and joint ventures accounted for using the equity method</b>	<b>F.17</b>	<b>4</b>	<b>5</b>
<b>Net income/(losses) related to associates and disposal of subsidiaries</b>	<b>F.18</b>	<b>15</b>	<b>-</b>
<b>Income from other financial instruments and investment properties</b>	<b>F.19</b>	<b>405</b>	<b>402</b>
Interest revenue calculated using the effective interest method		239	289
Income - other		39	48
Realized gains		62	40
Unrealized gains		51	20
Reversal of impairment losses		14	5
<b>Other income</b>	<b>F.20</b>	<b>77</b>	<b>134</b>
<b>Total expenses</b>		<b>(3,544)</b>	<b>(4,003)</b>
<b>Net insurance benefits and claims</b>	<b>F.21</b>	<b>(1,996)</b>	<b>(2,281)</b>
Claims paid and change in insurance provisions		(2,156)	(2,444)
Reinsurers' share		160	163
<b>Fee and commission expenses and expenses from financial service activities</b>	<b>F.22</b>	<b>(20)</b>	<b>(13)</b>
<b>Expenses from other financial instruments and investment properties</b>	<b>F.23</b>	<b>(151)</b>	<b>(139)</b>
Interest expense		(66)	(89)
Expense - other		(13)	(13)
Realized losses		(26)	(13)
Unrealized losses		(1)	(9)
Impairment losses		(45)	(15)
<b>Acquisition and administration costs</b>	<b>F.24</b>	<b>(1,024)</b>	<b>(1,024)</b>
Commission and other acquisition costs		(728)	(718)
Investment management expenses		(7)	(5)
Other administration costs		(289)	(301)
<b>Other expenses</b>	<b>F.25</b>	<b>(353)</b>	<b>(546)</b>
<b>EARNINGS BEFORE TAXES</b>		<b>537</b>	<b>322</b>
Income taxes	F.26	(78)	(48)
<b>NET PROFIT OF THE YEAR</b>		<b>459</b>	<b>274</b>
Result of the period attributable to the equity holders of the parent		460	275
Result of the period attributable to non-controlling interests		(1)	(1)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December

(€ million)	Note	2020	2019
<b>Net profit of the year</b>		<b>459</b>	<b>274</b>
<b>Other comprehensive income items that may be reclassified to profit or loss in future periods</b>			
Available for sale financial assets' revaluation in equity	F.8	56	316
Available for sale financial assets' revaluation reclassified to profit or loss	F.8, F.19, F.23	(38)	(29)
Available for sale impairment losses reclassified to income statement	F.8, F.23	11	3
Available for sale change in deferred policyholders liabilities/assets	F.8	(1)	(93)
Currency translation differences	F.8	(197)	94
Changes in cash flow hedge reserve	F.8	(5)	1
<b>Total gains and losses recognised directly in equity</b>		<b>(174)</b>	<b>292</b>
Tax on items taken directly to or transferred into equity	F.8	(14)	(26)
<b>Other comprehensive income, net of tax</b>		<b>(188)</b>	<b>266</b>
<b>Total comprehensive income</b>		<b>271</b>	<b>540</b>
Attributable to:			
– equity holders of Parent Company		306	519
– non-controlling interests		(35)	21

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2019**

(€ million)	Note	Share capital and additional paid-in capital	Revaluation financial assets AFS	Other capital reserves	Cumulative currency translation difference	Cash flow hedge reserve	Retained earnings	Attributable to equity holders of Parent Company	Attributable to non-controlling interests	Total
<b>Balance as at beginning of reporting period</b>		<b>3,602</b>	<b>189</b>	<b>143</b>	<b>32</b>	<b>(2)</b>	<b>850</b>	<b>4,814</b>	<b>238</b>	<b>5,052</b>
Net profit for the year							275	275	(1)	274
Available-for-sale financial assets revaluation in equity	F.8		329					329	(13)	316
Available-for-sale financial asset realised revaluation reclassified to income statement	F.8		(29)					(29)	-	(29)
Available-for-sale impairment losses reclassified to income statement	F.8		3					3	-	3
Available for sale change in deferred policyholders' liabilities	F.8		(93)					(93)	-	(93)
Currency translation differences	F.8				62			62	32	94
Changes in cash flow hedge reserve	F.8					1		1	-	1
Tax on items of other comprehensive income	F.8		(29)					(29)	3	(26)
<b>Total comprehensive income</b>		<b>-</b>	<b>181</b>	<b>-</b>	<b>62</b>	<b>1</b>	<b>275</b>	<b>519</b>	<b>21</b>	<b>540</b>
Allocation to reserve for share-based payments							3	3		3
Dividends to shareholders	F.8.1						(326)	(326)		(326)
<b>Balance as at end of reporting period</b>		<b>3,602</b>	<b>370</b>	<b>143</b>	<b>94</b>	<b>(1)</b>	<b>802</b>	<b>5,010</b>	<b>259</b>	<b>5,269</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2020**

(€ million)	Note	Share capital and additional paid-in capital	Revaluation financial assets AFS	Other capital reserves	Cumulative currency translation difference	Cash flow hedge reserve	Retained earnings	Attributable to equity holders of Parent Company	Attributable to non-controlling interests	Total
<b>Balance as at beginning of reporting period</b>		<b>3,602</b>	<b>370</b>	<b>143</b>	<b>94</b>	<b>(1)</b>	<b>802</b>	<b>5,010</b>	<b>259</b>	<b>5,269</b>
Net profit for the year							460	460	(1)	459
Available-for-sale financial assets revaluation in equity	F.8		96					96	(40)	56
Available-for-sale financial asset realised revaluation reclassified to income statement	F.8		(38)					(38)		(38)
Available-for-sale impairment losses reclassified to income statement	F.8		11					11	-	11
Available for sale change in deferred policyholders' liabilities	F.8		(1)					(1)	-	(1)
Currency translation differences	F.8				(203)			(203)	6	(197)
Changes in cash flow hedge reserve	F.8					(5)		(5)	-	(5)
Tax on items of other comprehensive income	F.8		(14)					(14)		(14)
<b>Total comprehensive income</b>			<b>54</b>		<b>(203)</b>	<b>(5)</b>	<b>460</b>	<b>306</b>	<b>(35)</b>	<b>271</b>
Allocation to reserve for share-based payments							4	4		4
Dividends to shareholders	F.8.1						(426)	(426)		(426)
<b>Balance as at end of reporting period</b>		<b>3,602</b>	<b>424</b>	<b>143</b>	<b>(109)</b>	<b>(6)</b>	<b>840</b>	<b>4,894</b>	<b>224</b>	<b>5,118</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)****For the period from 1 January to 31 December**

(€ million)	Note	2020	2019
<b>Cash flow from operating activities</b>			
<b>Earnings before taxes</b>		<b>537</b>	<b>322</b>
Adjustments for:			
Depreciation and amortisation	F.23, F.25	143	119
Impairment losses on goodwill and PVFP	F.25	4	213
Impairment and reversal of impairment of current and non-current assets	F.19, F.23	32	10
Profit/Loss on disposal of PPE, intangible assets and investment property		(17)	-
Gain/loss from revaluation of financial securities, investment property and financial liabilities at FVTPL	F.16, F.19, F.23	(149)	(229)
Interest expense	F.23	68	89
Interest income	F.19	(238)	(289)
Dividend income	F.19	(4)	(17)
Net Interest income from financial instruments at FVTPL	F.17	(6)	(28)
Income/expenses not involving movements of cash		3	(16)
Net foreign exchange differences		106	(247)
Share based payments reserve		-	(1)
Change in loans and receivables		727	747
Change in receivables		64	(79)
Change in reinsurance assets		51	2
Change in other assets, prepayments and accrued income		-	(40)
Change in payables		(27)	118
Change in financial liabilities for investment contract with DPF		72	294
Change in financial liabilities at FVTPL		(65)	36
Change in liabilities to banks		(353)	(1,137)
Change in deposits received from reinsurer		(60)	8
Change in insurance liabilities		(252)	305
Change in other liabilities, accruals and deferred income		26	2
Change in other provisions	F.10	9	(6)
Interest received		247	328
Dividends received	F.19	4	17
Purchase of financial assets at FVTPL		(5,214)	(6,734)
Purchase of financial assets available for sale		(2,459)	(1,613)
Purchase of financial assets held to maturity		(14)	-
Proceeds from financial assets at FVTPL		5,436	6,710
Proceeds from financial assets available for sale		2,021	2,091
Proceeds from financial assets held to maturity		11	18
Cash flows arising from taxes on income		(142)	(89)
<b>Net cash flow from operating activities</b>		<b>561</b>	<b>904</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)**

For the period from 1 January to 31 December

(€ million)	Note	2020	2019
<b>Cash flow from investing activities</b>			
Purchase of tangible assets and intangible assets		(89)	(66)
Purchase of investment property		-	(60)
Net cash flow from acquisition of subsidiaries, associates and joint ventures, net of cash acquired		-	(314)
Proceeds from disposals of tangible and intangible assets		4	-
Proceeds from sale of investment property		37	-
<b>Net cash flow from investing activities</b>		<b>(48)</b>	<b>(440)</b>
<b>Cash flow from financing activities</b>			
Interest paid		(68)	(89)
Payment of principal portion of lease liabilities		(25)	(25)
Dividends paid to shareholders	F.8.1	(426)	(326)
<b>Net cash flow from financing activities</b>		<b>(519)</b>	<b>(439)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(6)</b>	<b>25</b>
<b>Cash and cash equivalents as at beginning of reporting period</b>	<b>F.7</b>	<b>338</b>	<b>311</b>
Effect of exchange rate changes on cash and cash equivalents		(12)	2
<b>Cash and cash equivalents as at end of reporting period</b>	<b>F.7</b>	<b>320</b>	<b>338</b>

# Notes to the Consolidated Financial Statements

## A. GENERAL INFORMATION

### A.1 Description of the Group

Generali CEE Holding B.V. ("Generali CEE Holding", "Generali CEE" or the "Company") is an insurance holding company operating via its subsidiaries. It offers a wide range of life and P&C insurance products as well as pension fund schemes in Central and Eastern Europe.

Generali CEE Holding was established under the laws of the Netherlands and as at 31 December 2019 was fully owned by Assicurazioni Generali S.p.A. ("Generali") which is the Company's ultimate parent company. Generali's financial statements are publicly available on its internet pages [www.generali.com](http://www.generali.com).

Although a Dutch company, incorporated on 8 June 2007 under the laws of the Netherlands, with its registered office in De Entree 91, 1101 BH Amsterdam, The Netherlands, its main operations are based in the Czech Republic, where its branch is registered at Na Pankráci 121/1658, 140 21 Prague 4, Czech Republic. The Company identification number issued by the commercial register in the Netherlands is 342 75 688, the branch in the Czech Republic is registered under the identification number of 282 39 652.

The consolidated financial statements of Generali CEE Holding for the year ended 31 December 2020 comprise the Company and its subsidiaries (collectively referred to as the "Group").

See Section C of these financial statements for a listing of significant Group entities and changes to the Group structure. The Board of Directors authorised these financial statements to be issued on 3 May 2021.

### A.2 Statutory body

The Board of Directors as at the end of the reporting period consists of:

Members: Luciano Cirinà  
Jaime Anchustegui Melgarejo  
Carlo Schiavetto  
Cristiano Borean  
Heike Otteman-Toyza

## **B. BASIS OF PREPARATION**

### **B.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in accordance with the IAS Regulation (EC 1606/2002). The Company financial statements have been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code.

Management has reviewed those standards and interpretations adopted by the EU as at the date of issuance of these financial statements, but which were not effective as at that date. An assessment of the expected impact of these standards and interpretations on the Group is shown in Section D.6.

### **B.2 Basis of preparation**

The Group prepares these consolidated financial statements in accordance with IFRS (as adopted by the EU see Note B.1).

These financial statements are presented in euros ("EUR", €), which is the functional currency of its shareholders.

These financial statements have been prepared on a historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss and financial instruments classified as available for sale, held-for-sale assets that are stated at the lower of FVLCS and historical cost, items subject to fair value hedging that are remeasured to fair value to the extent of the hedged risk.

The preparation of these financial statements in accordance with IFRS requires that management makes judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in both the period of the revision and future periods if the revision affects both the current and future periods.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

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## **C. GENERAL CRITERIA FOR DRAWING UP THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATION METHOD**

### **C.1 Group entities**

The consolidated financial statements are made up of those of the Parent Company and of its directly or indirectly controlled subsidiaries. All entities satisfying the requisites of effective control are included in the consolidation. According to IFRS 10 Consolidated Financial Statements, the control exists when the following three conditions are met:

- a) power over the investee
- b) exposure, or right to variable returns
- c) the ability to affect those returns through power over the investee.

The Group consolidates line by line all material subsidiaries and recognises, using the equity method, all material associated companies and joint ventures. Associated companies and joint ventures are summarised in table F.3.2.

A list of Group entities is presented below.

**For the year ended 31 December 2020**

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
Generali Insurance AD	Bulgaria	BGN	99.78	99.78
Generali Zakrila Medical and Dental Centre EOOD	Bulgaria	BGN	99.78	99.78
GP Reinsurance EAD	Bulgaria	CZK	100.00	100.00
Generali Osiguranje d.d.	Croatia	HRK	100.00	100.00
Pojišťovna Patricie a.s.	Czech Republic	CZK	100.00	100.00
Generali Česká Distribuce s.r.o.	Czech Republic	CZK	100.00	100.00
Pařížská 26, s.r.o.	Czech Republic	CZK	100.00	100.00
Direct Care s.r.o.	Czech Republic	CZK	100.00	100.00
Palác Křížík a.s.	Czech Republic	CZK	100.00	100.00
IDEE s.r.o.	Czech Republic	CZK	100.00	100.00
SMALL GREF a.s.	Czech Republic	CZK	100.00	100.00
Náměstí Republiky 3a, s.r.o.	Czech Republic	CZK	100.00	100.00
Mustek Properties s.r.o.	Czech Republic	CZK	100.00	100.00
Office Center Purkyňova, a.s.	Czech Republic	CZK	100.00	100.00
Generali Česká pojišťovna, a.s.	Czech Republic	CZK	100.00	100.00
Generali penzijní společnost, a.s. (including Transformed Fund)	Czech Republic	CZK	100.00	100.00
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	CZK	100.00	100.00
Generali Investments CEE, Investiční Společnost, a.s.	Czech Republic	CZK	100.00	100.00
Acredité s.r.o.	Czech Republic	CZK	100.00	100.00
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	CZK	100.00	100.00
Solitaire Real Estate, a.s.	Czech Republic	CZK	100.00	100.00
BRISTIH CORNER s.r.o.	Czech Republic	CZK	100.00	100.00
OVOČNÝ TRH 2 s.r.o.	Czech Republic	CZK	100.00	100.00
Palác Špork a.s.	Czech Republic	CZK	100.00	100.00
Generali Biztosító Zrt.	Hungary	HUF	100.00	100.00
Europai Utazási Biztosító Rt.	Hungary	HUF	61.00	61.00
Generali Ingatlan Kft	Hungary	HUF	100.00	100.00
Generali Alapkezelő Rt.	Hungary	HUF	100.00	100.00
Genertel Biztosító Zrt	Hungary	HUF	100.00	100.00
Generali CEE Oil & Energy Industry Fund	Ireland	EUR	92.00	92.00
Generali CEE New Economies Fund	Ireland	EUR	84.00	84.00
Generali CEE Emerging Europe Fund	Ireland	EUR	68.00	68.00
Generali CEE Emerging Europe Bond Fund	Ireland	EUR	100.00	100.00
Generali osiguranje Montenegro	Montenegro	EUR	100.00	100.00
Generali Towarzystwo Ubezpieczeń S.A.	Poland	PLN	100.00	100.00
Generali Życie Towarzystwo Ubezpieczeń S.A.	Poland	PLN	100.00	100.00
Generali Finance Sp. z o.o.	Poland	PLN	100.00	100.00
Generali PTE S.A.	Poland	PLN	100.00	100.00
Concordia Polska Towarzystwo Ubezpieczeń Wzajemnych	Poland	PLN	100.00	100.00
Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A. (Union Investment TFI)	Poland	PLN	100.00	100.00

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
PL Investment Jerozolimskie I SP. Z o.o.	Poland	PLN	100.00	100.00
Cleha Invest Sp. z o.o.	Poland	PLN	100.00	100.00
SIBSEN Invest sp. z o.o.	Poland	PLN	100.00	100.00
Generali SAF Pensii Private S.A.	Romania	RON	100.00	100.00
SC Generali Romania Asigurare Reasigurare S.A.	Romania	RON	99.97	99.97
Generali Russia and CIS	Russia	RUB	49.00	100.00
LLC Generali Insurance Brokers - Russia and CIS	Russia	RUB	49.00	100.00
Generali Osiguranje Srbija A.D.O	Sebia	RSD	100.00	100.00
Generali Reosiguranje Srbija A.D.O.	Sebia	RSD	100.00	100.00
Voluntary Pension Fund Manag - Generali Društvo za upravljanje dobrovoljnim penzijskim fondom A.D.	Sebia	RSD	100.00	100.00
Generali Poistovňa, a.s.	Slovakia	EUR	100.00	100.00
Green Point Offices a.s.	Slovakia	EUR	100.00	100.00
VÚB Generali d.s.s., a.s.*	Slovakia	EUR	50.00	50.00
Generali Zavarovalnica d.d.	Slovenia	EUR	100.00	100.00
Generali Investments (KD Skladi d.o.o)	Slovenia	EUR	100.00	100.00
Generali CEE Holding B.V.	The Netherlands	CZK	100.00	100.00
GW Beta Limited	The Netherlands	EUR	49.00	100.00
CZI Holdings N.V.	The Netherlands	CZK	100.00	100.00
CP Strategic Investments N.V.	The Netherlands	EUR	100.00	100.00

\* Joint-venture

**For the year ended 31 December 2019**

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
Generali Insurance AD	Bulgaria	BGN	99.78	99.78
Generali Zakrila Medical and Dental Centre EOOD	Bulgaria	BGN	99.78	99.78
GP Reinsurance EAD	Bulgaria	CZK	100.00	100.00
Generali Osiguranje d.d.	Croatia	HRK	100.00	100.00
Pojišťovna Patricie a.s.	Czech Republic	CZK	100.00	100.00
ČP Distribuce s.r.o.	Czech Republic	CZK	100.00	100.00
Pařížská 26, s.r.o.	Czech Republic	CZK	100.00	100.00
Direct Care s.r.o.	Czech Republic	CZK	100.00	100.00
Palác Křížák a.s.	Czech Republic	CZK	100.00	100.00
IDEE s.r.o.	Czech Republic	CZK	100.00	100.00
SMALL GREF a.s.	Czech Republic	CZK	100.00	100.00
Náměstí Republiky 3a, s.r.o.	Czech Republic	CZK	100.00	100.00
Mustek Properties s.r.o.	Czech Republic	CZK	100.00	100.00
Office Center Purkyňova, a.s.	Czech Republic	CZK	100.00	100.00
Generali Česká pojišťovna, a.s.	Czech Republic	CZK	100.00	100.00
Penzijní společnost CP, a.s. (including Transformed Fund)	Czech Republic	CZK	100.00	100.00

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	CZK	100.00	100.00
Generali Investments CEE, Investiční Společnost, a.s.	Czech Republic	CZK	100.00	100.00
Generali Distribuce a.s.	Czech Republic	CZK	100.00	100.00
Acredité s.r.o.	Czech Republic	CZK	100.00	100.00
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	CZK	100.00	100.00
City Empiria, a.s.	Czech Republic	CZK	100.00	100.00
Solitaire Real Estate, a.s.	Czech Republic	CZK	100.00	100.00
BRISTIH CORNER s.r.o.	Czech Republic	CZK	100.00	100.00
OVOČNÝ TRH 2 s.r.o.	Czech Republic	CZK	100.00	100.00
Palác Špork a.s.*	Czech Republic	CZK	100.00	100.00
Generali Biztosító Zrt.	Hungary	HUF	100.00	100.00
Europai Utazási Biztosító R.t.	Hungary	HUF	61.00	61.00
Generali Ingatlan Kft	Hungary	HUF	100.00	100.00
Generali Alapkezelő Rt.	Hungary	HUF	100.00	100.00
Genertel Biztosító Zrt	Hungary	HUF	100.00	100.00
Generali CEE Oil & Energy Industry Fund	Ireland	EUR	92.00	92.00
Generali CEE New Economies Fund	Ireland	EUR	84.00	84.00
Generali CEE Emerging Europe Fund	Ireland	EUR	68.00	68.00
Generali CEE Emerging Europe Bond Fund	Ireland	EUR	100.00	100.00
Generali osiguranje Montenegro	Montenegro	EUR	100.00	100.00
Generali Towarzystwo Ubezpieczeń S.A.	Poland	PLN	100.00	100.00
Generali Życie Towarzystwo Ubezpieczeń S.A.	Poland	PLN	100.00	100.00
Generali Finance Sp. z o.o.	Poland	PLN	100.00	100.00
Generali PTE S.A.	Poland	PLN	100.00	100.00
Concordia Polska Towarzystwo Ubezpieczeń Wzajemnych	Poland	PLN	98.76	98.76
Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A. (Union Investment TF)*	Poland	PLN	100.00	100.00
PL Investment Jerozolimskie I SP. Z o.o.	Poland	PLN	100.00	100.00
Cleha Invest Sp. z o.o.	Poland	PLN	100.00	100.00
SIBSEN Invest sp. z o.o.	Poland	PLN	100.00	100.00
Generali SAF Pensii Private S.A.	Romania	RON	100.00	100.00
SC Generali Romania Asigurare Reasigurare S.A.	Romania	RON	99.99	99.99
Generali Russia and CIS	Russia	RUB	49.00	100.00
LLC Generali Insurance Brokers - Russia and CIS	Russia	RUB	49.00	100.00
Generali Osiguranje Srbija A.D.O	Sebia	RSD	100.00	100.00
Generali Reosiguranje Srbija A.D.O.	Sebia	RSD	100.00	100.00
Voluntary Pension Fund Manag - Generali Društvo za upravljanje dobrovoljnim penzijskim fondom A.D.	Sebia	RSD	100.00	100.00
Generali Poistovňa, a.s.	Slovakia	EUR	100.00	100.00
Green Point Offices a.s.	Slovakia	EUR	100.00	100.00
VÚB Generali d.s.s., a.s.**	Slovakia	EUR	50.00	50.00



Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
Generali Zavarovalnica d.d.	Slovenia	EUR	100.00	100.00
Adriatic Slovenica Zavarovalna družba d.d.*	Slovenia	EUR	100.00	100.00
Generali Investments (KD Skladi d.o.o)*	Slovenia	EUR	100.00	100.00
Generali CEE Holding B.V.	The Netherlands	CZK	100.00	100.00
GW Beta Limited	The Netherlands	EUR	49.00	100.00
CZI Holdings N.V.	The Netherlands	CZK	100.00	100.00
CP Strategic Investments N.V.	The Netherlands	EUR	100.00	100.00

\*Entity acquired in 2019

\*\* Joint-venture

General information about joint ventures:

Registered seat:

Shareholders:

Group's stake in registered capital:

Core business:

Recognised:

VÚB Generali, Dôchodková správcovská spoločnosť, a.s.,

Mlynské nivy 1, 829 90 Bratislava

Generali Slovensko Poistovňa, a.s. and VÚB, a.s.

50%

Administration of pension funds for retirement savings scheme

Using equity method

### C.1.1 Changes to the Group

Detailed information about significant transactions with subsidiaries of the Group for the year ended 31 December 2020 is provided below.

#### Merger of AdriaticSlovenica with Generali zavarovalnica

On 3 January 2020, Adriatic Slovenica d. d. merged with Generali zavarovalnica d. d. Generali zavarovalnica, as the transferee company, and in accordance with the laws, became the universal successor of the company Adriatic Slovenica and acquired all its rights and obligations. On the same date Adriatic Slovenica ceased to exist and was deleted from the Court Register. By this merger the Group created the second largest insurance company in the country, with an market share of about 18%.

#### Sale of City Empiria a.s.

During the second quarter of 2020 Generali Real Estate Fund sold City Empiria, a.s. to PSN. As a result company was deconsolidated during 2020.

#### Merger of Generali Distribuce a.s. and ČP Distribuce s.r.o.

On 1 July 2020, Generali Distribuce a.s. merged with ČP Distribuce s.r.o. with effective date of 1 January 2020. The successor company ČP Distribuce s.r.o. was subsequently renamed to Generali Česká Distribuce a.s. This represents additional step in simplifying organizational structure of the Group in the Czech republic.

Detailed information about significant transactions with subsidiaries of the Group for the year ended 31 December 2019 is provided below.

#### Acquisition of Adriatic Group in Slovenia

On 13 February 2019, Generali completed the closing of the transaction with KD Group, finančná družba, d.d., to acquire the 100% share in insurance company Adriatic Slovenica, zavarovalna družba, d.d., and its subsidiary – asset management company KD Skladi d.o.o, in Slovenia. The purchase price for acquisition of Adriatic Group amounted to €246 million.

The closing will be followed by the process of integration of Adriatic Slovenica and KD Skladi into the Generali structure in CEE. The main goal of integration is to keep the long term position in the Slovenian market, to improve the customer satisfaction and to enhance the sales of the asset management products.

Adriatic Slovenica provides a full range of P&C, health, life and pension products. With a market share of nearly 14%, the company is the third largest insurance company in the Slovenian market. KD Skladi (subsequently renamed to Generali Investments, družba za upravljanje), is a mutual fund manager that ranks 3rd in Slovenia with a market share of 20% and also has a presence in Croatia and Macedonia through its branches.

In accordance with IFRS 3, the Group performed a purchase price allocation exercise ("PPA") and identified two CGUs – Adriatic Slovenica zavarovalna družba and Generali Investments, družba za upravljanje. The Group recognised a VOBA asset for Adriatic Slovenica zavarovalna družba of €57 million. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill of €118 million.

The fair value of the identifiable assets and liabilities of Adriatic Slovenica Zavarovalna družba d.d. and Generali Investments, družba za upravljanje (KD Skladi d.o.o.) as at the date of acquisition were:

(€ million)	Adriatic Slovenica Zavarovalna družba d.d.	Generali Investments, družba za upravljanje (KD Skladi d.o.o.)
<b>Fair value of assets</b>	<b>762</b>	<b>18</b>
Intangible assets	64	9
Tangible Assets	28	-
Investments	577	7
Reinsurance assets	15	-
Receivables	22	-
Other assets	37	1
Cash and cash equivalents	19	1
<b>Fair value of liabilities</b>	<b>657</b>	<b>3</b>
Insurance liabilities*	549	-
Financial liabilities	62	-
Payables	20	1
Other liabilities	26	2
<b>Fair value of identifiable net assets</b>	<b>105</b>	<b>15</b>

\* The insurance liabilities are measured using the Group's existing accounting policies and recognised VOBA asset is presented under Intangible assets.

Goodwill arising from the acquisition has been recognised as a result of the excess of the purchase price over the fair value of the identifiable net assets as follows:

(€ million)	Adriatic Slovenica Zavarovalna družba d.d.	Generali Investments, družba za upravljanje (KD Skladi d.o.o.)
Consideration	223	24
Total effective ownership acquired	100.00%	100.00%
Fair value of identifiable net assets	105	15
<b>Goodwill (according to full goodwill method)</b>	<b>118</b>	<b>9</b>

#### Acquisition of Union Investment (Poland)

On 18 June, 2019, the Group finalized the completion of the transaction with German Group Union Asset Management Holding AG to acquire a 100% share in asset management company Union Investment TFI S.A. in Poland.

This acquisition is fully aligned with the Asset Management Strategy for the region. Generali and Union Investment TFI will be combining the skills and know-how to offer customers and business partners insurance and financial products and services.

Union Investment TFI is Poland's 6th largest asset management company with €3.3 billion of asset under management. It has a client base of approximately 135,000 retail investors and 550 institutional investors and boasts a broad range of fund products across equities, fixed income and absolute return. Union Investment TFI has its own internal fund manufacturing capabilities as well as other investment solutions.

In accordance with IFRS 3, the Group performed a purchase price allocation exercise ("PPA") for Generali Investments TFI which resulted in the recognition of intangible asset related to the relations with distributors and customers in the amount of €22 million. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill of €59 million.

The fair value of the identifiable assets and liabilities of Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A. (Union Investment TFI) as at the date of acquisition were:

(€ million)	Generali Investments TFI S.A. (Union Investment TFI)
<b>Fair value of assets</b>	<b>50</b>
Intangible assets	22
Tangible Assets	3
Investments	16
Reinsurance assets	-
Receivables	3
Other assets	1
Cash and cash equivalents	5
<b>Fair value of liabilities</b>	<b>16</b>
Insurance liabilities*	-
Financial liabilities	2
Payables	1
Other liabilities	13
<b>Fair value of identifiable net assets</b>	<b>34</b>

\* The insurance liabilities are measured using the Group's existing accounting policies and recognised VOBA asset is presented under Intangible assets.

Goodwill arising from the acquisition has been recognised as a result of the excess of the purchase price over the fair value of the identifiable net assets as follows:

(€ million)	Generali Investments TFI S.A. (Union Investment TFI)
Consideration	93
Total effective ownership acquired	100.00%
Fair value of identifiable net assets	34
<b>Goodwill (according to full goodwill method)</b>	<b>59</b>

#### Acquisition of Palác Špork a.s.

On 11 March 2019, the Group has completed the acquisition of Palac Spork, a prestigious mixed-use asset located in Prague, from SEBRE. Built in 1925 and fully renovated in 2017, with the addition of a modern component, the property represents a combination of history and modernity and offers around 10,000 m<sup>2</sup> of office and retail spaces. The asset is currently fully let, with law firm Dentons as the main tenant. The asset is located in one of the most sought-after office and high street retail areas of the Czech capital, right next to the Namesti Republiky square and Na Příkopě street, within a walking distance from the Old Town square.

The transaction is regarded as an acquisition of a group of assets, as the transferred set of activities and assets does not meet the definition of IFRS 3 for a business.

## C.2 Consolidation methods and accounting for associates and joint ventures

Investments in subsidiaries are consolidated line by line, whereas investments in associated companies and joint ventures are accounted for using the equity method.

Reorganisations and mergers involving companies under common control are accounted for using predecessor amounts, and consequently no adjustment is made to the carrying amounts in the Group's consolidated accounts and no goodwill arises on such transactions.

### Translation from functional to presentation currency

The statements of the financial position in functional currencies different from the presentation currency of the Group were translated into EUR based on the exchange rates as at the end of the year.

The income statements were translated based on the average exchange rates of the year. They reasonably approximate the exchange rates as at the dates of the transactions.

The exchange rate differences arising from the translation were accounted for in other comprehensive income in a translation reserve and recognised in the income statement only at the time of the disposal of the investments.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

The exchange rates used for the translation of the main foreign currencies for the Group into EUR ("€") are those published by the ultimate parent Assicurazioni Generali S.p.A.

### C.2.1. Consolidation procedures

The subsidiaries where the requisites of control are applicable are consolidated.

The standard IFRS 10 defines a single control model for all entities. Under the guidance, control is the sole basis for consolidation. The structure of the investee is not relevant. An investor is required to consolidate an investee if it has all of the following:

- Power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power to affect the amount of the investor's returns.

The consolidation of a subsidiary ceases commencing from the date when the Parent Company loses control.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In preparing the consolidated financial statements:

- the financial statements of the Group and its subsidiaries are consolidated. The financial year-end date of each subsidiary is identical with that of the Group, 31 December of each financial year;
- the carrying amount of the Group's investment in each subsidiary and the Group's portion of equity of each subsidiary are eliminated as at the date of acquisition;
- non-controlling shareholder's interests are shown as separate items of equity; and
- intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised as expenses in the period in which they are incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Changes to contingent consideration classified as a liability as at the acquisition date are recognised in the consolidated income statement.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. For acquisitions meeting the definition of a business, the purchase method of accounting is used.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values as at the date of acquisition. Such transactions or events do not give rise to goodwill.

#### **Transactions with non-controlling interests**

The Group is treating the transactions with non-controlling interests as equity transactions not affecting profit or loss. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interests are shown in the consolidated statement of financial position as a separate component of equity, which is distinct from the Group's Shareholder's equity. The net income attributable to non-controlling interests is separately disclosed on the face of the consolidated income statement and statement of comprehensive income.

Reorganisations and mergers involving companies under common control are accounted for using consolidated net book values, consequently no adjustments are made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

### **C.2.2. Using the equity method**

#### **Associated companies**

IAS 28 defines an associate as an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. If an investor holds, directly or indirectly through subsidiaries, 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case.

If the investment of the Group in an entity exceeds 20% but the Group has no significant influence over the entity, the investment cannot be classified as associate. In assessment about classification of any investments as associates, the Group considered mainly their participation in policy-making processes, including participation in decisions about dividends or other distributions of the investee. Additionally, the group assessed also the following additional criteria:

- a) representation on the board of directors or equivalent governing body of the investee;
- b) material transactions between the entity and its investee;
- c) interchange of managerial personnel; or
- d) provision of essential technical information.

Under the equity method, the investment in an associate is initially recognised at cost (including goodwill) and the carrying amount is increased or reduced to recognise the change in the investor's share of the equity of the investee after the date of acquisition. The Group's share of the profit or loss of the investee, net of dividends, is recognised in its consolidated income statement.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary in order to ensure consistency with the policies adopted by the Group.

### Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity. Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in joint ventures includes goodwill identified on acquisition.

The Group's share of its joint ventures' post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in the joint-venture equals or exceeds its interest in the joint venture, including other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transaction between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Joint venture accounting policies have been changed where necessary in order to ensure consistency with the policies adopted by the Group.

### C.2.3. Consolidation of investment and pension funds

The Group manages open-ended investment funds through the management companies Generali Investments CEE, investiční společnost, a.s. and Generali Invest CEE Plc. The Group invests the assets related to unit-linked products in these investment funds as well as its own direct investments.

For each of the fund the Group considers if the power over that investment fund exists and if the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Based on the assessment, control over the investment fund exists and the fund is consolidated in case that the direct interests held by the Group in the investment fund are more than 40% and simultaneously the Group controls the respective investment management company. Unit-linked products where the financial risk related to the investment is borne by the policyholders should not be taken into consideration since the exposure to variable returns and ability to affect those returns through power over the investee is only limited or do not exist.

In case that the direct interest held by the Group in the investment fund is less than 40%, investment is not consolidated and is reported in available for sale financial assets or in financial assets at fair value through profit or loss as mutual fund units.

The non-controlling interests in open investment funds are reported within financial liabilities, because of their puttable nature. The non-controlling interests in the funds where the puttable nature is limited or does not exist are shown in the consolidated statement of financial position as a separate component of equity, which is distinct from the Group's Shareholder's equity.

Group consolidates Transformed pension fund in the Czech republic as a) the Group is entitled to a profit share, b) makes the investment decisions, c) guarantees at least zero result of accounting period attributable to policyholders and at least zero equity and d) likelihood of losses or negative equity of the Transformed pension fund isn't remote given the respective portfolio structure, which based on the Group assessment fulfils the definition of control.

## D. SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

### D.1 Significant accounting policies

The accounting standards adopted in preparing the consolidated financial statements, and the contents of the items in the consolidated financial statements are presented in this section.

#### D.1.1. Intangible assets

In accordance with IAS 38, an intangible asset is recognised if, and only if, it is identifiable and controllable, it is probable that the expected future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

This category includes goodwill and other intangible assets, such as software and purchased insurance portfolio.

The Group owns no software with indefinite useful life.

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

#### Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

After initial recognition, goodwill is measured at cost less any impairment losses and it is not amortised. Goodwill is tested at least annually in order to identify any impairment losses. Goodwill is allocated to cash-generating units in line with requirements of IAS 36 and represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. In case of the Group CGU is defined at the level of segment of particular company.

In case of mergers and portfolio transfers, CGU is defined at the level of segment of particular surviving business unit or acquirer. This is under assumption that transaction goal is to grow business and enlarge existing portfolio of insurance contracts rather than introduction of totally new products.

The purpose of the impairment test of goodwill is to identify the existence of any impairment losses on the carrying amount presented as an intangible asset. In this context, cash-generating units to which the goodwill is allocated are identified and tested for impairment. The impairment loss is equal to the difference, if negative, between the recoverable amount and carrying amount. The former is the higher of the fair value less costs of disposal of the cash-generating unit and its value in use, i.e. the present value of the future cash flows expected to be derived from the cash-generating units.

The fair value of the cash-generating unit is determined on the basis of current market quotations or commonly used valuation techniques. The value in use is based on the present value of future cash inflows and outflows, considering projections on budgets/forecasts approved by management and covering a maximum period of five years. Planned result of the period, which is the base for determination of future cash flows, is, among others, further adjusted for the effect of intra group reinsurance. The reinsurance ceded to GP Reinsurance is taken out from the planned P/L result, as this represents the intra group transaction. This is further adjusted by costs of external reinsurance – the calculation reflects the proportion reinsurance business retroceded by GP Reinsurance to an open market. Should any previous impairment losses allocated to goodwill no longer exist, they cannot be reversed. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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### Present value of future profits

On acquisition of a portfolio of long-term insurance contracts or investment contracts, either directly, or through the acquisition of an enterprise, the difference between the fair value of the insurance liability and the value of the insurance liabilities measured using the Group's existing accounting policies is recognised as an asset. This asset, which is referred to as the Present Value of Future Profits (PVFP) or value of business acquired (VOBA), is calculated on the basis of an actuarial computation taking into account assumptions for future premiums income, contributions, mortality, morbidity, lapses and returns on investments. PVFP is recognised separately for insurance segments and particular companies.

The PVFP is amortised over the average effective life of the contracts acquired, by using an amortisation pattern reflecting the expected future profit recognition. Assumptions used in the development of the PVFP amortisation pattern are consistent with the ones applied in its initial measurement. The amortisation pattern is reviewed on a yearly basis to assess its reliability and to verify its consistency with the assumptions used in the valuation of the corresponding insurance provisions. The amortisation period varies from 5 to 30 years for individual portfolios from the date of acquisition.

For the life portfolio, the recoverable amount of the in-force business acquired is determined annually through the liability adequacy test (LAT) of the insurance provisions — mentioned in Note D.3.3 — taking into account, if any, the deferred acquisition costs recognised in the consolidated statement of financial position. If any, the impairment losses are recognised in the consolidated income statement.

The amortisation and the potential impairment of present value of future profits are recognised in the consolidated income statement under the item "Other expenses". For further details, see F.1.2.

When there is any indication that an impairment loss recognised for PVFP in prior years no longer exists, the carrying amount of PVFP is increased to its estimated recoverable amount. The increased carrying amount of PVFP, due to the reversal of impairment loss, cannot exceed the carrying amount that would be determined if no impairment loss had been recognised for PVFP in prior years, net of any amortisation accounted for in the meantime.

### Other intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised on a straight-line basis over an average period of 3 - 5 years with the exception of intangible assets recognized as a result of established cooperation with UniCredit Bank where amortization period is equal to contractual period which is 5 or 15 years depending on particular contract. The amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material additional investment is made to an asset during the year, its useful life and residual value are reassessed at the time the cost of the investment is added to the carrying amount of the asset.

The brand can only be recognised when acquired from a third party and it is measured at the acquisition cost less impairment losses. Acquisition cost for this purpose is the asset's fair value for assets acquired in business combinations - e.g., the relief-from-royalty method which is based on revenues attributable to the brand and appropriate royalty rate. The brand is a significant intangible asset held by the Group and is directly connected to its operations. As far as the Group has no intention to discontinue the usage of the brand, the brand is assumed to have indefinite useful life.

The amortisation and potential impairment of other intangible assets are recognised in the consolidated income statement under the item "Other expenses". For further details, see Note F.1.2.

Where there is any indication that an impairment loss recognised for an asset in prior years no longer exists, the carrying amount of the asset is increased to its estimated recoverable amount. The increased carrying amount of the asset due to the reversal of impairment loss cannot exceed the carrying amount that would be determined if no impairment loss had been recognised for the asset in prior years, net of any depreciation or amortisation accounted for in the meantime.

#### D.1.2. Investment property

Investment properties are those held either to earn rental income, for capital appreciation or both. A property owned by the Group is treated as an investment property if it is not occupied by the Group or it occupies only an insignificant proportion of the property.

Property that is being constructed or developed for future use as an investment property is classified as investment property.

To measure the value of investment properties, the Group applies the cost model set out by IAS 40, and adopts the depreciation criteria defined by IAS 16. Please refer to the paragraph on property and equipment (D.1.3) for information about the criteria used by the Group. Rental income from investment property is accounted for on a straight-line basis over the term of the lease.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement in the period of derecognition.

#### D.1.3. Property and equipment

Property and equipment are measured at the purchase price or production cost, less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis using the following rates:

Item	Annual depreciation rate (%)
Buildings	10.00 – 20.00
Other tangible assets and equipment	5.88 - 33.33

The leasehold improvements (technical appreciation) performed on a leased asset are depreciated over the rental period.

Component parts of an asset, which have different useful lives or provide benefits in a different pattern, are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material additional investment is made to an asset during the year, its useful life and residual value are reassessed at the time the cost of the investment is added to the carrying amount of the asset.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property and equipment acquired by means of finance leasing are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Financial leases of property and equipment are not material for the Group.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the consolidated income statement under the items "Other income" or "Other expenses".

#### D.1.4. Financial assets

Financial assets include financial assets at fair value through profit or loss (including derivatives), financial assets available for sale, financial assets held to maturity, loans and receivables, cash and cash equivalents.

Financial assets are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For standard purchases and sales of financial assets, the Group's policy is to recognise them using settlement-date accounting. Financial instruments are measured initially at fair value plus transaction costs directly attributable to the acquisition or issue of the financial instrument, with the exception of financial instruments at fair value through profit or loss.

A financial asset is derecognised when the Group transfers the risk and rewards of ownership of the financial assets or loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or surrendered.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than classified at fair value through profit or loss or classified as available for sale.

After initial recognition at fair value, loans and receivables are measured at amortised cost using the effective interest method, less provision for impairment.

### Financial assets held to maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that are quoted in an active market and the Group has the positive intent and ability to hold to maturity, other than those:

- a) that the Group upon initial recognition designates as at fair value through profit or loss;
- b) that the Group designates as available for sale;
- c) that meet the definition of loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate method less any impairment losses. The amortisation of premiums and discounts is recorded as interest income or expense.

The fair value of an individual security within the held to maturity portfolio can temporarily fall below its carrying value, but, provided there is no risk resulting from significant financial difficulties of the issuer, the security is not considered to be impaired.

Selling more than an insignificant amount of held-to-maturity securities, other than in the exceptional circumstances (e.g. due to worsened credit quality of the security or close to its maturity), casts doubt on the entity's intent and ability to hold investments to maturity. As a consequence, the entity is prohibited from using held-to-maturity classification for any financial assets for two financial years. All its held-to-maturity investments are then reclassified as available for sale and measured at fair value.

### Financial assets available for sale

Available for sale financial assets are those non-derivative financial assets not classified as loans and receivables, held to maturity financial assets, or financial assets at fair value through profit or loss.

After initial recognition, the Group measures financial assets available for sale at their fair values, without any deduction for transaction costs that it may incur upon sale or other disposal. Exceptions are instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured which are stated at cost, including transaction costs, less impairment losses.

Any revaluation gain or loss on a financial asset available for sale is recognised in other comprehensive income with the exception of impairment losses (see note D.1.28) and, in the case of monetary items such as debt securities, foreign exchange gains and losses.

When available for sale assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the consolidated income statement. Where these instruments are interest-bearing, interest calculated using the effective interest rate method is recognised in the consolidated income statement. Dividend income is recognised in the consolidated income statement under the "Other investment income" – see D.1.21.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading and non-trading financial assets which are designated upon initial recognition at fair value through profit or loss.

Financial assets held-for-trading are acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in the price or dealer's margin. Financial assets are classified as held-for-trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held-for-trading include investments and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets.

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Financial assets at fair value through profit or loss are financial assets held-for-trading and non-trading financial assets which are designated upon initial recognition at fair value through profit or loss.

Financial assets held-for-trading are acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in the price or dealer's margin. Financial assets are classified as held-for-trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held-for-trading include investments and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at fair value through profit or loss. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at fair value through profit or loss.

If a financial asset is no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that it may have been acquired or incurred principally for this purpose), the financial assets can be reclassified out of the fair value through the profit or loss category in rare circumstances.

The Group designates non-trading financial assets according to its investment strategy as financial assets at fair value through profit or loss, if there is an active market and the fair value can be reliably measured.

The fair value option is only applied when:

- it results in more relevant information, because it significantly reduces a measurement or recognition inconsistency ("accounting mismatch") of securities covering unit-linked policies;
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, with information being provided to key management personnel on this basis;
- a contract contains one or more substantive embedded derivatives, unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or it is clear that separation of an embedded derivative is prohibited.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair values of financial assets at fair value through profit or loss are recognised in the income statement as "Other income"/"Other expenses" (FX derivatives other than unit-link investments derivatives) or as "Net income/loss from financial instruments at fair value through profit or loss".

#### **D.1.5. Reinsurance assets**

Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions.

Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Group records an allowance for estimated irrecoverable reinsurance assets, if any.

#### **D.1.6. Receivables**

This item includes receivables arising out of direct insurance and reinsurance operations and other receivables.

##### **Insurance receivables**

Receivables on premiums written in the course of collection and receivables from intermediaries, co-insurers and reinsurers are included in this item. They are initially recognised at fair value and then at their presumed recoverable amounts, if lower.

##### **Other receivables**

Other receivables include all other receivables other than of an insurance or tax nature. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

**D.1.7. Cash and cash equivalents**

Cash consists of cash on hand, demand deposits with banks and other financial institutions and term deposits due within 15 days. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

**D.1.8. Lease transactions**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if the lease term reflects the option to terminate.

Before IFRS 16's effective date as at 1 January 2019, property and equipment holdings used by the Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, were not recorded on the Group's consolidated statement of financial position. Payments made under operating leases to the lessor were charged to the consolidated income statement on a straight-line basis over the lease term. Lease incentives received were recognised as an integral part of the total lease expense.

**D.1.9. Non-current assets held-for-sale and discontinued operations**

Non-current assets are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets.

Management must be committed to the sale and must actively market the property for sale at a price that is reasonable in relation to the current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before being classified as held-for-sale, the assets (or components of a disposal group) are measured in accordance with the applicable IFRS. Thereafter, generally, the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

With reference to real estate, considering the Group business, real estate investments classified as investment properties can be considered as a current asset expected to be realised or is intended for sale within the entity's normal operating cycle, therefore cannot be classified as held for sale.

**D.1.10. Equity****Share capital**

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

#### **Additional paid-in capital**

Excess contributed by an investor to the Company over the par-value price of a share issue is recognised in additional paid in capital.

#### **Retained earnings and other reserves**

This item comprises retained earnings or losses adjusted for the effects arising from the first time application of IFRS, equalisation or catastrophe provisions not recognised as insurance provisions according to IFRS 4 and statutory reserve funds. Equalisation and catastrophe provisions and statutory reserve funds are not available for distribution.

#### **Other capital reserves**

Other capital reserves arose when the Group was formed as a result of reorganisation of Generali CEE operations.

#### **Translation reserve**

The item comprises the exchange differences recognised in other comprehensive income in accordance with IAS 21, which arise from translating the balances and transactions from functional to presentation currency.

#### **Revaluation – financial assets AFS**

The item includes gains or losses arising from changes in the fair value of available for sale financial assets, as previously described in the corresponding item of financial investments. The amounts are presented net of the related deferred taxes and deferred policyholder liabilities.

#### **Cash flow hedge reserve/(deficit)**

This item includes the effective portion of gains or losses arising from changes in exchange rates and interest rates on the instruments used for cash-flow hedges. The amounts are presented net of the related deferred taxes.

#### **Results of the period**

The item refers to the Group consolidated earnings after taxes for the period. Dividend payments are accounted for after the approval of the shareholders' general meeting.

#### **Shareholder's equity attributable to non-controlling interest**

The item comprises equity instruments of non-controlling interests. It also includes the reserve for unrealised gains and losses on available for sale investments attributable to non-controlling interests.

#### **Dividends**

Dividends are recognised as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

### **D.1.11. Insurance classification**

#### **Insurance contracts**

In accordance with IFRS 4, policies are classified as insurance contracts or investment contracts based on the significance of the underlying insurance risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

Classification requires the following steps:

- a) identification of the characteristics of products (option, discretionary participation feature, etc.) and services rendered;
- b) determination of the level of insurance risk in the contract; and
- c) determination of classification in accordance with IFRS 4.

Premiums, payments and change in the insurance provision related to products whose insurance risk is considered significant (e.g. term insurance, whole life and endowment with annual premiums, life contingent annuities and contracts containing an option to elect at maturity a life contingent annuity at rates granted at inception, long-term health insurance and unit-linked with sum assured in the case of death significantly higher than the value of the fund) are recognised in the consolidated income statement.

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### Investment contracts with a discretionary participation feature (DPF)

DPF represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that constitute a significant portion of the total contractual benefits, whose amount or timing is at the discretion of the Group and are based on the performance of pooled assets, profit or loss of the Group or investment returns.

As the amount of the bonus to be allocated to policyholders was irrevocably fixed as at the end of the reporting period, the amount is presented as a guaranteed liability in the financial statements, i.e. within the life insurance provision in the case of insurance contracts or within the guaranteed liability for investment contracts with DPF in the case of investment contracts.

Premiums, payments and change in the guaranteed liability of investment contracts with discretionary participation feature (e.g., policies linked to segregated funds, contracts with additional benefits that are contractually based on the result of the company) are recognised in the consolidated income statement with the exception of investment contracts with DPF issued by the Czech pension company including its Transformed fund (see paragraph below).

### Investment contracts with DPF issued by the Czech pension company including the Transformed fund

Investment contracts with DPF issued by the Group relate primarily to pension insurance policies written by its Czech subsidiary Generali penzijní společnost including the Transformed fund. Under these investment contracts, the policyholders are entitled to receive gains generated by the Transformed fund based on Czech GAAP decreased by asset management and performance fees. The DPF for these contracts is represented by the possibility of giving up a portion of fees under Czech GAAP and increasing the profit to be distributed to policyholders. This is subject to the decision of the Board of Directors.

These pension insurance contracts are classified as investment contracts with DPF but – in contrast to the general rule described in paragraph “Investment contracts with a discretionary participation feature (DPF)” – no premiums, payments and change in liabilities are recognised in the consolidated income statement. Such products are accounted for under the deposit accounting, which foresees that the financial liabilities are credited in the equal amount of the clients' cash received.

Such an exemption is given since IFRS 4.35 gives the option – but not the obligation – to treat Investment contracts with DPF as insurance contracts, and also since the Group has taken the advantage of exemption available under IFRS 4.25(c) to continue using non-uniform accounting policies for insurance contracts (and investment contracts with DPF) of subsidiaries (see note D.2).

### Shadow accounting

In order to mitigate the valuation mismatch between financial investments carried at fair value according to IAS 39 and insurance provisions that are carried at amortised cost, shadow accounting is applied to insurance contracts and investments contracts with DPF. This accounting practice is to attribute to the policyholders part of the temporary difference between IFRS measurement of the basis on which the profit sharing is determined and valuation which is used to determine the profit sharing actually paid.

The Group's accounting policies are set in such a way that a recognised but unrealised gain/loss on an asset affects measurement in the same way that a realised gain or loss does. The related adjustment to the insurance liability (including DPF liability/asset) shall be recognised in other comprehensive income if, and only if, the unrealised gains or losses are recognised in other comprehensive income.

The percentage for policyholder participation is based on statutory or contractual regulation, since local regulation already foresees the protection of guaranteed obligations through the recognition of additional provisions for interest rate risk if future financial returns based on a proper time horizon are not sufficient to cover the financial guarantees included in the contract. The Group applies shadow accounting in respect of unrealised gain/loss both on bonds and equities. The accounting item arising from the shadow accounting application is included in the carrying amount of insurance liabilities for the purposes of the liability adequacy test (LAT) in accordance with IFRS 4 (see Note D.3.3). As a result, the accounting treatment should not result in measurements falling short of the requirements of the LAT.

### Investment contracts without DPF

Investment contracts without DPF mainly include some unit-/index-linked policies and pure capitalisation contracts. These products are accounted for in accordance with IAS 39, as follows:

- the products are recognised as financial liabilities at fair value or at amortised cost. In detail, linked products are fair valued through profit or loss, while pure capitalisation policies are generally valued at amortised cost;
- fee and commission income and the incremental costs of pure capitalisation contracts without DPF (other than administration costs and other non-incremental costs) are included in the initial carrying amount of the financial liability and recognised as an adjustment to the effective interest rate;
- the risk component of linked products is unbundled, if possible, and accounted for as insurance contract.



## D.1.12. Insurance liabilities

### Provision for unearned premiums

The provision for unearned premiums comprises that part of gross premiums written attributable to the following financial year or to subsequent financial years, calculated separately for each insurance contract using the pro rata temporise method, adjusted to reflect any variation in the incidence of risk during the period covered by the contract. The provision for unearned premiums is created for both life insurance and non-life insurance.

### Mathematical provision

The mathematical provision comprises the actuarially estimated value of the Group's liabilities under life insurance contracts. The amount of the life insurance provision is calculated by a prospective net premium valuation, taking account of all future liabilities as determined by the policy conditions for each existing contract and including all guaranteed benefits, bonuses already declared and proposed, expenses and after deducting the actuarial value of future premiums.

The mathematical provision is initially measured using the assumptions used for calculating the corresponding premiums and remains unchanged except where a liability inadequacy occurs. At the end of each reporting period the LAT is performed by the Group's actuaries using current estimates of future cash flows under its insurance contracts. If those estimates show that the carrying amount of the provision (net of present value of future profit capitalized and related deferred acquisition costs) is insufficient in the light of estimated future cash flows, the difference is recognised in the consolidated statement of comprehensive income either through the allocation of AFS reserve to DPL or with a corresponding increase to the other life insurance technical provision against consolidated income statement.

### Claims provision

The provision for outstanding claims represents the total estimated ultimate cost of settling all claims arising from events that have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims, including the related internal and external claims settlement expenses as estimated based on historical experience and specific assumptions about future economic conditions.

The provision includes claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

Where benefits resulting from a claim are paid in the form of an annuity, the provision is calculated by recognised actuarial methods, mainly by the application of discounting techniques and assumptions (mortality).

With the exception of annuities, the Group does not discount its provisions for outstanding claims.

Where applicable, provisions are disclosed net of the prudent estimates for salvage and subrogation recoveries.

The provision for outstanding claims in respect of life insurance policies is included within the life insurance provision.

Whilst the Board of Directors considers that the gross provision for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of provisions are reflected in the consolidated financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

### Other insurance liabilities

Other insurance liabilities contain any other insurance technical provision that is not mentioned above, such as the provision for unexpired risks in non-life insurance, the ageing provision in health insurance and provision for contractual non-discretionary bonuses in non-life business.

The provision for contractual non-discretionary bonuses in non-life business covers future benefits in the form of additional payments to policyholders or a reduction of policyholder payments, which are a result of past performance. This provision is not recognised for those contracts, where future premiums are reduced by bonuses resulting from favourable past policy claim experiences and such bonuses being granted irrespective of whether the past claim experience was with the reporting entity. In such a situation, the reduction of the premium reflects the expected lower future claims, rather than a distribution of past surpluses.

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**D.1.13. Other provisions**

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Group, among the other similar classes of potential legal disputes, monitors and assesses thoroughly whether some liabilities should be recognized in the Czech Republic under Act No. 229/2002 Coll. as amended by subsequent changes.

**D.1.14. Bonds issued**

Bonds issued are recognised initially at fair value, net of transaction costs incurred and subsequently carried at amortised cost. Amortisation of a discount or premium and interest are recognised in interest expense using the effective interest method.

**D.1.15. Financial liabilities to banks and non-banks**

Financial liabilities to banks and non-banks are recognised initially at fair value, net of transaction costs incurred and subsequently measured at their amortised cost. The amortised cost of a financial liability is the amount at which the financial liability was measured upon initial recognition, minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

**D.1.16. Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss are liabilities classified as held-for-trading, including derivative liabilities, and designated as fair value through profit or loss. Related transaction costs are immediately expensed. Financial liabilities at fair value through profit or loss are measured at fair value and the relevant gains and losses from this revaluation are included in the consolidated income statement. Financial liabilities are removed from the consolidated statement of financial position when, and only when, they are extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expires.

**D.1.17. Payables**

Accounts payable are when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which will normally equal their nominal or repayment value.

**D.1.18. Net insurance premiums revenue**

Net insurance premiums revenue includes gross earned premiums from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers, which arise on insurance contracts and investment contracts with DPF with the exception of those issued by Czech pension fund subsidiaries (see below).

The above amounts do not include the amounts of taxes or charges levied with premiums.

Written premiums are recognised by each subsidiary of the Group following the treatment prescribed by their respective local accounting standards, as under IFRS 4 it is possible to continue using local existing accounting standards for insurance contracts and investment contracts with DPF.

Premiums are recognised as earned on a pro-rata basis over the term of the related policy coverage via the provision for unearned premiums.

For investment contracts without DPF and investment contracts with DPF issued by Czech pension funds subsidiaries no premiums are recorded and amounts collected from policyholders under these contracts are recorded as deposits.

**D.1.19. Net insurance claims and benefits**

Insurance technical charges include claims (benefit) expenses, the change in technical provisions and rebates and profit sharing. Claims (benefits) expenses are represented by benefits and surrenders, net of reinsurance (life) and claims paid net of reinsurance (non-life). Benefits and claims comprise all payments made in respect of the financial year. These amounts include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs. Sums recovered on the basis of subrogation or salvage are deducted. Claims paid are recognised at the moment that the claim is approved for settlement.

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The change in technical provisions represent changes in provisions for claims reported by policyholders, changes in the provision for IBNR, changes in mathematical and unit linked provisions and changes in other technical provisions.

Bonuses comprise all amounts chargeable for the financial year representing an allocation of surplus or profit arising on business as a whole or from a section of business, after the deduction of amounts provided in previous years which are no longer required. Rebates comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

#### **D.1.20. Interest and similar income and interest and similar expense**

Interest income and interest expense are recognised in the consolidated income statement on an accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest method.

Interest on financial assets measured at fair-value through profit or loss is reported as a part of "Net income from financial instruments at fair value through profit or loss". Interest income and interest expense on other assets or liabilities are reported as Interest and other investment income or as Interest expense in the consolidated income statement.

#### **D.1.21. Other income and expense from financial assets**

Other income and expenses from financial assets comprise realised and unrealised gains/losses, dividends, impairment losses and net trading income.

A realised gain/loss arises on de-recognition of financial assets other than financial assets at fair value through profit or loss. The amount of the realised gain/loss represents the difference between the carrying value of a financial asset and the sales price adjusted for any cumulative gain or loss that had been recognised in other comprehensive income.

Net fair value gain/loss on financial assets and liabilities at fair value through profit or loss not held-for-trading represent the amount of the subsequent measurement of financial assets and liabilities designated at fair value through profit or loss to their fair value or the gain/loss from disposal thereof.

Dividends from investments are recorded when declared and approved by the shareholder's meeting of the respective company.

#### **D.1.22. Income and expense from investment property**

Income and expense from investment property comprise realised gains/losses triggered by de-recognition, rental income and other income and expense related to investment property.

#### **D.1.23. Acquisition costs**

Acquisition costs are costs arising from the conclusion of insurance or investment contracts with DPF and include direct costs, such as acquisition commission or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising administrative expenses costs connected with the processing proposals and issuing policies. A portion of acquisition costs is deferred, such as agents' commission and other variable underwriting and policy issue costs. General selling expenses and line of business costs as well as the commission for servicing a portfolio are not deferred unless they are related to the acquisition of new business.

In non-life insurance, a proportion of the related acquisition costs are deferred and amortised commensurate with the unearned premiums provision. The amount of any deferred acquisition costs is established on a similar basis as that used for unearned premiums for a relevant line of business (product). Deferred acquisition costs are reported as other assets in the consolidated statement of financial position.

The recoverability of deferred acquisition costs is assessed as at the end of each reporting period as a part of the liability adequacy test and using recoverability tests applied by the selected local entities.

Acquisition costs in respect of life insurance contracts and investment contracts with DPF are charged directly to the consolidated income statement as incurred and are not deferred.

For the investment contracts with DPF the incremental acquisition costs directly attributable to the issue of a related financial liability carried at amortised cost are deducted from the fair value of the consideration received and included within the effective interest rate calculation.

#### **D.1.24. Administrative cost**

Administrative expenses include expenses relating to the administration of the Group. This includes employee benefits, office rental expenses and other operating expenses. Employee benefits include expenses arising from short-term employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance. Other operating expenses include costs of premium collection, portfolio administration and the processing of inwards and outwards reinsurance.

#### **D.1.25. Reinsurance commission and profit participations**

Reinsurance commission and profit participations include commission received or the receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commission are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

In the consolidated income statement these are included in the line “Commission and other acquisition costs”.

#### **D.1.26. Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except where it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted as at the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of assets or liabilities outside of a business combination that affect neither accounting nor taxable profit, goodwill nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted as at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **D.1.27. Employee benefits**

##### **Short-term employee benefits**

Short-term employee benefits are those (other than termination benefits) due to be settled within twelve months of the end of the period in which the employees render the related service. Short-term employee benefits mainly include wages and salaries, management remuneration and bonuses, remuneration for membership of Group boards and non-monetary benefits. The Group makes contributions to government pension schemes at the statutory rates in force during the year, based on gross salary payments. The benefits are recognised in an undiscounted amount as an expense and as a liability (accrued expense).

##### **Other long-term employee benefits**

Other long-term employee benefits are those (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The benefits are measured at present value of the defined obligation at the balance sheet date using the projected unit credit method.

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**Post-employment benefits**

Post-employment benefits are those (other than termination benefits) payable after completion of employment. The Group makes contributions to the government health, accident and guarantee insurance and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. Throughout the year, the Group made contributions defined by the relevant laws to such schemes. The cost of these Group made contributions is charged to the consolidated income statement in the same period as the related salary cost as this is a defined contribution plan. There are no further obligations of the Group in respect of employees' post employment benefits.

**Termination benefits**

Termination benefits are employee benefits payable as a result of the Group's decision to terminate an employee's employment before the normal retirement date, or as an inducement to accept voluntary redundancy.

The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed irrevocable formal plan or providing termination benefits as an inducement to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

**D.1.28. Other accounting policies****Foreign currency translation****(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currencies of individual group companies are stated in Note C.1. The consolidated financial statements are presented in EUR (€), which is the Group's presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing as at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated income statement and presented within "Other income" or "Other expenses".

Changes in the fair value of monetary securities denominated in foreign currencies classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss in the consolidated income statement. Translation differences on non-monetary financial assets, such as equities classified as available for sale financial assets, are included in the revaluation reserve in other comprehensive income.

For the translation of results and the financial position of all the Group entities, refer to note C.2.

**Impairment****Impairment of tangible and intangible assets**

Where there is any indication that an asset under the scope of IAS 36 may be impaired, tangible and intangible assets are subject to impairment testing.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The latter is the higher of its fair value less costs of disposal (i.e., the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and its value in use (i.e., the present value of the future cash flows expected to be derived from the continuous use and disposal of the asset at the end of its useful life).

The impairment loss is charged to the consolidated income statement.

Where there is any indication that an impairment loss recognised for an asset in prior years no longer exists, the carrying amount of the asset is increased to its estimated recoverable amount. The increased carrying amount of the asset due to the reversal of impairment loss cannot exceed the carrying amount that would be determined if no impairment loss had been recognised for the asset in prior years, net of any depreciation or amortisation accounted for in the meantime.

Intangible assets with an indefinite useful life, primarily brands, are not amortised but are tested for impairment annually, or whenever there is an indication that the intangible asset may be impaired.

Impairment testing of goodwill is disclosed in notes D.1.1 and F.1.1.

#### **Impairment of financial assets**

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that 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 group of financial assets that can be reliably estimated.

Evidence of impairment includes, for example, significant financial difficulties of the issuer, default or delinquency in interest or principal payments, the probability that the borrower will enter bankruptcy or other financial reorganisation and the disappearance of an active market for the financial asset.

In all these cases, any impairment loss is recognised only after an analysis of the type of loss has established that the conditions exist to proceed with the corresponding recognition. The analysis includes considerations of the recoverable value of the investment, checks on the volatility of the stock versus the reference market or compared to competitors and any other possible quality factor. The analytical level and detail of the analysis varies based on the significance of the latent losses of each investment.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is considered to be objective evidence of impairment. The Group considers prolonged decline to be 12 months. Unrealised loss higher than 30% is assessed as a significant decline. The recoverable amount of the Group's investments in held to maturity financial assets is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Loans and advances are reported net of allowances for loan losses, to reflect the estimated recoverable amounts. Receivables are stated at their cost less impairment losses.

The recoverable amount of an available for sale asset is the current fair value. When there is objective evidence that it is impaired, the decline in fair value that had been recognised directly in other comprehensive income is reclassified to the consolidated income statement.

An impairment loss in respect of a held to maturity security, loan, advance or receivable, available for sale debt instrument is reversed through the consolidated income statement (up to the amount of the amortised cost) if the subsequent increase in recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of available for sale equity instruments is not reversed through the income statement and any subsequent increase in fair value is recognised in other comprehensive income.

#### **REPO/reverse REPO transactions**

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of the financial position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

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When the counterparty has the right to sell or re-pledge the securities, the Group reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral or to financial investments available for sale pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the effective interest rate.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in income from other financial instruments.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is an unconditional and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Share-based payments**

Employees of the Group receive remuneration in the form of share-based payments, whereby they render services as consideration for equity instruments (equity-settled transactions). The Group has no obligation to settle the share-based transaction. Transaction will be settled by shares issued by Assicurazioni Generali S.p.A. (ultimate parent company).

#### **Equity-settled transactions**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised together with a corresponding increase in retained earnings in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in other expenses.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting, irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation and any expenses not yet recognised for the award are recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if there were a modification of the original award, as described in the previous paragraph.

#### **Fair value measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

The fair value of financial instruments and other assets and liabilities is based on their quoted market price as at the end of the reporting period, without any deduction for transaction costs. If a quoted market price is not available or if the market for an asset or liability is not active, the fair value is estimated using pricing models or discounted cash-flow techniques.



To assess whether the market is active or not, the Group carefully determines whether the quoted price really reflects the fair value, i.e., in cases where the price has not changed for a long period or the Group has information about an important event but the price did not change accordingly, the market is not considered active. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Discounted cash flow techniques use estimated future cash flows, which are based on management estimates and the discount rate, which is constructed from risk-free rates adjusted by risk margin (credit spread). This is usually derived from an instrument with similar terms and conditions (ideally from the same issuer, similar maturity and seniority) which reflects the market price in the best way.

In general, if pricing models are used, inputs are based on market-related measures as at the end of the reporting period which limits the subjectivity of the valuation performed by the Group, and the result of such a valuation best approximates the fair value of an instrument.

The fair value of derivatives that are not exchange-traded is estimated as at the end of the reporting period using appropriate pricing models as described in the previous paragraph taking into account current market conditions and the current creditworthiness of the counterparties. In the case of options, Black-Scholes models are applied. Also, for any other over-the-counter instruments (CDS, IRS, CCS, etc.), widely recognised models are applied and, again, the parameters of the valuation are intended to reflect market conditions.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs are used.

The fair value hierarchy (defined by IFRS 13) of three levels has been used. The fair value hierarchy categorises the inputs to valuation techniques used to measure fair value as follows:

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- c) Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value assets or liabilities that are not traded in an active market (for example, over-the-counter derivatives or unquoted bonds) is determined by using valuation techniques. If all significant inputs required to fair value an instrument are observable on the market, the instrument is included in level 2. Specific valuation techniques used in valuation include mainly quoted market prices or over-the-counter offers for similar instruments, cash flow estimation and risk-free curves.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Level 3 contains the assets and liabilities where market prices are unavailable and entity specific estimates are necessary.

Assets and liabilities are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 instruments also include those for which the determination of fair value requires significant expert judgement or estimation. A general description of the valuation techniques used for Level 3 assets and liabilities is provided below:

- a) independent evaluation by a third party - the adequacy of the price results from evaluations, reports or fairness opinions issued by independent third parties;
- b) price based on the amount of Shareholder's equity;
- c) price that incorporates additional information about the value of an instrument (insufficient value of illiquid underlying assets in case of funds/hedge funds, not enough resources to finance junior tranches in case of structured products like CDO, default of an issuer, etc.).

The following table provides a description of the valuation techniques and the inputs used in fair value measurement:

	Level 2	Level 3
Equities		The fair value is mainly determined using an independent evaluation provided by third party or is based on the amount of Shareholders' equity.
Investment funds		The fair value is mainly based on information about the value of underlying assets. Valuation of underlying assets requires significant expert judgement or estimation.
Bonds, Loans	Bonds are valued using discounted cash flow technique. It uses estimated future cash flows and the discount rate, which is constructed from risk-free rates adjusted by credit spread. The spread is usually derived from an instrument with similar terms and conditions (ideally from the same issuer, similar maturity and seniority) which reflects the market price in the best way.	Indicative price is provided by a third party or significant expert judgement and is incorporated in the discounted cash flow technique.
Derivatives	Derivatives are valued using the discounted cash flow technique. Estimated future cash flows and market observable inputs like the risk free rates and foreign exchange rates and basis swap spreads are used.	
Deposits, Reverse REPO operations, Deposits under reinsurance business	These instruments are valued using discounted cash flow technique. Estimated future cash flows and market observable inputs like risk free rates and foreign exchange rates are used.	
Financial liabilities at amortised cost	The fair value of debt instruments issued by the Company are valued using the discounted cash flow models based on the current marginal rates of funding of the Company for similar types of loans, with maturities consistent with the maturity of the debt instruments subject to valuation.	
Investment properties		The fair value is determined using independent valuation provided by third party and is based on the market value of the property determined by comparing recent sales of similar properties in the surrounding or competing area to the subject property.

The table below shows unobservable inputs of Level 3 (€ million):

Description	Fair value as at 31 December 2020	Valuation technique(s)	Non-market observable input(s)	Range
Equities	675	discounted cash flow technique / net asset value	discount rate growth rate	13.83% 3.8%
Bonds Government	119	discounted cash flow technique	level of credit spread	25 – 160 bps
Bonds Corporate	92	discounted cash flow technique	level of credit spread	(33) – 626 bps
Unit-linked investments	109	net asset value	value of underlying instruments	n/a
Investment property	514	external valuation expert	similar transactions	€84 – €2,928 per sqm

Description	Fair value as at 31 December 2019	Valuation technique(s)	Non-market observable input(s)	Range
Equities	710	discounted cash flow technique	discount rate growth rate	13.83% 3.8%
Bonds Government	113	discounted cash flow technique	level of credit spread	31 – 135 bps
Bonds Corporate	86	discounted cash flow technique	level of credit spread	66 – 428 bps
Unit-linked investments	49	net asset value	value of underlying instruments	n/a
Investment property	598	external valuation expert	similar transactions	€51 – €7,200 per sqm

Where possible, the Group tests the sensitivity of the fair values of Level 3 investments to changes in unobservable inputs for reasonable alternatives. Where possible, valuations for Level 3 investments are sourced from independent third parties and, where appropriate, validated against internally modelled valuations, third-party models or broker quotes.

Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations or where no third-party pricing source is available, the Group undertakes, where feasible, a sensitivity analysis on the following basis:

- a) For third-party valuations validated against internally modelled valuations using significant unobservable inputs, the sensitivity of the internally modelled valuation to changes in unobservable inputs for a reasonable alternative is determined.
- b) For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple, IRR or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounts the security's contractual cash flows to equal the third-party valuation.

On the basis of the methodology outlined above and the ranges specified in the table with unobservable inputs, the Group is able to perform a sensitivity analysis for Corporate bonds and Government bonds in amount of €211 million (2019: €199 million) of the Group's Level 3 investments. For these Level 3 investments, changing spread +/- 100 bps would result in the change in fair value by €-15.6 to €+21.7 million (2019: €-31 to €+31 million).

The policy on the timing of recognising transfers, which is based on the date of the event or changes in circumstances that caused the transfer, is the same for transfers into each level as for transfers out of the levels.

#### **Fair value hedge**

The Group designates certain derivatives as hedges of the fair value of recognised assets. Hedge accounting has been applied to derivatives hedging a currency risk on all non-derivative financial assets denominated in, or exposed to foreign currencies (equities, bonds, investment funds, etc.). As of 1 July 2011, hedge accounting has also been applied to derivatives hedging an interest rate exposure of interest-bearing financial assets.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or a portion of fair value of the hedged assets that are attributable to the hedged risk.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedging transactions.

The Group also documents its assessment of the hedging effectiveness, (compliance with the 80-125% rule), both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in the fair values of hedged items.

#### **Cash-flow hedge**

The Group designates certain derivatives as hedges of the cash flow of future rental payments from contracts concluded in EUR. As these contracts are usually shorter than useful life of the buildings and the Company intention is to conclude lease contracts in EUR also in the future, the hedged item consists of two parts:

- Cash flow related to existing lease contracts;
- Highly probable cash flow related to lease contracts concluded in future (after expiration of current leases).

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedging transactions.

FX swaps or FX forwards are used as hedging instruments. Tenor of the swaps/forwards is significantly shorter than tenor of the hedged cash flow from rents due to several reasons like unavailability of such long instrument on financial market, hedging strategy or risk of pricing on roll-over. Only the spot component of each FX derivative is designated as hedging instrument. Forward component and time value of the derivative is excluded from the designation and thus recognized in profit and loss statement.

The Group also documents its assessment of the hedging effectiveness, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in the fair values of hedged items. For this purpose the Group applies prospective and retrospective hedge effectiveness tests.

For more details please see part F.29.2 in the Notes.

### Embedded derivatives

Certain financial instruments include embedded derivatives, where economic characteristics and risks are not closely related to those of the host contract. The Group designates these instruments at fair value through profit or loss.

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract. No derivatives that are not closely related and are embedded in insurance contracts were identified.

## D.2 Non-uniform accounting policies of subsidiaries

The Group has taken advantage of the exemption available under IFRS 4.25(c) to continue using non-uniform accounting policies for insurance contracts (and investment contracts with DPF) of its subsidiaries.

As a result, the amounts received from policyholders under investment contracts with DPF issued by a subsidiary Czech pension company including the Transformed fund continue to be recognised as deposits, in contrast to the Group's accounting policy of recognising premium income under such contracts.

## D.3. Principal assumptions

### D.3.1. Life insurance liabilities

Life insurance provisions are set in accordance with local GAAP and other legal requirements of the country where the insurance contract was concluded.

Life mathematical provisions are calculated using the net premium method using the same actuarial assumptions as applied in the case of premium calculations (provided that local legislation does not explicitly require the use of different parameters). The assumptions underlying the mathematical provision are locked-in at policy inception and remain in force until the expiry of the liability.

Most notably, the technical interest rate (i.e., the level of guarantee on traditional life policies in force) ranges from 0.3% to 6.0%.

The provision was created in respect of risk related to customer behaviour during a process of an enhancement of policy information applied to group of insurance policies. This provision corresponds to the expected value of insurance claims paid on top of the value of basic life assurance liability.

The above-mentioned figures do not consider guarantees on pension fund products. In this respect, the Transformed fund included in Generali Penzijní společnost a.s. guarantees a 0% minimum investment return (losses are covered by a mandatory reserve fund). Other smaller pension funds guarantee a 0% minimum investment return.

Life insurance provisions also include insurance provisions recognised as a result of the LAT.

The provisions (including the additional provisions mentioned above) are tested for adequacy using the actual best-estimate assumptions. See note D.3.3 Liability Adequacy Test for more details.

### D.3.2. Non-life insurance liabilities

Non-life insurance provisions are set according to local GAAP and other legal regulations of the country where the insurance contract was concluded.

### Claims provisions

At the end of the reporting period, provisions are made for the expected ultimate cost of settling all claims incurred in respect to events up to that date, whether reported or not, together with related claims handling expenses, less the amounts already paid and a prudent estimation of salvage and subrogation recoveries.

The liability for reported claims (RBNS) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence regarding the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises. The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Group's local actuaries using statistical techniques such as different link ratio methods (e.g. a chain-ladder) whereby historical data is extrapolated to estimate ultimate costs of claims. In case there is insufficient claims history, simplified actuarial methods are applied, such as proportioning based on an appropriately chosen measure. IBNR provisions are initially estimated at a gross level, and a separate calculation is carried out to estimate the size of reinsurance recoveries.

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### Other provisions

The provisions for contractual non-discretionary bonuses (covering future benefits in the form of additional payments to policyholders or reductions in policyholder payments, which are the result of past performance) are predominantly determined contract by contract. For numerous similar contracts, statistical methods are applied (e.g., distribution fitting on historical claims data).

The ageing provision in health insurance is determined under the same principles that are used for life insurance provisions.

The provision for premium reversal (cancellations) is set at the amount of premiums likely to be reversed:

- a) to cater for cessation or reduction of the insured interest (the underwriting risk as opposed to the financial risk if the policyholder is unable to meet their commitments);
- b) in respect of accounts receivable;
- c) in respect of premiums already collected by the Group.

The provision for cancellations only includes the portion of premiums that will probably be reversed and that have not already been covered by the provision for unearned premiums.

Other non-life insurance provisions may be set up by companies according to local regulations.

Non-life insurance provisions also include insurance provisions recognised as a result of the liability adequacy test – see Note D.3.3 Liability Adequacy Test for more details.

The assumptions that have the greatest impact on the measurement of non-life insurance provisions are as follows:

### Tail factors

When applying statistical techniques, the level of IBNR provision for long-tail business is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to ultimate settlement. These tail factors are estimated prudently using mathematical curves, which project observed development factors.

### Annuities

In MTPL insurance and other third-party liability lines, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments.

The key assumptions involved in the calculation are mortality tables, adjustment factors used to determine the present value of future payments (taking into account discounting and inflation effects) and disability pensions which influence the amount of annuities to be paid. The Group follows guidance issued by the Czech Insurers' Bureau and similar bodies in other countries in setting these assumptions.

### Discounting

With the exception of annuities, non-life claims provisions are not discounted. For annuities, discounting is used as described above.

### D.3.3. Liability adequacy test

In accordance with IFRS 4, in order to verify the adequacy of the reserves a Liability Adequacy Test (LAT) is performed. The aim of the test is to verify if the technical provisions - inclusive of deferred policyholders' liabilities - are adequate to cover the current value of future cash flows related to insurance contracts.

The liability adequacy test is performed through the comparison of the IFRS reserves (which include the impact of shadow accounting), net of any deferred acquisition costs or intangible assets related to these contracts, with the current value of future cash flows related to insurance contracts.

The abovementioned amount also includes the costs of embedded financial options and guarantees, which are measured with a market-consistent methodology. Technical reserves which are subject to the Liability Adequacy Test also include the interest rate risk provisions as required by local regulations.

The insurance contracts modelling and best estimates assumptions used are consistent with the evaluation process of the insurance provisions in accordance with Solvency II and subject to audit process in compliance with the current regulation.

Each inadequacy is charged to the profit and loss account, initially reducing deferred acquisition costs and value of business acquired, and subsequently, for the excess, through the recording of a specific reserve, it is done through the application of the so-called shadow accounting, as already described in the paragraph Shadow accounting of technical provisions.

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## Life insurance

### Economic assumptions

Economic assumptions are derived from financial market rates while applying Generali methodology. Most important is the term structure of risk-free yields for the currency of the insurance contract, which is calibrated to intra-bank swap yields for the currency (with market yields on local government bonds used in case that the swap yield curve is not available or is not reliable).

### Expense assumptions

Initial unit costs are entity-specific and are set in accordance with the experience of the Group. Inflation of maintenance expenses per policy is based on inflation expectations for each country (with an additional consistency check between assumed inflation and the term-structure of interest rates). A separate inflation curve exists for labour cost (additional to the standard inflation of consumer prices).

### Demographic assumptions

Mortality and morbidity rates are set according to the recent experience of the Group, if possible. In cases where there is insufficient experience, the rates from companies with a longer history are adopted (taking into account country-specific effects as well as the rate of the population's mortality).

Lapses and paid-up rates are based on the past experience of each company, if possible. In cases where there is insufficient experience, the rates from companies with a longer history are adopted (taking into account company-specific effects and local market characteristics). The Group companies annually investigate actual persistency rates separately for books of policies with similar product type produced by a similar distribution channel. The assumptions are amended, appropriate to the outcome of the investigation.

Investment contracts with DPF are included within the LAT for life insurance.

### Non-life insurance

In the case of non-life insurance, unearned premiums reserves are subject to the LAT. The test is carried out on separate lines of business by estimation of future cash flows for which the unearned premiums reserve shall be sufficient to cover. In case of negative result of the non-life liability adequacy test the deferred acquisition costs are decreased. If the result is still negative the provision for unexpired risk is created.

### D.3.4. Significant variables

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, lapse rates, expense rates, discount rates, and annuitisation that are estimated when calculating the adequate value of insurance liabilities during the LAT.

The Group has estimated the impact on profit for the year and on equity at the end of the year for changes in key variables that have a material impact on either profit or equity.

### Life insurance

The description below presents sensitivity analysis information for Generali Česká pojišťovna, which represents the majority of the Group's life insurance provisions, except for unit-linked provisions.

According to the LAT, life statutory reserves are comfortably adequate in comparison to the minimum value of the liabilities and the changes in variables other than the discount rate and expense rate have no impact on profit for the year and equity.

Life assurance liabilities as at 31 December 2020 and as at 31 December 2019 according to the LAT were not sensitive to a change in any variable.

The decrease and increase by 10% in mortality rate, lapse rate, expense rate and 100 bp decrease and increase in the discount rates were tested. Changes therein represent reasonably possible changes in a variable which represent neither expected changes in variable nor worst-case scenarios. The analysis has been prepared for a change in a variable with all other assumptions remaining constant and ignores changes in the values of the related assets.

The LAT sensitivity has been estimated for each life insurer within the GCEE scope separately. The above-stated conclusions apply for every single entity analysed as a consequence.

### Non-life insurance

In non-life insurance, variables that would have the greatest impact on insurance liabilities relate to MTPL annuities. The table below presents sensitivity analysis information for Generali česká pojišťovna, which represents the majority of the Group's annuities provisions.

In the table below the effects on the liabilities of a 100 bp decrease in the discount rate and of a 100 bp increase in the pension growth rate, gross and net of reinsurance are shown:

#### Sensitivity of MTPL annuities for Česká pojišťovna

(€ million)	Change in variable	31.12.2020		31.12.2019	
		Change in insurance liabilities (gross)	Change in insurance liabilities (net)	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount Rate	(100) bp	11	6	14	9
Pension growth rate	100 bp	10	6	14	9

### D.4. Terms and conditions of insurance and investment contracts with DPF that have a material impact on the amount, timing, and uncertainty of future cash flows

#### D.4.1. Non-life insurance contracts

The Group offers many forms of general insurance, mainly motor, property and liability insurance. Contracts may be concluded for a fixed term of one year or on a continuous basis with either party having the option to cancel. The Group is therefore generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to impose deductibles and to reject fraudulent claims.

Future insurance claims are the main source of uncertainty influencing the amount and timing of future cash flows.

The amount of particular claim payments is limited by the sum insured, which is established in the insurance policy.

The other significant source of uncertainty connected with non-life insurance arises from legislative regulations that entitle the policyholder to report a claim before the time of expiration, which usually lasts three to four years from the date when the policyholder becomes aware of the claim. This feature is particularly significant in the case of permanent disability arising from accident insurance, because of the difficulty in estimating the period between the occurrence and confirmation of permanent effects.

The following statements describe characteristics of particular types of insurance contracts, if they are significantly different from the above-mentioned features.

#### Motor insurance

The Group motor portfolio comprises both motor third-party liability insurance (MTPL) and other motor (mainly CASCO) insurance. MTPL insurance covers bodily injury claims and property claims in the country where the contract was concluded as well as claims caused abroad by insured motorists under the Green Card system.

Property damage under MTPL and CASCO claims are generally reported and settled within a short period of time after the accident. Payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity.

For claims relating to bodily injury and related losses of personal earnings, the amount of the related claim payments is derived from governmental decree. This requirement may have a retrospective effect on claims incurred before the effective date of this requirement. Policyholders may be entitled to a no-claims-bonus on renewal of their policy where the relevant conditions are fulfilled.

The amount of claim payments for damages to property and compensation for loss of earnings may not exceed a per claim threshold which is determined by local regulators. This amount includes compensation for injury as well.

Casco insurance represents standard insurance against damage; claim payment is limited by the sum insured and the amount of participation.

### **Property insurance**

This is broadly split into industrial and personal lines. For industrial lines, the Group uses risk management techniques to identify and evaluate risks and analyse possible losses and hazards and cooperates with reinsurers. Risk management techniques include primarily inspection visits to the industrial areas performed by a risk management team which consists of professionals with long-term experience and deep knowledge of safety rules. Personal property insurance consists of standard buildings and contents insurance.

Claims are normally promptly reported and can be settled without delay.

### **Liability insurance**

This covers all types of liabilities and includes commercial liabilities, directors and officers and professional indemnity as well as personal liability.

While the majority of general liability coverage is written on a "claims-made" basis, certain general liability coverage is typically insured on an "occurrence basis".

### **Accident, health and disability insurance**

Accident insurance is traditionally sold as a rider to the life products offered by the Group and belongs to the life insurance segment. Only a small part of accident insurance is sold without life insurance.

## **D.4.2. Life insurance contracts**

### **Bonuses**

Over 90% of the Group's traditional life insurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the insurer and are recognised when proposed and approved by the Board of Directors, in accordance with the relevant legal requirements. Once allocated to policyholders, bonuses are guaranteed.

### **Premiums**

Premiums may be payable in regular instalments or as a single premium at the inception of the policy. Most endowment-type insurance contracts contain a premium indexation option that may be annually exercised at the discretion of the policyholder. Where the option is not exercised, premiums are not increased with inflation.

### **Term life insurance products**

Traditional term life insurance products comprise the risk of death, a waiver of the premium in the event of permanent disability and an accident rider. The premium is either paid regularly or as a single premium. Policies offer a fixed or a decreasing sum insured for the event of death. These policies offer protection ranging from a few years up to the medium-term. Death benefits are paid only if the policyholder dies during the term of the insurance. A waiver of the premium arises only in the case of an approved disability pension for the policyholder.

The period of disability is the main source of uncertainty connected with life insurance products. It is limited by a contractual minimum duration of the insurance policy and by the end of the insurance period.

### **Endowment products**

These are also traditional term life insurance products providing life-long financial protection. Many long-term policies have tax advantages and allow the insured to finance their retirement needs. Capital life insurance products, involving regular premiums or a single premium, offer coverage against the risk of death and dread disease, an endowment, a waiver of the premium in the case of disability and an accident rider. Insurance benefits are usually paid as a lump sum.

### **Variable capital life insurance products**

Variable capital life insurance products cover all types of insurance risk in the same way that traditional capital life insurance products do. In addition, they also allow the policyholder to pay an extra single premium during the term of the insurance. The policyholder can ask to interrupt payment for a regular premium, to withdraw part of the extra single premium, to change the term of the insurance, the risks covered, the sums insured, and the premium.

### **Child insurance products**

These products are based on traditional life risks: involving death, endowment assurance, a waiver of the premium in the event of disability and an accident rider. The premiums are paid regularly. The term of the insurance is usually limited to the 18th birthday of the child. Benefits may be in the form of a lump sum or an annuity payment.

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**Unit-linked life insurance**

Unit-linked are those products where the policyholders carry the investment risk.

The Group earns management and administration fees and mortality results on these products.

Unit-linked life insurance combines traditional term life insurance with risk coverage of death or dread disease, together with a waiver of the premium in the event of permanent disability, and allows for investment of the regular premium or extra single premium in some investment funds. The policyholder defines the funds and the ratio of the premium where payments are invested and can change the funds and ratio during the contract. They can also change the sums assured, the regular premium, and the insurance risks covered. They can pay an additional single premium or withdraw part of the extra single premium.

**Retirement insurance for regular payments (with interest rates)**

Life-long retirement programme products include pensions paid-off in the event of death or dread disease, on maturity at the agreed age of the assured, and options for a variable combination of components. The policyholder can pay the premium regularly or in a single payment. Basic types of pensions are short-term pensions and lifetime pensions.

**D.4.3. Investment contracts with DPF****Adult deposit life or accident insurance with returnable lump-sum principal**

These types of life or accident products allow policyholders to pay a single returnable deposit at the beginning of the policy. The interest earned on the deposit is used to pay the annual premiums. The deposit is returned at the end of assurance or on death. These contracts also entitle the policyholder to a discretionary bonus, determined as under life insurance contracts.

**D.5. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**D.5.1. Assumptions used to calculate insurance liabilities**

The Group uses certain assumptions when calculating its insurance liabilities. The process used to determine the assumptions that have the greatest effect on the measurement of the items in the Group's financial statements and the effects of changes in the assumptions that would have a material effect on the recognised amounts, are discussed in Note D.3.4.

**D.5.2. Fair value of derivatives and other financial instruments**

The fair value of financial instruments that are not traded on an active market (for example, over-the-counter derivatives) is determined using a valuation method. The Group uses its judgement to select a variety of valuation methods and makes assumptions that are mainly based on the market conditions existing at the end of each reporting period (see also Note D.1.4).

**D.5.3. Assumptions used in impairment tests of goodwill and other intangible assets**

The Group uses certain assumptions when determining the recoverable amount of goodwill and brands with an indefinite useful life. The process used to determine the assumptions with the greatest effect on the result of the impairment test are described in Note F.1.1 and F.1.2.

**D.6. Changes in accounting policies****D.6.1. Standards, interpretations and amendments to existing standards that are effective in the reporting period but not relevant for the Group's financial statements**

**Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)**

**Amendments to IFRS 3 Business Combinations**

On October 22, 2018, the International Accounting Standards Board (IASB) issued "Definition of a Business (Amendments to IFRS 3)" aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued, requiring additional disclosures around uncertainty arising from the interest rate benchmark reform, effective for annual periods beginning on or after 1 January 2020.

#### **Amendments to IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

IAS 1 has been revised to incorporate a new definition of “material” and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

#### **IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)**

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

#### **Amendments to IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2019)**

On 7 February 2018, the IASB published 'Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)' to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

#### **Annual Improvements 2015 – 2017**

In the 2015 – 2017 annual improvements cycle, the IASB issued, in December 2017, amendments to four standards (IFRS 3, IFRS 11, IAS 12 and IAS 23). The changes are effective on 1 January 2019.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after: (i) The beginning of the reporting period in which the entity first applies the interpretation; or (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. Early application of interpretation is permitted and must be disclosed.

#### **D.6.2. Standards, interpretations and amendments to existing standards that are not yet effective and are relevant for the Group's financial statements**

##### **IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018, unless overlay or deferral approach is adopted – see D.6.5)**

IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

##### **Classification and measurement of financial assets**

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

### Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

### Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

### Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

In July 2015 the IASB took a decision to amend IFRS 4 to permit an entity to exclude from profit or loss and recognise in other comprehensive income the difference between the amounts that would be recognised in profit or loss in accordance with IFRS 9 and the amounts recognised in profit or loss in accordance with IAS 39, subject to meeting certain criteria.

In September 2015 the IASB decided to propose a package of temporary measures in relation to the application of the new financial instruments Standard (IFRS 9) before the new insurance contracts Standard comes into effect.

The Group has chosen to apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018 as its activities are predominantly connected with insurance as at 31 December 2015 (see Note D.6.6).

**Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (effective for annual reporting periods beginning on or after 1 January 2022)** amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

**Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after 1 January 2022)** amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

### Annual Improvements to IFRS Standards 2018 – 2020

On 14 May 2020 issued by IASB, containing the amendments to these standards: IFRS 1 – Subsidiary as a first-time adopter, IFRS 9 – Fees in a “10 per cent” test for derecognition of financial liabilities, IFRS 16 – Lease Incentives, IAS 41 – Taxation in fair value measurement. Amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Group is considering the implications of the above standards, the impacts on the Group and the timing of their adoption by the Group. The Group is not considering early application of the above standards.

### **D.6.3. Standards, interpretations and amendments to published standards that are not yet effective and are not relevant for the Group's financial statements**

IASB publishes amendments to IFRS 3 to update a reference to the Conceptual Framework effective for annual reporting periods beginning on or after 1 January 2022.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) effective for annual reporting periods beginning on or after 1 January 2021.

Amendments to IAS 1 amended by Classification of Liabilities as Current or Non-current effective for annual periods beginning on or after 1 January 2022.

IASB defers effective date of Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The new effective date of the January 2020 amendments is now 1 January 2023.

### **D.6.4. Amendment to current IFRS 4 Insurance contracts and new IFRS 17 Insurance contracts**

On 12 September 2016, the IASB issued amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:

- a) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- b) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The Group intends to apply the deferral approach (see Note D.6.6).

In May 2017 the Board issued the new Standard for insurance contracts, IFRS 17 Insurance Contracts (not yet endorsed by the EU), replacing IFRS 4 Insurance Contracts. IFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

The standard retains the IFRS 4 definition of an insurance contract but amends the scope to exclude fixed fee service contracts but some financial guarantee contracts may now be within the scope of the proposed standard.

The standard would require an insurer to measure its insurance contracts using a current measurement model. The measurement approach is based on the following building blocks: a current, unbiased and probability-weighted average of future cash flows expected to arise as the insurer fulfils the contract; the effect of time value of money; an explicit risk adjustment and a contractual service margin calibrated so that no profit is recognised on inception.

The Group is considering the implications of the standard, the impacts on the Group and the timing of their adoption by the Group. The Group is not considering early application of the standard.

### **D.6.5. Temporary exemption from IFRS 9**

The Group applies the temporary exemption (deferral approach) from IFRS 9 in accordance with the amendment to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Financial Instruments".

The Group qualifies for the temporary exemption from the application of IFRS 9. The carrying amount of liabilities related to the insurance business (€10,442 million), is higher than 90% of the carrying amount of the total liabilities (€11,203 million) as at 31 December 2015.

In particular, liabilities linked to insurance business as at 31 December 2015 are listed below:

- Insurance liabilities (€6,693 million)
- Financial liabilities at amortized cost related to investment contracts with DPF (€3,244 million)
- Financial liabilities at fair value through profit or loss related to investment contracts (€306 million)
- Other (€199 million)

Please find below, in accordance to the amendment to IFRS 4, the disclosures related to financial instruments at 31 December 2020.

Fair value and change in fair value of financial assets within the scope of IFRS 9 with detail of instruments that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding:

(€ million)	Fair value as at 31 December 2020	Fair value as at 31 December 2019
<b>Financial assets managed on fair value basis and held for trading*</b>	<b>2,653</b>	<b>81</b>
Investment fund units	154	(9)
Derivatives	39	4
Investments back to policies where the risk is borne by the policyholders and pension funds**	2,422	86
Other	38	-
<b>Available for sale financial assets (AFS), held to maturity and loans and receivables***</b>	<b>11,814</b>	<b>92</b>
<b>Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest</b>	<b>10,766</b>	<b>159</b>
Bonds	10,178	159
Loans and other debt instruments	573	-
Receivables from banks and customers	15	-
Other***	-	-
<b>Financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest</b>	<b>1,048</b>	<b>(67)</b>
Equity instruments	791	(68)
Bonds	11	(1)
Investment fund units	246	2
<b>Total</b>	<b>14,467</b>	<b>173</b>

\*, \*\* fair value change of financial assets measured at fair value through profit or loss is provided in the relative sections in the notes

\*\*\* policy loans in the amount of €8 million are excluded from the scope

With reference to credit risk, the carrying amounts in accordance with IAS 39 by risk rating grade of financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are provided below.

Carrying amount by risk rating grade of bonds and term deposits that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding:

As at 31 December 2020 (€ million)	Bonds	Other than bonds instruments
AAA	99	-
AA	4,704	-
A	1,947	249
BBB	2,526	224
BB	660	-
B	33	-
Not rated	23	151
<b>Total</b>	<b>9,992</b>	<b>624</b>

Other than bonds instruments that envisage cash flows represented solely by principal and interest payments include term deposits, other loans and repurchase agreements (reverse REPO). Other loans portfolio consists of receivables from banks and loan provided to Group company with low credit risk. Repurchase agreements are mainly with bank counterparties with high credit ratings.

Financial assets that give rise on specified dates to cash flows that are solely payments of principal and interest and that does not have low credit risk:

As at 31 December 2020 (€ million)	Fair value	Carrying amount
Bonds	57	56
Loans and other debt instruments	181	151
<b>Total</b>	<b>238</b>	<b>207</b>

## D.7. COVID-19 Impact

During the year 2020 the Group was exposed to impacts of Covid-19 pandemic situation. Below you can find consideration about impacts on most significant areas. Other impacts are stated within individual chapters.

### D.7.1. Impact on estimates related to technical provisions

#### Life technical provisions

Regarding the impact of COVID-19 on estimates related to life technical provisions, we can summarize the situation within the CEE region as follows:

#### Operating assumptions

Companies were monitoring/analyzing potential effects of the COVID-19 on the resulting risk distributions and on YE20 Best Estimate operating assumptions. As a result, the effect of COVID-19 is the one-off event and will not impact for long term assumptions. No adjustments or expert judgments as a result of Covid-19 for YE20 Best Estimate operating assumptions (which are based on the data up to YE19) were done in the CEE region. The first and second wave of coronavirus didn't significantly affect the number of claims (both mortality and morbidity). On the contrary, some companies observed a sharp decline in benefits from supplementary accident insurance (as a result of the lockdown and the measures taken). Most countries have observed the increase of number of deaths in the population in last months, primarily among the elderly. So far, however, no significant increase in death-claims has been observed. Generally, death-claims reporting has a delay about 2 – 3 months. Companies continue to monitor the situation.

#### Expenses

In general, there is no significant impacts on expenses observed due to Covid-19. There was a reduction of costs in some categories as travel costs, office expenses (printings, representation, etc.), and training costs. On the other hand, these savings were offset by higher expenses for hardware purchases (laptops and other smart-work IT equipment), sanitization, etc.

#### New production

Related measures, lockdown, and movement restrictions had negative impact on the life insurance business. We observed a significant drop in the volume of new production in most countries (especially in the second quarter 2020) resulting in a lower contribution generated by the new business.

#### Financial markets

The overall level of the best estimate technical provisions according to Solvency II was influenced by prevailing decrease of the interest rates on the market. Lower interest rate environment led to an increase of the life technical provisions (via lower discount rate and negative impact on the portfolio with guarantees). The decrease in the value of Unit-linked funds was observed but the situation was recovered during the rest of year. The negative effect of coronavirus on the financial market has had no significant impact on surrenders, paid-ups or extra withdrawal so far.

In general, it is not possible to foresee long-term effects coming from Covid-19 as there is no reliable period for data analysis and the possible short-term hits could recover in the future. The possible effects need to be monitored in the next years in order to analyze long-term effects. Therefore, we do not apply any Covid-19 expert judgments for estimates related to life technical provisions.

### Non-life technical provisions

The pandemic of SARS-CoV-2 (COVID) has a significant impact on the insurance portfolio and consequently reserving approach of entities belonging to Generali CEE Holding. The main drivers of the impact are social distancing (especially overall decrease in traffic and travelling) and negative economic conditions. As the drivers reach different magnitude in different countries and industries, the impact on different entities and insurance segments is naturally diverse as well.

Understanding of the impact on particular segments is essential for proper determination of assumptions used in the calculation of the technical provisions. The following segments are typically most influenced:

- **Travel insurance:** The hard impact of COVID situation on tourism led to significant decrease of the demand for the travel insurance. This led to decrease of overall volumes of premium written in this segment, however not necessarily to decrease of the claim ratio.
- **Business disruption insurance:** The government restrictions led to business disruption of many entrepreneurs, causing higher claim frequency in this segment.
- **Motor insurance:** The overall decrease of traffic typically led to decrease of overall claim amount in the Motor insurance (Motor third party liability, Other motor). The decrease was driven by lower claim frequency. On the other hand the shape of the claim severity distribution changed as well, usually leading to a higher average claim amount (decrease in claim frequency related more to smaller claims than high claims). At the same time the lower claim frequency influenced the claim settlement process, leading typically to faster claim settlement of reported claims.

From a more detailed point of view, the following aspects are considered in the calculation of the best estimate technical provisions:

- **Higher degree of uncertainty connected both to the settlement of claims incurred in the past and claims to be incurred in the future.** The higher degree of uncertainty is appropriately reflected in the assumptions underlying the calculation of the technical provisions. The assumptions are based on the information gained in a prudent, reliable and objective manner.
- **Claim provisions (covering claims and expenses incurred in the past, but not yet settled):** The reserving approach reflects changes in the claim development patterns, caused by changes in the claim frequency, claim severity distribution, claim settlement speed and variation of these values in different periods of accident year 2020.
- **Premium provision (covering claims and expenses to be incurred in the future within the boundaries of insurance contracts):** It is clear that the drivers affecting the accident year 2020 will continue to be important in 2021. Therefore the future outlook builds on the experience from the accident year 2020 and expected development of related drivers.

The overall level of the best estimate technical provisions according to Solvency II is also influenced by prevailing decrease of the interest rates on the market. This has a direct impact on the amount of discounted best estimate future cash flows. Lower interest rate environment leads to increase of the technical provisions.

As COVID situation and relevant drivers prevail in 2021, the determination of the technical provisions continue to bear a higher degree of uncertainty.

### D.7.2. Impact on Investments and hedge accounting

Pandemic of Covid-19 had substantial impact on financial markets. CEE portfolios were at the beginning of the crisis deeply affected by falling equity markets and credit-spreads widening. Quick and world-wide support to economies from national banks and governments helped to partially mitigate the impacts and thus the second half of the year 2020 was in light of gradual recovery. The support from authorities is reflected in relatively stable unemployment rate in the CEE region and in the fact that no credit impairments has occurred in CEE portfolios.

Main impacts on investments were as follows:

- **Fall of risk-free yields across the region, namely CZ short term rates dropped by 2% which led to:**
  - Lower current income from cash and floating rate instruments,
  - Reduction of interest rate differential, i.e. lower benefit from the hedging of foreign exposure,
  - Significantly lower reinvestments yields.
- **Dividends cut/delayed in response to the Covid-19 crisis, especially in financial sector following bans from local regulators.**
- **Impairments:** although the situation on equity market has improved in Q4 noticeably, impairments booked at HY20 reflected significant drop of markets mainly in CEE and Western Europe.
- **Depreciation of major CEE currencies including CZK.**

#### **Impact on hedge accounting**

GCEE holding hedges €125 million of future rental income denominated in EUR (see the chapter Cash-flow hedge). Impact of the epidemic on real estate market was unprecedented in terms of measures taken by governments – close of retail business units, hotels, restrictions on free movement, etc. Many companies switched to a “new normal era” – remote working, focus on e-shops, delivery services etc. Being in close contact with our tenants we agreed on specific conditions for both sides of the contract. Together with support from government it helped entrepreneurs to survive the toughest period and limit impact on our P&L. Drop of rental income due to discounts and bankruptcy was limited in 2020 and we consider the assumption of highly probable future rental income as valid.

#### **Fair value measurement**

We paid special attention to fair value measurement during COVID-19 crisis (especially to the unobservable inputs by increased revision frequency of such inputs) to ensure proper reflection of the COVID-19 situation. Our methodology insists on the maximising of the use of relevant observable inputs so the use of unobservable inputs is last resort solution. Majority of our instruments is quoted so we have not encountered any significant issues related to this topic and volume of level 3 instruments remained relatively stable.

#### **D.7.3. Financiang**

The loan from GCEE Holding towards real estate subsidiary City Empiria in the amount of €24 million was reimbursed totally as of the date of RE disposal in 2Q2020.

GCEE Holding extended/prolonged the current financing towards GW BETA in total amount €8.5 million and GCEE Holding issued a HUF loan in amount of €37 million for transitional period. The loan was granted by Generali Biztosító for 1 year.



## E. RISK REPORT

In the risk report, the Group presents further information to enable the assessment of the significance of financial instruments and insurance contracts for the assessment of an entity's financial position and performance. Furthermore, the Group provides information about its exposure to risks arising from financial instruments and insurance contracts, and it discloses management's objectives, policies and processes for managing those risks, in accordance with IFRS 7.

### E.1. Risk management system

The Group is a member of the Generali Group and is part of its risk management structure. The Generali Group has implemented a risk management system that aims at identifying, evaluating and monitoring the most important risks to which the Generali Group and the Group are exposed. The most important risks are those risks whose consequences could affect the solvency of the Generali Group, the solvency of any single business unit, or negatively hamper any Group goals.

The risk management processes apply to the whole Generali Group, in all the countries where it operates, and for each business unit. However, the degree of integration and depth varies with the complexity of the underlying risks. The integration of processes within the Generali Group is fundamental to ensuring an efficient system of risk management and capital allocation for every business unit.

The main objectives of the risk management processes of the Generali Group are to keep identified risks below an acceptable level, to optimise capital allocation, and to improve the risk-adjusted performance.

Risk Management guidelines related to investment risk management, the system of limits, credit ratings and guidelines on an approval process for new instruments are in place, as well as the investment risk reporting for management on a monthly basis.

The risk management system is based on three main pillars:

- a) the risk measurement process: aimed at assessing the solvency of the Group as well as all individual units;
- b) the risk governance process: aimed at defining and controlling the managerial decisions in relation to relevant risks;
- c) the risk management culture: aimed at increasing the value creation.

The Company mainly uses following instruments to mitigate individual risks:

#### Swaps

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. Swaps most commonly used by the Group are interest rate and cross-currency interest rate swaps. Under interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency interest rate swaps require an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit risk arising from default of the respective counter parties.

Market risk arises from potentially unfavourable movements in interest rates relative to the contractual rates of the contract or from movements in foreign exchange rates. Credit default swaps are also used by the Group. Under the credit default swap agreement, a credit risk is transferred from a protection buyer to a protection seller.

#### Futures and forwards

Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counter party and exposure to market risk based on changes in market prices relative to the contracted amounts.

A futures contract is a standardised contract, traded on a futures exchange, to buy or sell a standardised quantity of a specified commodity of standardised quality at a certain date in the future, at a price determined by the instantaneous equilibrium between the forces of supply and demand among competing buy and sell orders on the exchange at the time of the purchase or sale of the contract. Futures contracts bear considerably lower credit risk than forwards and, as forwards, result in exposure to market risk based on changes in market prices relative to the contracted amounts.

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## Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Group enters into interest rate options, foreign exchange options, equity and index options and credit failure options (swaps). Interest rate options, including caps and floors, may be used as hedges against a rise or fall in interest rates. They provide protection against changes in the interest rates of floating rate instruments above or below a specified level. Foreign currency options may also be used (commensurate with the type of option) to hedge against rising or falling currency rates.

The Group as a buyer of over-the-counter options is subject to market risk and credit risk since the counter party is obliged to make payments under the terms of the contract if the Group exercises the option. As the writer of over-the-counter options, the Group is subject to market risk, as it is obliged to make payments if the option is exercised by the counterparty or credit risk from a premium due from a counterparty.

## E.2. Roles and responsibility

The system is based on three levels of responsibility:

- Assicurazioni Generali (Generali Group) – for every country, this sets the targets in terms of solvency, results, and risk exposure. Moreover, it defines the risk management policy through a list of Guidelines for acceptance of the main risks. The Generali Group has developed the Enterprise Risk Management Policy to align the risk measurement methodology, the governance and the reporting of each company within the Group.
- Generali CEE Holding (Generali CEE) – defines strategies and objectives for every Company within the CEE region, taking into account the local features and regulations, providing support for the implementation and controlling the results. In particular, in order to assure a better solution to the specific features of local risks and changes in local regulation, the risk management responsibility and decisions are delegated to the Chief Risk Officer of Generali CEE respecting the Generali Group policy framework. Generali and Generali CEE groups are also assigned performance targets for their respective areas.
- Business Unit – defines strategies and targets for the lines of business, in respect of the policy and the guidelines established by Generali CEE. Risk management involves the corporate governance of Group entities and the operational and control structure, with defined responsibility levels and aims to ensure the adequacy of the entire risk management system at every point.

## E.3. Risk measurement and control

Through its insurance activity, the Group is naturally exposed to several types of risk, which are related to the movements of the financial markets, to the adverse developments of insurance-related risks, both in life and non-life business and generally to all the risks that affect ongoing organised commercial operations.

These risks can be grouped into the following five main categories which will later be detailed: market risk, credit risk, liquidity risk, insurance risk and operational risk.

Along with the specific measures for the risk categories considered by the Group, the calculation of Economic Capital represents a comprehensive measure of risk that can be aggregated at the different organisational levels (Group, country and operative entity) and at the main business lines (life, non-life and asset management).

The Economic Capital is a risk measure that corresponds to the amount of capital to be held so that the market value of assets is greater than the market value of liabilities in twelve months' time, with a confidence level consistent with the target rating. The internal models of risk measurement are constantly being improved, in particular those relating to the calculation of the Economic Capital and Asset Liability Management (ALM) approaches have been harmonised at all different organisational levels within the Generali Group.

#### E.4. Market risk

Unexpected movements in prices of equities, currencies, and interest rates might impact the value of the Group's assets and liabilities.

Financial investments are invested to meet the obligation towards both life and non-life policyholders and to earn a return on capital expected by the shareholders. The same changes might affect both assets and the present value of insurance liabilities.

At the year-end 2020, those investments with market risk affecting the Group were totaled €11,499 million at market value.

(€ million)	31.12.2020		31.12.2019	
	Total fair value	weight (%)	Total fair value	weight (%)
Equities	1,080	9.4%	1,259	11.3%
Bonds	10,410	90.5%	9,847	88.5%
Derivatives	9	0.1%	18	0.2%
<b>Total</b>	<b>11,499</b>	<b>100.0%</b>	<b>11,124</b>	<b>100.0%</b>

As mentioned above, the economic impact of changes in interest rates, equity prices, currencies and corresponding volatility for the shareholders will depend not only on the sensitivity of the assets to these shifts but also on how the same movements affect the measurement of its insurance liabilities.

This effect is particularly significant for the life business because of the minimum guaranteed rates of return and profit sharing arrangements. The impact of the minimum guaranteed rates of return on solvency, both in the short- and long-term, is assessed through deterministic and stochastic analysis. These analyses are performed at the company and single portfolio level and take into account the interaction between assets and liabilities. These analyses help develop product strategies and strategic asset allocations with the aim of optimising the risk and return characteristics of portfolios.

Other financial instruments (receivables, term deposits, financial liabilities, etc.) are not subject to significant market risk because of their nature. This means they are not sensitive to market risk, they are short-term in duration or the risk is negligible to the Group.

##### E.4.1. Asset liability matching

A substantial part of insurance liabilities may imply an interest rate risk. The management of interest rate risk implied from the net position of assets and liabilities is a key task of asset-liability management (ALM).

Generali CEE Group has an Asset and Liability Committee which is an advisory body to the Board of Directors and is in charge of the most strategic investment and ALM-related decisions. The committee is responsible for setting and monitoring the Group's strategic asset allocation in the main asset classes (i.e. government and corporate bonds, equities, real estate, etc.) in addition to the resulting asset and liability strategic position. The objective is to establish the appropriate return potential together with ensuring that the Group can always meet its obligations without undue cost and in accordance with the Group's internal and regulatory capital requirements. To guarantee the necessary expertise in meeting its mandate, the Committee consists of representatives from top management and includes asset management, risk management and ALM experts from the business units.

The ALM manages the net asset-liability positions in both life and non-life insurance, with the main focus on traditional life products with a long-term nature and often with embedded options and guarantees. The insurance liabilities are analysed, including the embedded options and guarantees and models of future cash flows are prepared in cooperation with actuaries. The models allow for all guarantees under the insurance contracts and for expected development of the key parameters, primarily mortality, morbidity, lapses and administration expenses.

Initially, government bonds are used to manage the net position of assets and liabilities and in particular their sensitivity to parallel and non-parallel shifts in the yield curve. Next, corporate bonds and derivatives, primarily interest rate swaps, can be used. However, in line with the credit risk management policy, investments in long-term and thus also high-duration instruments focus on government bonds. The use of interest-rate swaps is limited due to their accounting treatment – as their revaluation, which is reported in the consolidated income statement, does not match the reporting of the insurance liabilities.

There is a strategic target asset-liability interest rate position set in line with the risk and capital management policy – to strictly focus on intended risks and reduce capital needed for risks with lower expected gain potential. The prevailing policy is to reduce this position to a minimum level and even though it is not possible to perfectly match future cash flows between assets and liabilities, the position has been substantially reduced within the last years and currently the parallel and non-parallel sensitivities are low. Investments in long-term government bonds in emerging markets also contribute to this result.

In addition to management of the strategic position, there are certain limits allowed for tactical asset manager's positions, so that the asset interest rate sensitivity can deviate from the benchmark in a managed manner.

#### **E.4.2. Interest rate risk**

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Group is also exposed to an interest-rate cash-flow risk, which varies depending on the different re-pricing characteristics of the various floating rate instruments.

Interest rate derivatives are primarily used to bridge the mismatch in the re-pricing of assets and liabilities. In some cases derivatives are used to convert certain groups of interest-earning assets to floating or fixed rates to reduce the risk of losses in value due to interest rate changes or to lock-in spreads. In addition, the Group enters into interest rate swaps to fix the interest rates on its floating-rate debts at a certain level.

The assets whose value is subject to interest rate risk are represented mainly by bonds, derivatives and bond investment fund units. The table below summarises the breakdown of their carrying amount by company.

**Interest rate risk exposure**

(€ million)	31.12.2020		31.12.2019	
	Amount	weight (%)	Amount	weight (%)
Generali Penzijní společnost including Transformed fund, Czech Republic	4,264	41.3%	3,854	39.2%
Generali Česká pojišťovna, Czech Republic	1,810	17.5%	1,709	17.4%
GP Reinsurance EAD, Bulgaria	925	8.9%	896	9.1%
Generali Towarzystwo Ubezpieczeń, Poland	654	6.3%	620	6.3%
Generali Zavarovalnica d.d., Slovenia	512	4.9%	187	1.9%
Generali Osiguranje Srbija, Serbia	502	4.8%	488	5.0%
Generali Biztosító Rt, Hungary	322	3.1%	374	3.8%
Generali Poistovňa, Slovakia	314	3.0%	291	3.0%
Generali Osiguranje, Croatia	276	2.7%	262	2.7%
Generali Romania Asigurare Reasigurare S.A., Romania	216	2.1%	205	2.1%
Generali Zycie Towarzystwo Ubezpieczeń, Poland	142	1.4%	129	1.3%
Concordia Polska, Poland	106	1.0%	109	1.1%
Patricie Pojišťovna, Czech Republic	42	0.4%	210	2.1%
Generali CEE Holding B.V., The Netherlands	2	0.0%	2	0.0%
Adriatic Slovenica d.d., Slovenia	-	0.0%	252	2.6%
Other companies	266	2.6%	243	2.4%
<b>Total</b>	<b>10,353</b>	<b>100.0%</b>	<b>9,831</b>	<b>100.0%</b>

The table below summarises the modified duration of bond portfolios for the biggest companies in the Group.

(years)	31.12.2020	31.12.2019
Generali Poistovňa, Slovakia	3.9	3.6
Generali Česká pojišťovna, Czech Republic	7.8	7.8
Generali Penzijní společnost including Transformed fund, Czech Republic	5.8	5.6
Generali Romania Asigurare Reasigurare S.A., Romania	4.0	3.5
Patricie Pojišťovna, Czech Republic	1.6	6.8
Generali Zycie Towarzystwo Ubezpieczeń, Poland	3.0	3.6
Concordia Polska, Poland	1.2	1.0
Generali Biztosító Rt, Hungary	4.3	3.7
Generali Towarzystwo Ubezpieczeń, Poland	3.5	3.3
GP Reinsurance EAD, Bulgaria	4.0	4.0
Generali Zavarovalnica, Slovenia	6.0	3.9
Adriatic Slovenica d.d., Slovenia	-	6.3
Generali Osiguranje, Croatia	5.1	5.5
Generali Osiguranje Srbija, Serbia	5.5	4.7

The Group monitors the sensitivity of the bond portfolio to various standard and non-standard interest rate scenarios.

The income statement and Shareholder's equity sensitivity to interest rate changes have been calculated by applying the stress test (100 bp parallel fall or rise in all yield curves worldwide) to all bond portfolios as at 31 December 2020 and 31 December 2019.

Bonds backing unit-linked provisions are excluded from the sensitivity analysis since investment risk is borne by the policyholders.

The following table shows this sensitivity analysis at the year end, before and after the related deferred taxes. The sensitivity analysis considers the mitigating effect on the insurance liability side (e.g. mainly LAT Reserve and Deferred Policyholders' Liability).

(€ million)		31.12.2020		31.12.2019	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
<b>100 bp parallel increase</b>	Gross impact on fair value	-	(204)	-	(235)
	Income tax charge / (credit)	-	37	-	38
	<b>Total net impact</b>	<b>-</b>	<b>(167)</b>	<b>-</b>	<b>(197)</b>
<b>100 bp parallel decrease</b>	Gross impact on fair value	1	224	-	249
	Income tax charge / (credit)	-	(41)	-	(41)
	<b>Total net impact</b>	<b>1</b>	<b>183</b>	<b>-</b>	<b>208</b>

The reasonably possible shift of +/- 100bp on the yield curve implies a potential impact on the result of the period, caused on the one hand by the consequent change in the fair value of bonds and on the other by the re-calculation on coupon and accrued interest of floating rate securities.

While the gross impact of changes in the fair value of the bonds is fully shown in the Shareholder's Equity column (being the large majority of bond portfolios classified as Available for sale), the mitigating impact on the insurance contract liabilities can be summarised as follows:

(€ million)		31.12.2020		31.12.2019	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
<b>100 bp parallel increase</b>	Gross impact on fair value	-	56	-	131
	Income tax charge / (credit)	-	(1)	-	-
	<b>Total net impact</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>131</b>
<b>100 bp parallel decrease</b>	Gross impact on fair value	-	(61)	-	(138)
	Income tax charge / (credit)	-	1	-	-
	<b>Total net impact</b>	<b>-</b>	<b>(60)</b>	<b>-</b>	<b>(138)</b>

#### E.4.3. Equity price risk

Equity price risk is the risk that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Group manages its use of equity investments in response to changing market conditions using the following risk management tools:

- The limits for investments are set and carefully monitored for each business unit in its investment policy.
- The portfolio is diversified (limits are set per single counterparty exposure).

The table below summarises the breakdown by equity and equity investment fund unit type:

(€ million)	31.12.2020	31.12.2020
Equities at fair value	791	859
Quoted	116	152
Unquoted	675	707
Investments in fund units	289	400
<b>Total</b>	<b>1,080</b>	<b>1,259</b>

The table below summarises the breakdown of the carrying amount of equities and the equity investment fund unit portfolio by company:

(€ million)	31.12.2020		31.12.2019	
	Amount	weight (%)	Amount	weight (%)
Generali Russia and CIS, Russia	437	40.5%	497	39.5%
Generali Česká pojišťovna, Czech Republic	223	20.6%	256	20.3%
Generali Penzijní společnost including Transformed fund, Czech Republic	-	-	105	8.3%
Generali CEE Holding, The Netherlands	113	10.5%	104	8.3%
GP Reinsurance EAD, Bulgaria	105	9.7%	98	7.8%
Generali Zavarovalnica d.d., Slovenia	67	6.2%	7	0.6%
Adriatic Slovenica Zavarovalna družba d.d., Slovenia	-	-	60	4.8%
Generali Biztosító Rt, Hungary	54	5.0%	56	4.5%
Generali Poistovňa, Slovakia	20	1.9%	22	1.7%
Generali Towarzystwo Ubezpieczeń, Poland	23	2.1%	18	1.4%
Other companies	38	3.5%	35	2.8%
<b>Total</b>	<b>1,080</b>	<b>100.0%</b>	<b>1,258</b>	<b>100.0%</b>

The Income statement and shareholder's equity sensitivity to equity price changes have been calculated by applying the stress test (+/- 10% change in equity prices) to all equities and investment fund unit portfolios as at 31 December 2020 and 2019.

Financial assets backing unit-linked provisions are excluded from the sensitivity analysis since the investment risk is borne by the policyholders

The following table shows this sensitivity analysis at the year end, before and after the related deferred taxes. The sensitivity analysis considers the mitigating effect on the insurance liability side (e.g. mainly Deferred Policyholders' Liability).

(€ million)		31.12.2020		31.12.2019	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
<b>Equity price +10%</b>	Gross impact on fair value	3	30	11	42
	Income tax credit	(1)	(5)	(2)	(2)
	<b>Total net impact</b>	<b>2</b>	<b>25</b>	<b>9</b>	<b>40</b>
<b>Equity price -10%</b>	Gross impact on fair value	(3)	(30)	(11)	(39)
	Income tax charge	1	5	2	2
	<b>Total net impact</b>	<b>(2)</b>	<b>(25)</b>	<b>(9)</b>	<b>(37)</b>

The impact on the income statement or shareholder's equity is determined by the IFRS classification of the particular investments. The vast majority of investments are classified as available for sale, and thus the impact on Shareholder's equity is much higher than the impact on the income statement.

On the other hand, the mitigating impact on the insurance contract liabilities can be summarised as follows:

(€ million)		31.12.2020		31.12.2019	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
<b>Equity price +10%</b>	Gross impact on fair value	-	(1)	-	(9)
	Income tax charge / (credit)	-	-	-	-
	<b>Total net impact</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(9)</b>
<b>Equity price -10%</b>	Gross impact on fair value	-	1	-	9
	Income tax charge / (credit)	-	-	-	-
	<b>Total net impact</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>9</b>

#### **E.4.4. Currency risk**

The Group is exposed to currency risk as a result of transactions performed by its entities in currencies different from their functional currency and through their assets and liabilities being denominated in various currencies.

However, the general strategy of the Group is to fully hedge currency risk exposure, and this goal is pursued through the two following actions:

- liabilities expressed in a foreign currency are covered by Group entities using financial investments expressed in the same currency;
- the net exposure arising from assets expressed in foreign currencies is kept at an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or using short-term FX operations. Derivative financial instruments are used to manage the potential earnings impact of foreign currency movements, including currency swaps, spots, and forward contracts. If suitable, options and other derivatives are also considered and used.

The FX position is regularly monitored and the hedging instruments are reviewed and adjusted accordingly.

As a result of this approach, the Group has no significant open exposure to any currencies.

Moreover, it should be noted that each company is given specific and FX investment limits which are part of the System of Investment Risk Limits prepared by Group Risk Management who also regularly monitor whether these limits are being respected.

#### **E.5. Credit risk**

Credit risk refers to the economic impact from downgrades and defaults of fixed income securities or counterparties on the Group's financial strength. Furthermore, a general rise in the spread level, due to the economic crisis, impacts the financial strength of the Group.

The Group has adopted guidelines to limit the credit risk of investments. These favour the purchase of investment-grade securities and encourage diversification and dispersion of the portfolio.

For the rating assessment of an issue or an issuer, only ESMA (European Securities and Markets Authority) recognized ECAIs' (External Credit Assessment Institutions) ratings from rating agencies can be used. In line with Generali Group principles the Second Best Rule is applied, i.e. if more ratings leading to a different assessment are available, the second best rule states that the lower of the two best credit ratings is chosen.

Securities without an external rating are given an internal one based on the Group's own credit analysis. In most cases internal ratings are based on external rating of the Parent Company or its adjusted external rating due to subordination of the instrument. All internal ratings are in accordance with GCEE's assessment.

To manage the level of credit risk, the Group deals with counterparties with a good credit standing and enters into master netting agreements whenever possible. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

The Group sets up issuer/counterparty limits according to their credit quality and monitors compliance with these limits on a monthly basis.

The following tables show the Group's exposure to credit risks for bonds and reinsurance assets (only official ratings are used, securities without a rating are shown as non-rated even if an internal rating was allocated to them).

The ratings shown below are expressed according to the S&P scale.

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**Rating of bonds**

(€ million)	31.12.2020		31.12.2019	
	Amount	weight (%)	Amount	weight (%)
AAA	102	1.0%	137	1.4%
AA	4,750	46.1%	4,342	44.4%
A	2,081	20.2%	1,930	19.7%
BBB	2,573	25.0%	2,565	26.2%
Non-investment grade	759	7.4%	758	7.7%
Not-rated	33	0.3%	50	0.6%
<b>Total</b>	<b>10,298</b>	<b>100.0%</b>	<b>9,782</b>	<b>100.0%</b>

The portfolio of fixed income investments of the Group has been prudently composed: 79.9 % of the securities are government issued (2019: 79.5%).

The distribution by rating class shows that the vast majority of fixed income investment is of a high rating standing, with more than 65% being greater than or equal to the “A” rating.

Securities without a rating are shown as non-rated, even though an internal rating was allocated to them. The line “Non-investment grade” includes bonds rated in “BB” and “B” grades.

**Rating of reinsurance assets**

(€ million)	31.12.2020		31.12.2019	
	Amount	weight (%)	Amount	weight (%)
AA	186	44.1%	148	31.3%
A	167	39.6%	239	50.5%
BBB	7	1.6%	1	0.2%
Not-rated	62	14.7%	85	18.0%
<b>Total</b>	<b>422</b>	<b>100.0%</b>	<b>473</b>	<b>100.0%</b>

As far as the “Not-rated” counterparties are concerned, these are often local insurance and reinsurance companies that are individually not rated by the rating agencies. However, they are not necessarily weaker from a financial perspective. On the contrary, they are often part of important and highly rated insurance groups.

**Rating of term deposits**

(€ million)	31.12.2020		31.12.2019	
	Amount	weight (%)	Amount	weight (%)
A	74	71.8%	81	61.3%
BBB	3	2.9%	24	18.2%
Non-investment grade	21	20.4%	15	11.4%
Not-rated	5	4.9%	12	9.1%
<b>Total</b>	<b>103</b>	<b>100.0%</b>	<b>132</b>	<b>100.0%</b>

The following table presents the ageing analysis for loans and receivables:

(€ million)	Loans and receivables - carrying amount (F.3.4)		Receivables - carrying amount (F.5)	
	31.12.2020	31.12.2019	31.12.2020	31.12.2020
<b>Neither past due nor impaired – carrying amount</b>	<b>618</b>	<b>1,346</b>	<b>346</b>	<b>397</b>
<b>Past due but not impaired – carrying amount</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>59</b>
<b>Individually impaired – carrying amount</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>82</b>
Gross amount	1	1	154	185
up to 90 days after maturity	-	-	75	87
91 days to 180 days after maturity	-	-	13	14
181 days to 1 year after maturity	-	-	13	13
over 1 year after maturity	1	1	53	71
Allowance for impairment	(1)	(1)	(81)	(103)
<b>Total</b>	<b>618</b>	<b>1,346</b>	<b>489</b>	<b>538</b>

The individual business units of the Group hold collateral for loans and advances to banks in the form of securities as part of a reverse buy-sell transaction, and collateral for loans and advances to non-banks in the form of mortgage interests on property and guarantees received.

The following table shows the fair value of collateral held:

(€ million)	31.12.2020	31.12.2019
Against neither past due nor impaired	433	1,179
Debt securities	409	1,159
Other	24	20
<b>Total</b>	<b>433</b>	<b>1,179</b>

Concentrations of credit risk arise where groups of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions.

The following table shows the geographic concentration of credit risk of bonds and reverse repurchase agreements.

#### Geographic concentration:

(€ million)	31.12.2020		31.12.2019	
	Total fair value	weight (%)	Total fair value	weight (%)
Czech Republic	5,457	50.7%	5,711	52.2%
Russia	191	1.8%	195	1.8%
Poland	1,334	12.4%	1,368	12.5%
Hungary	553	5.1%	576	5.3%
Serbia	525	4.9%	512	4.7%
Romania	329	3.1%	310	2.8%
Other CEE countries	907	8.4%	875	8.0%
Other EU countries	1,040	9.7%	889	8.1%
The Netherlands	126	1.2%	84	0.8%
Germany	139	1.3%	78	0.7%
Austria	104	1.0%	121	1.1%
Other	671	6.2%	606	5.5%
USA	192	1.8%	171	1.6%
Other world countries	238	2.2%	338	3.0%
<b>Total</b>	<b>10,766</b>	<b>100.0%</b>	<b>10,945</b>	<b>100.0%</b>

## E.6. Liquidity risk

Liquidity risk arises during the general funding of the Group's activities and in the management of its positions. It includes both the risk of being unable to fund assets using instruments with appropriate maturities and rates, the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount and the risk of being unable to meet obligations as they become due.

All the business units have access to a diverse funding base. Apart from insurance provisions, which serve as the main source of financing, funds are also raised using a broad range of instruments including deposits, other liabilities evidenced by paper, reinsurance policies, subordinated liabilities and shareholder equity. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

The business units strive to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities; for details see also the section above on asset and liability matching. Further, all the business units hold a portfolio of liquid assets as part of its liquidity risk management strategy. The Group continuously monitors the liquidity risk to gain smoothly access to funds to meet known obligations, with an additional buffer to cover potential unknown situations. Special attention is paid to the liquidity management of non-life insurance business requiring sufficient funding to meet all the potential obligations in the event of a natural disaster or other extraordinary event.

All the business units as well as the Group as a whole, continually assess their liquidity risk by identifying and monitoring changes in the funding required to meet business goals and the targets set in terms of the overall strategy.

The following table shows an analysis of the Group's financial assets and liabilities broken down into their relevant maturity bands, based on the residual contractual maturities.

### Residual contractual maturities of financial assets

31.12.2020 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 year	Unspe- cified	Total
<b>Investments excluding investment properties</b>	<b>1,498</b>	<b>4,318</b>	<b>6,088</b>	<b>2,698</b>	<b>14,602</b>
<b>Loans</b>	<b>589</b>	<b>27</b>	<b>3</b>	<b>-</b>	<b>619</b>
<b>Held to maturity</b>	<b>5</b>	<b>18</b>	<b>6</b>	<b>-</b>	<b>29</b>
<b>Available for sale</b>	<b>738</b>	<b>4,028</b>	<b>5,489</b>	<b>1,037</b>	<b>11,292</b>
Bonds	738	4,028	5,489	-	10,255
Equities	-	-	-	791	791
Investment fund units	-	-	-	246	246
<b>Financial assets at fair value through profit or loss</b>	<b>166</b>	<b>245</b>	<b>590</b>	<b>1,661</b>	<b>2,662</b>
Bonds	1	8	-	-	9
Investment fund units	-	-	-	154	154
Unit-linked investments	102	224	589	1,507	2,422
Derivatives	63	13	1	-	77
<b>Receivables</b>	<b>473</b>	<b>12</b>	<b>4</b>	<b>-</b>	<b>489</b>
<b>Cash and cash equivalents</b>	<b>320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>320</b>
<b>Total financial assets</b>	<b>2,291</b>	<b>4,330</b>	<b>6,092</b>	<b>2,698</b>	<b>15,411</b>

31.12.2019 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 year	Unspe- cified	Total
<b>Investments excluding investment properties</b>	<b>2,418</b>	<b>4,259</b>	<b>5,536</b>	<b>2,835</b>	<b>15,048</b>
<b>Loans</b>	<b>1,315</b>	<b>5</b>	<b>25</b>	<b>-</b>	<b>1,345</b>
<b>Held to maturity</b>	<b>11</b>	<b>7</b>	<b>8</b>	<b>-</b>	<b>26</b>
<b>Available for sale</b>	<b>904</b>	<b>3,926</b>	<b>4,905</b>	<b>1,151</b>	<b>10,886</b>
Bonds	904	3,926	4,905	-	9,735
Equities	-	-	-	860	860
Investment fund units	-	-	-	291	291
<b>Financial assets at fair value through profit or loss</b>	<b>188</b>	<b>321</b>	<b>598</b>	<b>1,684</b>	<b>2,791</b>
Bonds	2	9	1	-	12
Investment fund units	-	-	-	173	173
Unit-linked investments	154	306	580	1,511	2,551
Derivatives	32	6	17	-	55
<b>Receivables</b>	<b>512</b>	<b>4</b>	<b>22</b>	<b>-</b>	<b>538</b>
<b>Cash and cash equivalents</b>	<b>338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>338</b>
<b>Total financial assets</b>	<b>3,268</b>	<b>4,263</b>	<b>5,558</b>	<b>2,835</b>	<b>15,924</b>

**Residual contractual maturities of financial liabilities excluding financial liabilities related to investment contracts  
(2020: €4,535 million, 2019: €4,559 million)**

31.12.2020 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 year	Total
<b>Financial liabilities</b>	<b>131</b>	<b>57</b>	<b>91</b>	<b>279</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>7</b>	<b>24</b>	<b>39</b>	<b>70</b>
Derivatives	5	24	39	68
Other	2	-	-	2
<b>Financial liabilities at amortised cost</b>	<b>124</b>	<b>33</b>	<b>52</b>	<b>209</b>
Lease liability	25	32	2	59
Net assets attributable to unit holders	47	-	-	47
Other	52	1	50	103
<b>Payables</b>	<b>694</b>	<b>20</b>	<b>-</b>	<b>714</b>
<b>Other liabilities</b>	<b>269</b>	<b>20</b>	<b>69</b>	<b>358</b>
<b>Total financial liabilities</b>	<b>1,094</b>	<b>97</b>	<b>160</b>	<b>1,351</b>

31.12.2019 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 year	Total
<b>Financial liabilities</b>	<b>580</b>	<b>75</b>	<b>35</b>	<b>690</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>6</b>	<b>13</b>	<b>20</b>	<b>39</b>
Derivatives	4	13	20	37
Other	2	-	-	2
<b>Financial liabilities at amortised cost</b>	<b>574</b>	<b>62</b>	<b>15</b>	<b>651</b>
Lease liability	19	42	15	76
Net assets attributable to unit holders	58	-	-	58
Other	497	20	-	517
<b>Payables</b>	<b>673</b>	<b>-</b>	<b>-</b>	<b>673</b>
<b>Other liabilities</b>	<b>232</b>	<b>26</b>	<b>81</b>	<b>339</b>
<b>Total financial liabilities</b>	<b>1,485</b>	<b>101</b>	<b>116</b>	<b>1,702</b>

The following table shows the amount of life segment insurance liabilities and financial liabilities for investment contracts, broken down by the estimated timing of the net cash outflows or contractual maturity. The data reported refers to gross direct business. Deferred policyholders' liabilities are excluded from the analysis as they depend on market movements; therefore, it is impossible to split the estimated timing of the cash flows related to Deferred policyholders' liabilities.

#### Estimated timing of the net cash outflows resulting from recognised insurance liabilities and contractual maturities of financial liabilities for investment contracts

31.12.2020 (€ million)	Life insurance provisions - Gross direct insurance	Financial liabilities related to investment contracts	Total
Up to 1 year	390	1,594	1,984
Between 1 and 5 years	1,365	822	2,187
Between 6 and 10 years	777	584	1,361
Between 11 and 20 years	980	861	1,841
More than 20 years	813	674	1,487
<b>Total</b>	<b>4,325</b>	<b>4,535</b>	<b>8,860</b>

31.12.2019 (€ million)	Life insurance provisions - Gross direct insurance	Financial liabilities related to investment contracts	Total
Up to 1 year	392	1,585	1,977
Between 1 and 5 years	1,536	858	2,394
Between 6 and 10 years	879	595	1,474
Between 11 and 20 years	881	856	1,737
More than 20 years	792	666	1,458
<b>Total</b>	<b>4,480</b>	<b>4,560</b>	<b>9,040</b>

The Group takes into account the impact of rational/irrational surrenders on its expected profits. In the product design phase, penalties for surrenders are allowed: they are calculated in order to partially compensate for the eventual decrease in expected future profits. Investment contracts may be cancelled early, but, with significant negative consequences for the policyholders.

In relation to the non-life segment, the table below shows the amount of gross direct provisions for outstanding claims split by the remaining maturity. The total liability is broken down by the remaining duration in proportion to the cash flows expected to arise during each duration band.

**Estimated timing of the net cash outflows resulting from recognised insurance liabilities - Non-life insurance liabilities**

(€ million)	Provision for outstanding claims - Gross direct amount	
	31.12.2020	31.12.2019
Up to 1 year	760	861
Between 1 and 5 years	594	610
Between 6 and 10 years	241	238
Between 11 and 20 years	226	232
More than 20 years	304	332
<b>Total</b>	<b>2,125</b>	<b>2,273</b>

The accepted reinsurance effect is negligible. Estimated cash flows from other non-life insurance liabilities will predominantly occur within one year.

**E.7. Insurance risks**

Insurance risk results from the uncertainty surrounding the timing, frequency and size of claims under insurance contracts.

The principal risk is that the frequency or size of claims is greater than expected. In addition, for some contracts, there is uncertainty about the timing of insured events. These are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Group is exposed to actuarial and underwriting risk through a wide range of life and non-life products offered to customers: participating and non-participating traditional life products, unit-linked products, annuities, universal life products, guaranteed investment products and all lines of non-life products (property, accident and health, car, third party liability and disability).

The most significant components of actuarial risk concern the adequacy of insurance premium rate levels and the adequacy of provisions with respect to insurance liabilities and the capital base. Adequacy is assessed by taking into consideration: supporting assets (fair and book value, currency and interest sensitivity); changes in interest and exchange rates; developments in mortality and morbidity; non-life claims frequency and amounts; lapses; expenses; and general market conditions. Specific attention is paid to the adequacy of provisions for the life business. For a detailed description of the liability adequacy test, see Note D.3.3 Liability Adequacy Test.

The Group manages insurance risk in the individual business units using internal guidelines for product design, reserving, pricing criteria, reinsurance strategy and underwriting. Monitoring risk profiles, reviewing insurance-related risk control, and asset/liability management are also carried out by senior management. For the most significant business units and portfolios, stochastic modelling is used to assess the risk of interest rate guarantees included in insurance contracts. The pricing reflects the cost of the guarantees and appropriate reserves are established accordingly.

New methods based on dynamic and stochastic modelling are starting to be implemented throughout the Group and are continuously being improved. These methods will be used, among others, to measure the Economic Capital of insurance risks.

**E.7.1. Concentration of insurance risk**

A key aspect of the insurance risk faced by the Group is the extent of the concentration of insurance risk, which determines the extent to which a particular event or series of events could significantly impact upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it could arise from the accumulation of risks within a number of different insurance classes.

Concentrations of risk can arise in low-frequency, high-severity events such as natural disasters; in situations where the Group is exposed to unexpected changes in trends, for example, unexpected changes in human mortality or in policyholder behaviour; or where significant litigation or legislative risks could cause a large single loss, or have a pervasive effect on many contracts.

**Geographic and sector concentrations**

The following table provides an overview of the gross direct written premiums according to the countries in which the Group operates and according to the different lines of business.

**Life gross direct premiums written by line of business and by geographical area**

2020 (€ million)	Saving & Pension	Protection	Unit Linked	Total
Czech Republic	99	206	99	404
Hungary	16	20	110	146
Slovakia	16	71	24	111
Poland	2	117	58	177
Serbia	48	13	-	61
Romania	6	17	1	24
Slovenia	11	28	45	84
Croatia	10	2	14	26
<b>Total</b>	<b>208</b>	<b>474</b>	<b>351</b>	<b>1,033</b>

2019 (€ million)	Saving & Pension	Protection	Unit Linked	Total
Czech Republic	116	204	112	432
Hungary	18	20	108	146
Slovakia	17	66	25	108
Poland	3	101	67	171
Serbia	50	13	-	63
Romania	7	24	1	32
Slovenia	11	27	48	86
Croatia	22	3	7	32
<b>Total</b>	<b>244</b>	<b>458</b>	<b>368</b>	<b>1,070</b>

**Non-life gross direct premiums written by line of business and by geographical area**

2020 (€ million)	Motor	Property	Non motor		Other	Total
			General liability	Accident, Health and Disability		
Czech Republic	547	338	113	24	2	1,024
Hungary	160	146	34	25	5	370
Slovakia	102	39	9	6	1	157
Poland	259	154	27	33	23	496
Serbia	69	29	2	23	4	127
Romania	59	32	5	6	1	103
Slovenia	116	57	16	140	9	338
Bulgaria	53	17	1	14	2	87
Croatia	29	12	2	7	24	74
Other countries	7	2	-	1	-	10
<b>Total</b>	<b>1,401</b>	<b>826</b>	<b>209</b>	<b>279</b>	<b>71</b>	<b>2,786</b>

2019 (€ million)	Motor	Property	Non motor		Other	Total
			General liability	Accident, Health and Disability		
Czech Republic	547	344	115	35	2	1,043
Hungary	154	144	36	30	9	373
Slovakia	89	37	8	11	2	147
Poland	248	135	24	37	23	467
Serbia	71	33	2	23	5	134
Romania	70	31	5	7	5	118
Slovenia	118	55	15	128	10	326
Bulgaria	53	17	1	12	2	85
Croatia	22	12	2	6	35	77
Other countries	8	2	-	1	-	11
<b>Total</b>	<b>1,380</b>	<b>810</b>	<b>208</b>	<b>290</b>	<b>93</b>	<b>2,781</b>

The breakdown according to gross written premiums is a reliable approximation of the concentration of the total sum insured from a geographical perspective.

Reinsurance has no significant impact on the concentration of insurance risk and is excluded from the above table.

#### Low-frequency, high-severity risks

Significant insurance risk is connected with low-frequency and high-severity risks. The Group manages these risks through its underwriting strategy and adequate reinsurance arrangements.

According to its underwriting strategy, the most significant risk of natural disaster to which the Group is exposed is the risk of flooding. In the event of a major flood, the Group expects the property portfolio to see high claims for structural damage to properties and contents and high claims for business interruption while transport links are inoperable and business properties are closed for repair.

Apart from the risk of flooding, other climatic phenomena, such as long lasting snowfall, claims caused by snow weight and strong winds or hail storms would have a similar effect. The Group is participating in the insurance of nuclear risks through Czech and Slovak nuclear pools.

The underwriting strategy is an integral part of the annual business plan that specifies the classes of business to be written within the planned period and the target sectors of clients. Following approval of the underwriting limits, the strategy is cascaded down to the individual underwriters in the form of underwriting limits (each underwriter can write a business by line size, class of business, territory and industry to ensure the appropriate risk selection within the portfolio).

#### Life underwriting risk

In the life portfolio of the Group, there is a prevailing component of savings contracts, but there are also pure risk covers (death benefits plus riders, such as accident, disability, dread disease, etc.) and some annuity portfolios, with the presence of the longevity risk.

The risks related to policies with a prevailing savings component are considered when pricing the guarantees, in line with the particular situation in the local financial market and also taking into account any relevant regulatory constraint. In the recent past a policy of redefining the structure of minimum guarantees has been pursued to lower their risk impact and cost.

As far as the demographic risk related to pure risk portfolios is concerned, the mortality tables used in the pricing are prudent. The standard approach is to use population or experience tables with adequate safety loadings.

For the most important risk portfolios, a detailed analysis of mortality experience is carried out every year in comparison with the expected mortality of the portfolio, determined according to the most up-to-date mortality tables available in each market. This analysis takes into consideration mortality by gender, age, policy year, sum assured, other underwriting criteria and also mortality trends.



As far as lapse risk (risks related to voluntary withdrawal from the contract) and expense risk (risks related to the inadequacy of charges and loadings in the premiums to cover future expenses) are concerned, they are also considered in the product development and pricing processes. The Group continuously works on model development and implementation in individual business units and provides support when determining assumptions that are either derived from the experience of the business unit or, if it is not sufficiently reliable or suitable, the experience of the other Group entities, or the general experience of the local market. To mitigate lapse risk, surrender penalties are generally considered in the pricing and are determined in such a way as to compensate, at least partially, for the loss of future profits.

The table below shows the concentration of insurance provisions of life gross direct business by the level of financial guarantee. Financial liabilities related to investment contracts are also included.

#### Life insurance liabilities and financial liabilities for investment contracts: level of financial guarantee

(€ million)	Gross direct insurance	
	31.12.2020	31.12.2019
<b>Liabilities with guaranteed interest*</b>	<b>6,174</b>	<b>6,248</b>
between 0% and 1%	4,404	4,353
between 1% and 3%	819	846
between 3% and 4%	473	493
between 4% and 5%	362	430
more than 5%	116	126
<b>Provisions without guaranteed interest</b>	<b>2,603</b>	<b>2,735</b>
<b>Provisions matched by specific assets**</b>	<b>68</b>	<b>48</b>
<b>Total</b>	<b>8,845</b>	<b>9,031</b>

\*The upper bound of each range is excluded.

\*\*Provisions matched by specific assets relate to contracts with minimum guaranteed interest where the final yield to policyholders depends on performance of underlying assets.

Insurance provisions include the gross direct amount of mathematical provisions €2,098 million (2019: €2,203 million), provisions for unit-linked policies €2,211 million (2019: €2,268 million), and financial liabilities related to investment contracts with DPF €4,536 million (2019: €4,560 million).

#### Non-life underwriting risk

Pricing risk covers the risk that the premium charged is insufficient to cover actual future claims and expenses.

Reserving risk relates to the uncertainty of the run-off of reserves around its expected value which is the risk that the actuarial reserve is not sufficient to cover all liabilities of claims incurred. Its assessment is closely related to the estimation of reserves. Both processes are performed together for consistency reasons, using claim triangles and all other relevant information collected and analysed according to specific guidelines.

The Group has the right to re-price risk on contract renewal and to reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured and claims payment limits are always included to cap the amount payable on occurrence of the insured event.

The following table shows the cumulative claims payments and the ultimate cost of claims by accident year and their development from 2011 to 2020. The ultimate cost includes paid losses, outstanding reserves on reported losses, estimated reserves for IBNR claims, and claim handling costs.

The amounts refer to direct business gross of reinsurance. Values are included and presented in the development table fully retrospectively for all the entities in the Group in order to provide better comparability.

The observed trend in the ultimate cost for all generations shows the adequate level of prudence adopted by the Group in its reserving policy.

(€ million)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
<b>Cumulative claim payments</b>											
at the end of accident year	709	770	744	668	674	760	759	767	873	849	7,573
one year later	937	1,012	981	918	918	1,012	1,053	1,109	1,164		
two years later	979	1,057	1,027	987	969	1,066	1,113	1,201			
three years later	1,001	1,080	1,048	1,015	997	1,094	1,145				
four years later	1,012	1,093	1,058	1,028	1,013	1,112					
five years later	1,020	1,100	1,067	1,038	1,024						
six years later	1,025	1,104	1,072	1,043							
seven years later	1,029	1,107	1,074								
eight years later	1,032	1,109									
nine years later	1,034										
at the end of accident year	1,264	1,345	1,313	1,257	1,289	1,422	1,464	1,526	1,535	1,464	13,879
one year later	1,189	1,275	1,240	1,241	1,240	1,342	1,402	1,456	1,465		
two years later	1,165	1,244	1,216	1,214	1,214	1,304	1,373	1,422			
three years later	1,149	1,228	1,201	1,195	1,188	1,281	1,349				
four years later	1,126	1,200	1,168	1,165	1,166	1,256					
five years later	1,115	1,183	1,154	1,146	1,148						
six years later	1,099	1,172	1,144	1,133							
seven years later	1,087	1,162	1,139								
eight years later	1,081	1,157									
nine years later	1,076										
<b>Estimate of cumulative claims</b>	<b>1,076</b>	<b>1,157</b>	<b>1,139</b>	<b>1,133</b>	<b>1,148</b>	<b>1,256</b>	<b>1,349</b>	<b>1,422</b>	<b>1,465</b>	<b>1,464</b>	<b>12,609</b>
<b>Cumulative payments</b>	<b>(1,034)</b>	<b>(1,109)</b>	<b>(1,074)</b>	<b>(1,043)</b>	<b>(1,024)</b>	<b>(1,112)</b>	<b>(1,145)</b>	<b>(1,201)</b>	<b>(1,164)</b>	<b>(849)</b>	<b>(10,755)</b>
Provisions for outstanding claims not included in underwriting years											145
Provisions not included in the claims development table											120
Provisions for entities without data triangles (ME102, CZ103)											6
Accepted reinsurance											70
<b>Amount recognised in the Statement of financial position</b>											<b>2,195</b>

With reference to item Provision not included in the claims development table - majority of this amount is represented by ULAE provisions of all entities. Additionally It covers also provisions of small portfolios, which are not modelled by methods based on development triangles and also RBNS annuities arising from other LoBs than MTPL LoB.

#### E.7.2. Reinsurance strategy

All business units of the Group reinsure some of the risks they underwrite to control their exposure to losses and to protect their capital resources.

The Group concludes a combination of proportionate and non-proportionate reinsurance treaties to reduce its net exposure. The maximum net exposure limits for particular business lines are reviewed annually. To provide additional protection, the Group uses facultative reinsurance for certain insurance policies. The reinsurance arrangements include quota-share, excess, stop-loss, and catastrophe coverage.

The Group has a captive reinsurance company, GP Reinsurance EAD (GP RE), located in Bulgaria. The majority of reinsurance treaties are concluded with GP RE. In addition, the Group benefits from the consolidated reinsurance program and the diversification of its risks due to the GP RE group coverage which is retro-ceded. From 2014 the treaty coverage is provided in almost all lines of business by the ultimate shareholder Assicurazioni Generali S.p.A. (whereas in previous years, the retrocessions were made on the external market); this is a consequence of the new Generali Group business model which provides 100% treaty reinsurance cessions to the ultimate shareholder.

The overview of obligatory reinsurance treaty parameters for the main program and underwriting year 2020:

Line of business / Treaty	Form of reinsurance	Leader
<b>Property</b>		
Property + Engineering per Risk	Excess of Loss	Assicurazioni Generali S.p.A.
Property Catastrophe	Excess of Loss	Assicurazioni Generali S.p.A.
<b>Liability</b>		
Third Party Liability	Excess of Loss	Assicurazioni Generali S.p.A.
Motor Third Party Liability	Excess of Loss	Assicurazioni Generali S.p.A.
D&O	Excess of Loss	Assicurazioni Generali S.p.A.
Cyber	Excess of Loss	Assicurazioni Generali S.p.A.
<b>Marine</b>		
Marine LoBs	Excess of Loss	Assicurazioni Generali S.p.A.
<b>Agriculture</b>		
Livestock & Crop	Stop Loss	Assicurazioni Generali S.p.A.
Drought & Extreme Rainfall	Quota Share	Swiss Re
<b>Bonds</b>		
Bond	Quota Share	Assicurazioni Generali S.p.A.
<b>Life, pensions</b>		
Death and other risks	Fronting	Assicurazioni Generali S.p.A.
Death and other risks	Quota Share	Assicurazioni Generali S.p.A.
Death and other risks	Surplus	Assicurazioni Generali S.p.A.
Death and other risks	Excess of Loss	Assicurazioni Generali S.p.A.
Death and other risks	Quota Share	General Cologne Re
Death and other risks	Surplus	München Re
Death and other risks	Surplus	Swiss Re
Mortgage/Personal loan insurance	Quota Share	Axa
Mortgage/Personal loan insurance	Quota Share	Assicurazioni Generali S.p.A.
Individual life insurance	Surplus	Assicurazioni Generali S.p.A.
Individual life insurance	Fronting	Assicurazioni Generali S.p.A.
Individual life insurance	Quota Share	Assicurazioni Generali S.p.A.
Individual life insurance	Quota Share	Hannover RE
Group life insurance	Quota Share	Assicurazioni Generali S.p.A.
Personal accident	Surplus	Assicurazioni Generali S.p.A.

As a part of its reinsurance strategy, the Group carries out regular monitoring of the financial position of its reinsurers, as shown in Note E.5.

Ceded reinsurance contains a credit risk as the ceding of risk to reinsurers does not relieve the Group of its obligations to its clients. Through the Generali CEE Holding credit risk management system, the Group regularly evaluates the financial status of its reinsurers and monitors the concentration of credit risk to minimise its exposure to financial loss caused by a reinsurer's insolvency. Placement of reinsurance treaties is managed by Generali CEE Holding and is guided by the Security List of Assicurazioni Generali S.p.A.

All reinsurance issues are subject to strict review. This includes the evaluation of reinsurance arrangements, setting the minimum capacity and retention criteria, monitoring the purchase of reinsurance against those criteria, erosion of the reinsurance program and its ongoing adequacy and credit risk. The treaty capacity needed is based on both internal and group modelling.

### **E.8. Operating risk and other risks**

Operational risk is defined as potential losses, including opportunity costs, arising from shortcomings or underperformance in internal processes, human resources and systems or from other causes which may result from internal or external factors.

As part of the on-going processes of the Generali Group, the Group has set some common principles for these kinds of risks:

- policies and basic requirements to handle specific risk sources as defined at the Generali Group level;
- criteria to measure operational risk. Moreover, a specific worldwide task force has been set up to define a common Generali Group methodology to identify, measure and monitor operational risks; and
- common methodologies and principles guiding internal audit activities to identify the most relevant processes to be audited.

The operational risk management process is primarily based on analysing the risks and designing modifications to work procedures and processes to eliminate, as far as possible, the risks associated with operational events (losses caused by risks other than market and credit risk). Work procedures governing the investment and risk management processes constitute a part of the Group's system of mandatory policies and procedures.

### **E.9. Financial strength monitoring by third parties**

The Group's and/or its subsidiaries' financial strength is also monitored by third parties such as insurance regulators.

Also, the leading rating agencies periodically assess the financial strength of the whole Generali Group expressing a judgment on the ability to meet the ongoing obligations assumed toward policyholders.

This assessment is performed taking into account several factors such as, financial and economic data, the positioning of the Group within its market, and the strategies developed and implemented by the management.

The Group's largest subsidiary Generali Česká pojišťovna, a.s. has a financial strength rating of "A" (Excellent) with stable outlook and a Long-Term Issuer Credit Rating was confirmed at „a+“ with stable outlook, assigned by A.M. Best on 25 February 2020. The rating reflects Generali Česká pojišťovna's very strong business profile, excellent record of technical profitability and solid risk-adjusted capitalisation.

### **E.10. Capital management**

The objectives of the Group as well as the capital management policy of individual business units are:

- to guarantee the accomplishment of solvency requirements as defined by the specific laws of each sector where the participating companies operate (insurance or financial sector);
- to safeguard the going concern and the capacity to finance expansion through internal growth;
- to continue to guarantee an adequate return on the shareholder's capital; and
- to determine adequate pricing policies that are suitable for the risk level of each sector's activity.

In every country in which the Group operates, local laws and/or local supervisory authorities require a minimum capital. This minimum capital should be maintained by each subsidiary to face its insurance obligations and operational risks. This minimum level of capital has been continuously maintained during the financial year.

### **E.11. Solvency**

The Generali Group uses an internal approach to determine the available financial resources and the capital requirements for risks which it is exposed to (Group Internal Model), while maintaining consistency with the basic framework of Solvency II, which came effective in 2016. On 7 March 2016, the Group received the regulatory approval to use the Group Internal Model for regulatory solvency capital requirement calculations.

During 2020, activities aimed at enhancing the Risk Management System have continued, mainly in terms of advanced risk and solvency analysis and embedding the risk management into business decisions. This development was linked to the refinement of the methodology concerning the assessment of available financial resources and the variety of associated risks, consistently with an economic approach. Within risk assessment and monitoring enhancement activities, focus has been given to improve the overall validation activity of the overall risk assessment process, in order to fulfil the tests and standard requirements of the regulatory regime. Finally, activities aimed at a wider and more transparent disclosure of risks have been carried out, in light of Solvency II Pillar II (Own Risk and Solvency Assessment) and Pillar III requirements (regulatory and market disclosure).

Based on preliminary calculation, all GCEE Holding subsidiaries that are insurance companies fulfil the regulatory capital requirements in respect of the solvency position both at the end of years 2020 and 2019. 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 a part of the Solvency and Financial Condition Report (SFCR) by each subsidiary during April 2021.

## F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED INCOME STATEMENT

### F.1. Intangible assets

(€ million)	31.12.2020	31.12.2019
<b>Goodwill</b>	<b>1,596</b>	<b>1,631</b>
of which Generali Česká pojišťovna a.s.	1,041	1,076
of which Generali Towarzystwo Ubezpieczeń S.A.	9	10
of which Generali Poistovňa, a.s.	314	314
of which Generali Osiguranje Srbija A.D.O.	18	19
of which Generali Penzijní společnost a.s.	17	17
of which Concordia Polska Towarzystwo Ubezpieczeń Wzajemnych	2	2
of which Generali Investments TFI	55	59
of which Generali Zavarovalnica d.d.	118	-
of which Adriatic Slovenica zavarovalna družba	-	118
of which Generali Investments, družba za upravljanje	9	9
of which Generali Zycie T.U.	6	7
of which Generali osiguranje	7	-
<b>Other intangible assets</b>	<b>565</b>	<b>640</b>
Software	111	104
Present value of future profits from portfolios acquired	440	519
of which Generali Česká pojišťovna a.s.	335	391
of which Generali Penzijní společnost a.s.	30	34
of which Generali Poistovňa, a.s.	14	15
of which Generali Zycie T.U.	3	5
of which Generali Zavarovalnica d.d.	31	-
of which Adriatic Slovenica zavarovalna družba	-	42
of which Generali Investments, družba za upravljanje	5	6
of which Generali Investments TFI	18	21
Others	4	5
Other intangible assets	14	17
<b>Total</b>	<b>2,161</b>	<b>2,271</b>

On 31 April 2020, Generali osiguranje d.d. completed acquisition of Izvor osiguranje business.

In accordance with IFRS 3, Generali Osiguranje d.d. performed purchase price allocation exercise ("PPA") which resulted in recognition of VOBA in the amount of €1 million. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill of €7 million.

On 3 January 2020, Adriatic Slovenica d. d. merged with Generali zavarovalnica d. d. Generali zavarovalnica, as the transferee company, and in accordance with the laws, became the universal successor of the company Adriatic Slovenica and acquired all its rights and obligations. On the same date Adriatic Slovenica ceased to exist and was deleted from the Court Register. As a result of the merger, goodwill and VOBA previously recognized within the CGU of Adriatic Slovenica, were transferred to CGU of Generali Zavarovalnica.

On 21 December 2019, Česká pojišťovna a.s. acquired in an under common control transaction the insurance portfolios of two Czech insurance companies - Generali pojišťovna a.s. and CP Zdravi a.s. For further details regarding impact of this transaction on intangible assets, please see table F.1.2.

In October 2019, merger of Generali Zycie T.U. and Concordia Capital SA was finalized. As a result, all previously recognised intangible assets stemming out from the purchase of Concordia Capital SA in 2018 are recognised under Generali Zycie T.U. which was identified as the CGU.

In June 2019, the Group acquired Polish asset manager Union Investment TFI S.A. Union Investment TFI is Poland's 6th largest asset management company with €3.3 billion of asset under management. Union Investment TFI S.A. was subsequently rebranded to Generali Investments TFI.

In accordance with IFRS 3, the Group performed a purchase price allocation exercise ("PPA") for Generali Investments TFI which resulted in the recognition of intangible asset related to the relations with distributors and customers in the amount of €22 million. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill of €59 million.

In February 2019, the Group acquired Slovenian insurance company Adriatic Slovenica and asset manager KD Funds from financial group KD Group. At the time of acquisition, Adriatic Slovenica held 14% of Slovenian insurance market and was ranked as the third largest insurer at local market. KD Funds ranked third in Slovenia with a market share of 20% and with over €750 million assets under management. KD Funds have been subsequently rebranded to Generali Investments, družba za upravljanje.

In accordance with IFRS 3, the Group performed a purchase price allocation exercise ("PPA") and identified two CGUs – Adriatic Slovenica zavarovalna družba and Generali Investments, družba za upravljanje. The Group recognised a Voba asset for Adriatic Slovenica zavarovalna družba of €57 million. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill of €118 million.

Regarding Generali Investments, družba za upravljanje, the Group recognised the intangible asset related to customer relationships in the amount of €6 million. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill of €9 million.

The remaining amortization period of the Present value of future profits from the portfolios acquired listed above is between 5 and 20 years.

#### F.1.1. Goodwill

(€ million)	2020	2019
<b>Gross book value as at beginning of reporting period</b>	<b>1,776</b>	<b>1,574</b>
<b>Accumulated impairment as at beginning of reporting period</b>	<b>(145)</b>	<b>(143)</b>
<b>Carrying amount as at beginning of reporting period</b>	<b>1,631</b>	<b>1,431</b>
Business combinations	7	185
Impairment charge for the period	(1)	-
Foreign currency translation effects	(41)	15
<b>Gross book value as at end of reporting period</b>	<b>1,742</b>	<b>1,776</b>
<b>Accumulated impairment as at end of reporting period</b>	<b>(146)</b>	<b>(145)</b>
<b>Carrying amount as at end of reporting period</b>	<b>1,596</b>	<b>1,631</b>

The goodwill is allocated to individual cash-generating units and recognised in the functional currency of the respective unit. Subsequently, goodwill is translated to the Group's presentation currency at the end of the reporting period. The related translation differences are recognised in other comprehensive income.

The overall goodwill is allocated to individual cash-generating units according to the proportion they contribute to the overall surplus between the value in use resulting from the impairment test model and the net asset value of the cash-generating unit. In particular, the Dividend Discount Model (DDM) has been used for the determination of the value in use. Only established insurance companies, pension companies and funds are considered to be cash-generating units for the purpose of goodwill allocation (corresponding to entities with allocated goodwill in Note F.1).

The Dividend Discount Model is based on the hypothesis that the value of a cash-generating unit is equal to the present value of the post-tax cash flows available for its shareholders. These cash flows are supposed to be equal to the flows derived from the distributable dividends, while maintaining an adequate capital structure as required by the laws in force and the entity's economic nature and to maintain its expected future development.

According to this method, the value of the cash-generating unit is equal to the sum of the discounted value of future dividends plus the terminal value of the cash-generating unit itself.

The application of this criterion has generally entailed the following phases:

- For forecasting the future cash flows of each cash-generating unit, the detailed information included in the last available Rolling Plan 2021 – 2023 has been considered. The main economic-financial data has been calculated for two additional years (2024 and 2025) on the basis of the growth rate in the last year of the Rolling Plan (2023) to extend the forecast period. Concerning non-life cash-generating units, the combined ratios considered are included within the range 73.2% – 99.5%.
- Explicit forecasting of the future cash flows to be distributed to shareholders in the planned time frame, taking into account limits requiring the maintenance of an adequate capital level.
- Calculating the cash-generating unit's terminal value, which is the expected value of the cash-generating unit at the end of the latest year planned.
- Regarding the terminal value, applying a growth rate of 2.0% on the cash flows of the latest Plan year.
- The post-tax discount rate of the future cash flows (between 6.33% and 10.25%) has been derived from the return rate of risk-free investments (between (0.52)% and 3.40%), annual cost of capital (5.00%), size premium (1.00%) and beta (1.17).

#### Assumptions used in the impairment test of goodwill for the year 2020

(€ million)	Combined ratio*	Long term growth rate	Discount rate
Generali Česká pojišťovna, a.s. – Life	-	2.0%	8.09%
Generali Česká pojišťovna, a.s. – Non-life	88.3%	2.0%	8.09%
Generali Towarzystwo Ubezpieczeń S.A.	86.1%	2.0%	8.09%
Generali Zycie Towarzystwo Ubezpieczeń S.A.	-	2.0%	8.09%
Generali poistovňa, a.s. – Life	-	2.0%	6.33%
Generali poistovňa, a.s. – Non-life	99.5%	2.0%	6.33%
Generali Osiguranje Srbija A.D.O. – Life	-	2.0%	10.25%
Generali Osiguranje Srbija A.D.O. – Non-life	73.2%	2.0%	10.25%
Generali Penzijní Společnost a.s.	-	2.0%	8.09%
Generali Zavarovalnica d.d. - Life	-	2.0%	6.66%
Generali Zavarovalnica d.d. – Non-life	94.9%	2.0%	6.66%
Generali Investments, družba za upravljanje	-	2.0%	6.60%
Generali Investments TFI	-	2.0%	7.80%



**Assumptions used in the impairment test of goodwill for the year 2019**

(€ million)	Combined ratio*	Long term growth rate	Discount rate
Generali Česká pojišťovna, a.s. – Life	-	1.0%	6.67%
Generali Česká pojišťovna, a.s. – Non-life	90.5%	1.0%	6.67%
Generali Towarzystwo Ubezpieczeń S.A.	89.2%	2.0%	7.22%
Generali poisťovňa, a.s. – Life	-	1.0%	5.29%
Generali poisťovňa, a.s. – Non-life	95.8%	1.0%	5.29%
Generali Osiguranje Srbija A.D.O. – Life	-	1.0%	6.25%
Generali Osiguranje Srbija A.D.O. – Non-life	80.9%	1.0%	6.25%
Penzijní společnost ČP a.s	-	1.0%	6.67%
Adriatic Slovenica zavarovalna družba	-	2.0%	7.30%
Generali Investments, družba za upravljanje	-	2.0%	8.56%
Generali Investments TFI	-	2.0%	10.40%

There is an increase of long term growth rates for some of the CGU as we believe these rates better reflect expected economic development in respective countries.

During impairment test of goodwill as at year-end 2020 we have identified the need of impairment for cash-generating unit Generali Osiguranje Srbija A.D.O. – Life. The impairment in the amount of €1 million has been recognized.

For all remaining cash-generating units subject to the impairment test of goodwill, there is a sufficient surplus of economic value above book value.

No impairment has been recognized during the year 2019.

The impact of Covid-19 pandemic situation is reflected in rolling plans of each cash-generating unit. Plans for years 2021, 2022 and 2023 were closely monitored and discussed between management of the Group and particular business units. The uncertainty about development of Covid-19 pandemic is also reflected in higher discount rates applied in comparison to prior year impairment testing. We have performed internal stress testing and did not identify any risk of impairment in addition to Generali Osiguranje Srbija A.D.O. – Life.

In 2020 there was a merger of Adriatic Slovenica and Generali Slovenia. As a result of this event, goodwill originally allocated during the acquisition of Adriatic Slovenica has been recognized at the CGU of Generali Slovenia proportionally split between life and non-life segment. Since 2020 goodwill is tested for impairment at the level of merged entity divided into life and non-life.

At the end of 2019 major part of insurance portfolio of Generali pojišťovna and ČP Zdraví has been transferred to Česká pojišťovna. In line with our methodology, transferred portfolio is not separated from the original portfolio of Česká pojišťovna and is included within particular CGU used for the purpose of goodwill impairment testing.

### F.1.2. Other intangible assets

The tables below show the changes in the individual classes of other intangible assets:

(€ million)	Software	Present value of future profits	Brands	Other	Total
<b>2020</b>					
Gross book value as at beginning of reporting period	470	1,447	-	21	1,938
Accumulated amortization and impairment as at beginning of reporting period	(366)	(928)	-	(4)	(1,298)
Carrying amount as at beginning of reporting period	104	519	-	17	640
Increases	47	1	-	-	48
Foreign currency translation effects	(5)	(18)	-	(-)	(23)
Amortisation and impairment of the period	(35)	(62)	-	(3)	(100)
Gross book value as at end of reporting period	491	1,404	-	21	1,916
Accumulated amortization and impairment as at end of reporting period	(380)	(964)	-	(7)	(1,351)
Carrying amount as at end of reporting period	111	440	-	14	565

(€ million)	Software	Present value of future profits	Brands	Other	Total
<b>2019</b>					
Gross book value as at beginning of reporting period	418	1,345	213	19	1,995
Accumulated amortization and impairment as at beginning of reporting period	(331)	(844)	-	(6)	(1,181)
Carrying amount as at beginning of reporting period	87	501	213	13	814
Increases	42	-	-	3	45
Decreases	-	-	-	-	-
Business combinations	6	87	-	3	96
Foreign currency translation effects	1	3	-	-	4
Amortisation and impairment of the period	(32)	(72)	(213)	(2)	(319)
Gross book value as at end of reporting period	470	1,447	-	21	1,938
Accumulated amortization and impairment as at end of reporting period	(366)	(928)	-	(4)	(1,298)
Carrying amount as at end of reporting period	104	519	-	17	640

On 21 December 2019, Česká pojišťovna a.s. acquired in an under common control transaction the insurance portfolios of two Czech insurance companies - Generali pojišťovna a.s. and CP Zdraví a.s. Consequently, the companies combined their activities and started to operate under a new name, Generali Česká pojišťovna a.s. The Group decided to terminate the use of traditional blue logo of Česká pojišťovna, including the bunch of three linden leaves, and replace this by a red symbol of the lion. Therefore, the Brand of Česká pojišťovna of €213 million was fully impaired in consolidated statement of comprehensive income for the year ended 31 December 2019.

**F.2. Tangible assets**

(€ million)	31.12.2020	31.12.2019
Land and building (self-used)	81	84
Land and building subject to leasing	55	70
Other tangible assets	30	28
Other tangible assets subject to leasing	2	3
<b>Total</b>	<b>168</b>	<b>185</b>

**F.2.1. Land and buildings subject to leasing**

(€ million)	31.12.2020	31.12.2019
<b>Gross book value as at beginning of reporting period</b>	<b>126</b>	<b>100</b>
<b>Accumulated depreciation and impairment as at beginning of reporting period</b>	<b>(42)</b>	<b>(36)</b>
<b>Carrying amount as at beginning of reporting period</b>	<b>84</b>	<b>64</b>
Foreign currency translation effects	(3)	(1)
Increases	4	2
Business combinations	-	23
Reclassifications	-	2
Decreases	-	(3)
Other changes	(1)	-
Depreciation of the period	(3)	(3)
<b>Gross book value as at end of reporting period</b>	<b>122</b>	<b>126</b>
<b>Accumulated depreciation and impairment as at end of reporting period</b>	<b>(41)</b>	<b>(42)</b>
<b>Carrying amount as at end of reporting period</b>	<b>81</b>	<b>84</b>
<b>Fair value</b>	<b>96</b>	<b>98</b>

**F.2.2. Land and buildings subject to leasing**

(€ million)	31.12.2020	31.12.2019
<b>Gross book value as at beginning of reporting period</b>	<b>90</b>	<b>81</b>
<b>Accumulated depreciation and impairment as at beginning of reporting period</b>	<b>(20)</b>	<b>-</b>
<b>Carrying amount as at beginning of reporting period</b>	<b>70</b>	<b>81</b>
Business combinations	-	2
Increases	12	3
Renewals	3	3
Disposals	(1)	-
Depreciation of the period	(22)	(21)
Foreign currency translation effects	(4)	-
Other changes	(2)	1
<b>Gross book value as at end of reporting period</b>	<b>92</b>	<b>90</b>
<b>Accumulated depreciation and impairment as at end of reporting period</b>	<b>(37)</b>	<b>(20)</b>
<b>Carrying amount as at end of reporting period</b>	<b>55</b>	<b>70</b>

**F.2.3. Other tangible assets**

(€ million)	31.12.2020	31.12.2019
<b>Gross book value as at the beginning of reporting period</b>	<b>95</b>	<b>72</b>
<b>Accumulated depreciation and impairment as at the beginning of reporting period</b>	<b>(68)</b>	<b>(53)</b>
<b>Carrying amount as at the beginning of reporting period</b>	<b>27</b>	<b>19</b>
Increases	14	17
Business combinations	-	6
Decreases	(2)	(6)
Other changes	3	-
Depreciation of the period	(12)	(8)
<b>Gross book value as at end of reporting period</b>	<b>96</b>	<b>96</b>
<b>Accumulated depreciation and impairment as at end of reporting period</b>	<b>(67)</b>	<b>(68)</b>
<b>Carrying amount as at end of reporting period</b>	<b>30</b>	<b>28</b>
<b>Fair value</b>	<b>30</b>	<b>28</b>

**F.2.4. Other tangible assets subject to leasing**

(€ million)	31.12.2020	31.12.2019
<b>Gross book value as at beginning of reporting period</b>	<b>4</b>	<b>2</b>
<b>Accumulated depreciation and impairment as at beginning of reporting period</b>	<b>(1)</b>	<b>-</b>
<b>Carrying amount as at beginning of reporting period</b>	<b>3</b>	<b>2</b>
Increases	1	1
Depreciation of the period	(2)	(1)
Other changes	-	1
<b>Gross book value as at end of reporting period</b>	<b>5</b>	<b>4</b>
<b>Accumulated depreciation and impairment as at end of reporting period</b>	<b>(3)</b>	<b>(1)</b>
<b>Carrying amount as at end of reporting period</b>	<b>2</b>	<b>3</b>

**F.3. Investments****F.3.1. Investment properties**

(€ million)	31.12.2020	31.12.2019
<b>Gross book value as at beginning of reporting period</b>	<b>592</b>	<b>524</b>
<b>Accumulated depreciation and impairment as at beginning of reporting period</b>	<b>(58)</b>	<b>(61)</b>
<b>Carrying amount as at beginning of reporting period</b>	<b>534</b>	<b>463</b>
Foreign currency translation effects	(22)	5
Increases	1	7
Acquisitions	-	59
Business combinations	-	26
Decreases	-	(15)
Disposals of subsidiaries	(54)	-
Depreciation of the period	(10)	(11)
Net impairment loss of the period	(1)	-
<b>Gross book value as at end of reporting period</b>	<b>502</b>	<b>592</b>
<b>Accumulated Impairment and impairment as at end of reporting period</b>	<b>(54)</b>	<b>(58)</b>
<b>Carrying amount as at end of reporting period</b>	<b>448</b>	<b>534</b>
<b>Fair value</b>	<b>514</b>	<b>598</b>

In May 2020, the group sold out the City Empiria, a building with offices and retail premises located in Prague. The value of this transaction is presented in line Disposal of subsidiaries.

In March 2019, the Group has completed the acquisition of Palac Spork, a prestigious mixed-use asset located in Prague, from SEBRE. Built in 1925 and fully renovated in 2017, with the addition of a modern component, the property represents a perfect combination of history and modernity and offers around 10,000m<sup>2</sup> of office and retail spaces. The asset is currently fully let, with law firm Dentons as the main tenant. The asset is located in one of the most sought-after office and high street retail areas of the Czech capital, right next to the Namesti Republiky square and Na Prikope street, within a walking distance from the Old Town square.

The fair value of investment property is based on valuations of independent experts who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.

The key variables used in this method are estimated market rental income (calculated including the inflation rate), capacity utilisation, maintenance and renewal expenses (based on the acquisition price, technical condition, useful life and discount rate).

Investment properties are mainly valued on the basis of inputs of similar assets in active markets or of discounted cash flows of future income and expenses of the rental considered as part of the higher and best use by a market participant.

Based on the analysis of inputs used for valuations, considering the limited cases where the inputs would be observable in active markets, the Group proceeded to classify the whole category at level 3.

For investment income, see note F.19, for investment expense, see note F.23.

### F.3.2. Investments in associates and joint ventures

(€ million)	31.12.2020	31.12.2019
<b>Investments in associates and joint ventures consolidated at equity</b>	<b>18</b>	<b>19</b>
VÚB Generali d.s.s., a.s.	11	12
Europ Assistance s.r.o.	1	1
Europ Assistance Magyarország Befektetési és Tanácsa dó Kft .	1	1
Nama d.d. Ljubljana	5	5
<b>Other investments</b>	<b>11</b>	<b>14</b>
<b>Total</b>	<b>29</b>	<b>33</b>

### Changes in associates and joint ventures consolidated at equity

(€ million)	2020	2019
<b>Balance as at beginning of reporting period</b>	<b>19</b>	<b>11</b>
Other changes	(1)	3
Business combinations	-	5
<b>Balance as at end of reporting period</b>	<b>18</b>	<b>19</b>

## Summarised financial information for associates consolidated at equity

## Summarised statement of financial position

(€ million)	VÜB Generali d.s.s., a.s.	
	31.12.2020	31.12.2019
<b>Total assets</b>	<b>23</b>	<b>25</b>
Investments	16	19
Cash and cash equivalents	3	3
Other assets	4	3
<b>Current assets</b>	<b>23</b>	<b>25</b>
<b>Total liabilities</b>	<b>1</b>	<b>2</b>
Payables and other liabilities	1	2
<b>Current liabilities</b>	<b>1</b>	<b>2</b>
<b>Net assets</b>	<b>22</b>	<b>23</b>

(€ million)	Nama d.d.	
	31.12.2020	31.12.2019
<b>Total assets</b>	<b>14</b>	<b>14</b>
Investments	5	5
Cash and cash equivalents	1	3
Other assets	8	6
<b>Current assets</b>	<b>14</b>	<b>14</b>
<b>Total liabilities</b>	<b>3</b>	<b>4</b>
Payables and other liabilities	3	4
<b>Current liabilities</b>	<b>3</b>	<b>4</b>
<b>Net assets</b>	<b>11</b>	<b>10</b>

## Summarised statement of comprehensive income

(€ million)	VÜB Generali d.s.s., a.s.	
	2020	2019
Net gains/(losses) from the fees and commission	11	13
Other operating expense	(2)	(2)
<b>Earnings before tax</b>	<b>9</b>	<b>11</b>
<b>Tax</b>	<b>(2)</b>	<b>(2)</b>
<b>Net profit of the year</b>	<b>7</b>	<b>9</b>

(€ million)	Nama d.d.	
	2020	2019
Net gains/(losses) from the fees and commission	-	1
Other operating expense	-	-
<b>Earnings before tax</b>	<b>-</b>	<b>1</b>
<b>Tax</b>	<b>-</b>	<b>-</b>
<b>Net profit of the year</b>	<b>-</b>	<b>1</b>

**F.3.3. Held to maturity investments**

(€ million)	Book Value		Fair value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Quoted bonds	29	27	34	32
<b>Total</b>	<b>29</b>	<b>27</b>	<b>34</b>	<b>32</b>
<b>Current portion</b>	<b>5</b>	<b>11</b>		
<b>Non-current portion</b>	<b>24</b>	<b>16</b>		

The fair value of quoted bonds is determined in accordance with the principles described in Note D.1.4.

**Fair value measurement as at the end of the reporting period**

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Level
Quoted bonds	34	-	-	34
<b>Total</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>34</b>

(€ million)	31.12.2019			
	Level 1	Level 2	Level 3	Level
Quoted bonds	19	13	-	32
<b>Total</b>	<b>19</b>	<b>13</b>	<b>-</b>	<b>32</b>

**Maturity of held to maturity investments – bonds**

(€ million)	Book Value	
	2020	2019
Up to 1 year	5	11
Between 1 and 5 years	18	7
Between 5 and 10 years	4	7
More than 10 years	2	2
<b>Total</b>	<b>29</b>	<b>27</b>

**F.3.4. Loans and receivables**

(€ million)	Book Value		Fair value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
<b>Unquoted bonds</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Other loans and receivables</b>	<b>619</b>	<b>1,344</b>	<b>619</b>	<b>1,344</b>
Term deposit with credit institutions	103	132	103	132
Reverse repurchase agreement (Reverse REPO)	468	1,163	468	1,163
Other loans	48	49	48	49
<b>Total</b>	<b>619</b>	<b>1,346</b>	<b>619</b>	<b>1,346</b>
<b>Current portion</b>	<b>589</b>	<b>1,315</b>		
<b>Non-current portion</b>	<b>30</b>	<b>31</b>		

Reverse repo operations are secured by collateral which is a financial asset received as part of a reverse repo transaction in same value.

## Fair value measurement as at the end of the reporting period

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Level
<b>Unquoted bonds</b>	-	-	-	-
<b>Other loans and receivables</b>	-	<b>571</b>	<b>48</b>	<b>619</b>
Term deposit with credit institutions	-	103	-	103
Reverse repurchase agreement (Reverse REPO)	-	468	-	468
Other loans	-	-	48	48
<b>Total</b>	<b>-</b>	<b>571</b>	<b>48</b>	<b>619</b>

(€ million)	31.12.2019			
	Level 1	Level 2	Level 3	Level
<b>Unquoted bonds</b>	-	<b>2</b>	-	<b>2</b>
<b>Other loans and receivables</b>	-	<b>1,295</b>	<b>49</b>	<b>1,344</b>
Term deposit with credit institutions	-	132	-	132
Reverse repurchase agreement (Reverse REPO)	-	1,163	-	1,163
Other loans	-	-	49	49
<b>Total</b>	<b>-</b>	<b>1,297</b>	<b>49</b>	<b>1,346</b>

Generally, if available and if the market is defined as active, fair value is equal to the market price.

In the opposite case, the fair value is determined using the market and income approach. Primary inputs to the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means a discounted cash flow method where either the cash flow or the discount curve is adjusted to reflect credit risk and liquidity risk, using interest rates and yields curves commonly observable at frequent intervals. Depending on the observability of these parameters, the security is classified at level 2 or level 3.

## F.3.5. Available for sale financial assets

(€ million)	31.12.2020	31.12.2019
<b>Equities at fair value</b>	<b>791</b>	<b>859</b>
Quoted	116	152
Unquoted	675	707
<b>Bonds</b>	<b>10,255</b>	<b>9,736</b>
Quoted	10,213	9,685
Unquoted	42	51
<b>Investments in fund units</b>	<b>246</b>	<b>291</b>
<b>Total</b>	<b>11,292</b>	<b>10,886</b>
<b>Current portion</b>	<b>738</b>	<b>904</b>
<b>Non-current portion</b>	<b>10,554</b>	<b>9,982</b>

Increase of participation in private equity fund Lion River I N.V. amounting to €28 million (2019: €28 million).



## Maturity of available for sale financial assets – bonds

(€ million)	Fair value	Fair value
	2020	2019
Up to 1 year	738	904
Between 1 and 5 years	4,028	3,927
Between 5 and 10 years	3,759	3,317
More than 10 years	1,730	1,588
<b>Total</b>	<b>10,255</b>	<b>9,736</b>

## Realised gains and losses, and impairments on available for sale financial assets

(€ million)	Realised gains		Realised losses		Impairment losses	
	2020	2019	2020	2019	2020	2019
Equities	8	7	(10)	(2)	(10)	(3)
Bonds	31	17	(7)	(9)	-	-
Investments in fund units	23	16	(7)	-	(4)	-
<b>Total</b>	<b>62</b>	<b>40</b>	<b>(24)</b>	<b>(11)</b>	<b>(14)</b>	<b>(3)</b>

## Fair value measurement at the end of the reporting period

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Level
<b>Equities at fair value</b>	<b>116</b>	<b>-</b>	<b>675</b>	<b>791</b>
Quoted	116	-	-	116
Unquoted	-	-	675	675
<b>Bonds</b>	<b>8,828</b>	<b>1,219</b>	<b>208</b>	<b>10,255</b>
Quoted	8,828	1,187	198	10,213
Unquoted	-	32	10	42
<b>Investments in fund units</b>	<b>243</b>	<b>1</b>	<b>2</b>	<b>246</b>
<b>Total</b>	<b>9,187</b>	<b>1,220</b>	<b>885</b>	<b>11,292</b>

(€ million)	31.12.2019			
	Level 1	Level 2	Level 3	Level
<b>Equities at fair value</b>	<b>152</b>	<b>-</b>	<b>707</b>	<b>859</b>
Quoted	152	-	-	152
Unquoted	-	-	707	707
<b>Bonds</b>	<b>8,187</b>	<b>1,351</b>	<b>198</b>	<b>9,736</b>
Quoted	8,187	1,313	185	9,685
Unquoted	-	38	13	51
<b>Investments in fund units</b>	<b>291</b>	<b>-</b>	<b>-</b>	<b>291</b>
<b>Total</b>	<b>8,630</b>	<b>1,351</b>	<b>905</b>	<b>10,886</b>

The following table represents the transfers between fair value levels during reporting periods:

(€ million)	2020	2019
Transfers into Level 1 from Level 2	14	-
Transfers into Level 1 from Level 3	-	-
Transfers into Level 2 from Level 1	2	15
Transfers into Level 2 from Level 3	15	73
Transfers into Level 3 from Level 1	-	-
Transfers into Level 3 from Level 2	9	23

In 2020 government (€7 million) and corporate bonds (€7 million) were reclassified from level 2 to level 1 because the market became more active, so it was possible to use values from this market. And vice versa for some instruments market became less active so entities changed the technique of valuation (model using market indicators) and there was the transfer from level 1 to level 2 in the amount of €2 million as a result of this change.

In 2020 corporate bonds in amount €15 million were transferred from level 3 to level 2. The main driver was the fact that on the market there were more observable market inputs available.

In 2020 the reclassification of the instrument into level 3 in the amount of €9 million was caused by a lower volume of observable market data within the process of expert valuation.

In 2019 corporate bonds in the amount of €23 million were reclassified from level 2 to level 3. The main driver was the level of credit spread used for valuation which created a material non-observable market input.

In 2019 corporate bonds in the amount of €73 million were reclassified out of the level 3. The main driver was the fact that level of credit spread used for valuation ceased to be classified as material non-observable market input (either materiality decreases or more information on the market was available).

In 2019 corporate bonds in the amount of €11 million and government bonds in the amount of €4 million were reclassified from Level 1 to level 2. The reason was that active market ceased to exist, therefore the Company switched on expert valuation.

Sensitivity of the fair values of Level 3 investments is described in Note D.1.28.

The following table presents the changes in Level 3 instruments:

(€ million)	2020	2019
<b>Balance as at beginning of reporting period</b>	<b>905</b>	<b>797</b>
Transfers from Level 3	(15)	(73)
Increases	59	75
Business combination	-	21
Decreases and maturities	(14)	(4)
Transfers to Level 3	9	23
Net unrealised gains recognised in OCI	66	28
Net unrealised losses recognised in OCI	(133)	(25)
Amortization	2	2
Currency translation differences	-	63
Other changes	6	(2)
<b>Balance as at end of reporting period</b>	<b>885</b>	<b>905</b>
<b>Realised gains/losses for the period recognised in profit and loss</b>	<b>-</b>	<b>-</b>
<b>Net impairment loss for the period recognised in profit and loss</b>	<b>-</b>	<b>-</b>

**F.3.6. Financial assets at fair value through profit or loss**

(€ million)	Financial assets held-for-trading		Financial assets designated as at fair value through profit and loss		Total financial assets at fair value through profit and loss	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Bonds	-	1	9	11	9	12
Quoted	-	1	8	10	8	11
Unquoted	-	-	1	1	1	1
Investments in fund units	-	1	154	172	154	173
Derivatives	77	55	-	-	77	55
Unit-linked investments	-	-	2,422	2,551	2,422	2,551
<b>Total</b>	<b>77</b>	<b>57</b>	<b>2,585</b>	<b>2,734</b>	<b>2,662</b>	<b>2,791</b>
<b>Current portion</b>					<b>166</b>	<b>188</b>
<b>Non-current portion</b>					<b>2,496</b>	<b>2,603</b>

All financial instruments held-for-trading are valued based on quoted market prices, except derivatives, which are valued based on generally accepted valuation techniques depending on the product (i.e., discounted expected future cash flows, Black-Scholes model, etc.).

Certain portion of unit-linked investment is not as at year end allocated to policyholders and stay available for new unit linked insurance contracts. FV revaluation of financial assets that are designated through profit and loss eliminate accounting mismatch from related liabilities arising from insurance contracts measured at FV.

Fair value measurement at the end of the reporting period:

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Total
<b>Bonds</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>9</b>
Quoted	4	2	2	8
Unquoted	-	-	1	1
<b>Investments in fund units</b>	<b>154</b>	<b>-</b>	<b>-</b>	<b>154</b>
<b>Derivatives</b>	<b>-</b>	<b>77</b>	<b>-</b>	<b>77</b>
<b>Unit-linked investments</b>	<b>2,207</b>	<b>106</b>	<b>109</b>	<b>2,422</b>
<b>Total</b>	<b>2,365</b>	<b>185</b>	<b>112</b>	<b>2,662</b>

(€ million)	31.12.2019			
	Level 1	Level 2	Level 3	Total
<b>Bonds</b>	<b>5</b>	<b>6</b>	<b>1</b>	<b>12</b>
Quoted	5	6	-	11
Unquoted	-	-	1	1
<b>Investments in fund units</b>	<b>172</b>	<b>1</b>	<b>-</b>	<b>173</b>
<b>Derivatives</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>55</b>
<b>Unit-linked investments</b>	<b>2,296</b>	<b>206</b>	<b>49</b>	<b>2,551</b>
<b>Total</b>	<b>2,473</b>	<b>268</b>	<b>50</b>	<b>2,791</b>

The following table represents the transfers between fair value levels during reporting periods:

(€ million)	2020	2019
Transfers into Level 1 from Level 2	-	5
Transfers into Level 1 from Level 3	-	-
Transfers into Level 2 from Level 1	-	-
Transfers into Level 2 from Level 3	-	-
Transfers into Level 3 from Level 1	-	-
Transfers into Level 3 from Level 2	62	-

In 2020 structured notes in the amount of €62 million were reclassified from level 2 to level 3. The reason was that prices are published by issuer and active market doesn't exist.

The following table presents the changes in Level 3 instruments:

(€ million)	Financial assets held-for-trading		Financial assets designated as at fair value through profit and loss		Total financial assets at fair value through profit and loss	
	2020	2019	2020	2019	2020	2019
<b>Balance as at beginning of reporting period</b>	-	-	<b>50</b>	<b>32</b>	<b>50</b>	<b>32</b>
Increases	-	-	6	21	6	21
Decreases and maturities	-	-	(4)	(4)	(4)	(4)
Transfers to Level 3	-	-	62	-	62	-
Net unrealized gains and losses recognized in P&L	-	-	(1)	1	(1)	1
Other changes	-	-	(1)	-	(1)	-
<b>Balance as at end of reporting period</b>	-	-	<b>112</b>	<b>50</b>	<b>112</b>	<b>50</b>
<b>Realised gains/losses for the period recognised in P&amp;L</b>	-	-	-	-	-	-

#### F.4. Reinsurance assets

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
<b>Non-life insurance liabilities</b>	<b>288</b>	<b>289</b>	<b>74</b>	<b>104</b>	<b>362</b>	<b>393</b>
Provisions for unearned premium	63	62	20	25	83	87
Provisions for outstanding claims	223	224	54	79	277	303
Other insurance liabilities	2	3	-	-	2	3
<b>Life insurance liabilities</b>	<b>60</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>80</b>
Provisions for outstanding claims	17	15	-	-	17	15
Mathematical provision	43	32	-	-	43	32
Unit-linked provisions	-	33	-	-	-	33
<b>Total</b>	<b>348</b>	<b>369</b>	<b>74</b>	<b>104</b>	<b>422</b>	<b>473</b>
<b>Current portion</b>	<b>268</b>	<b>309</b>	<b>39</b>	<b>47</b>	<b>307</b>	<b>356</b>
<b>Non-current portion</b>	<b>80</b>	<b>60</b>	<b>35</b>	<b>57</b>	<b>115</b>	<b>117</b>

The amounts included in reinsurance assets represent expected future claims to be recovered from the Group's reinsurers and the reinsurers' share of unearned premiums.

Item Mathematical provision includes also Provision for unearned premiums for life segment of €4 million (2019: €5 million) ceded to reinsurers.

The amount of "Other insurance liabilities" in the non-life section mainly represents provisions for profit sharing and premium refunds together with provisions for premium reversals.

Ceded reinsurance arrangements do not relieve the Group of its direct obligations to policyholders. Thus, credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance agreements (see Note E.5 for detailed analysis of credit risk associated with reinsurance assets).

#### F.5. Receivables

(€ million)	31.12.2020	31.12.2019
<b>Receivables arising out of direct insurance operations</b>	<b>305</b>	<b>322</b>
Amounts owed by policyholders	278	298
Amount owed by intermediaries and others	27	24
<b>Receivables arising out of reinsurance operations</b>	<b>78</b>	<b>96</b>
<b>Trade and other receivables</b>	<b>78</b>	<b>107</b>
of which receivables from derivatives collateral	27	55
<b>Current income tax receivables</b>	<b>28</b>	<b>13</b>
<b>Total receivables</b>	<b>489</b>	<b>538</b>
<b>Current portion</b>	<b>473</b>	<b>512</b>
<b>Non-current portion</b>	<b>16</b>	<b>26</b>

#### F.6. Other assets

(€ million)	31.12.2020	31.12.2019
Deferred acquisition costs	264	248
Deferred tax assets	91	65
Other assets	40	56
Prepaid rent	-	1
Other accrued income	13	8
Other prepayments	24	23
Assets - other	3	24
<b>Other assets total</b>	<b>395</b>	<b>369</b>
<b>Current portion</b>	<b>250</b>	<b>227</b>
<b>Non-current portion</b>	<b>145</b>	<b>142</b>

**F.6.1. Deferred acquisition costs (DAC)**

(€ million)	Gross amount		Reinsurance		Net amount	
	2020	2019	2020	2019	2020	2019
<b>Carrying amount as at beginning of reporting period</b>	<b>265</b>	<b>223</b>	<b>(17)</b>	<b>(16)</b>	<b>248</b>	<b>207</b>
Change of DAC	19	37	(3)	(1)	16	36
Business combinations	-	5	-	-	-	5
<b>Carrying amount as at end of reporting period</b>	<b>284</b>	<b>265</b>	<b>(20)</b>	<b>(17)</b>	<b>264</b>	<b>248</b>

**F.7. Cash and cash equivalents**

(€ million)	31.12.2020	31.12.2019
Cash and cash equivalents	-	-
Cash at bank	320	338
<b>Total</b>	<b>320</b>	<b>338</b>

Short term deposits are included in line Cash at banks in the amount of €23 million (2019: €39 million).

**F.8. Shareholder's equity**

The following table provides details on the distribution restrictions of equity:

(€ million)	31.12.2020	31.12.2019
<b>Shareholder's equity attributable to the Group</b>	<b>4,894</b>	<b>5,010</b>
<b>Not available for distribution to shareholders</b>	<b>452</b>	<b>606</b>
Share capital	-	-
Revaluation – financial assets AFS	424	370
Currency translation reserve	(109)	94
Cash flow hedge reserve/(deficit)	(6)	(1)
Other capital reserves	143	143
<b>Available for distribution to shareholders</b>	<b>4,442</b>	<b>4,404</b>
Additional paid-in capital	3,602	3,602
Retained earnings	840	802
<b>Shareholder's equity attributable to non-controlling interests</b>	<b>224</b>	<b>259</b>
<b>Total</b>	<b>5,118</b>	<b>5,269</b>

The following table provides details of reserves for revaluation – financial assets available for sale:

(€ million)	31.12.2020	31.12.2019
<b>Beginning reporting period</b>	<b>360</b>	<b>191</b>
- attributable to the Group	370	189
- attributable to non-controlling interests	(10)	2
<b>Gross revaluation as at the beginning of the year</b>	<b>404</b>	<b>207</b>
<b>Tax on revaluation as at the beginning of the year</b>	<b>(44)</b>	<b>(18)</b>
Revaluation gain/(loss) in equity – gross	56	316
Revaluation gain/loss on realisation reclassification in income statement – gross	(38)	(29)
Impairment losses	11	3
Change in deferred policyholder liabilities	(1)	(93)
Tax on revaluation	(14)	(26)
<b>Gross revaluation as at the end of the year</b>	<b>432</b>	<b>404</b>
<b>Tax on revaluation as at the end of the year</b>	<b>(58)</b>	<b>(44)</b>
<b>End of reporting period</b>	<b>374</b>	<b>360</b>
- attributable to the Group	424	370
- attributable to non-controlling interests	(50)	(10)

Movements in the reserve for cash-flow hedges were as follows:

(€ million)	2020	2019
<b>Carrying amount as at the beginning of the reporting period</b>	<b>(1)</b>	<b>(2)</b>
Fair value gains of the year	(5)	1
<b>Carrying amount as at the end of the reporting period</b>	<b>(6)</b>	<b>(1)</b>

The following table provides details of authorized and issued shares:

	31.12.2020	31.12.2019
Number of shares authorised	500,000	500,000
Number of shares issued and fully paid	100,000	100,000
Par value per share (€)	1	1

### F.8.1. Dividends

The majority of holding inflow is generated by dividends from subsidiaries, for 2020 it was impacted by dividend bans/restrictions coming from EIOPA and local regulators (especially from countries Bulgaria, Poland, Slovenia, Hungary). A majority of dividends arrived but with some delay, a part of dividend, which had been anticipated was locked in entities and to be released next year, if situation is better and the last part of dividend was distributed partially and the rest is to be payable next year (Slovakia).

The main holding standard outflow represents dividend payment to the shareholder. The outgoing dividend was split into three installments based on cash availability at level of GCEE Holding during 2020. Total amount distributed towards the shareholder was €426 million, which had been also the initial target dividend expected before COVID-19 pandemic restrictions.

**F.9. Other provisions**

(€ million)	31.12.2020	31.12.2019
Provisions for commitments	6	5
Provision for restructuring charges	2	2
Other provisions	43	35
<b>Total</b>	<b>51</b>	<b>42</b>
<b>Current portion</b>	<b>49</b>	<b>40</b>
<b>Non-current portion</b>	<b>2</b>	<b>2</b>

(€ million)	31.12.2020	31.12.2019
<b>Carrying amount as at 1 January</b>	<b>42</b>	<b>48</b>
Foreign currency translation effects	(2)	-
Variations	11	(6)
<b>Carrying amount as at end of reporting period</b>	<b>51</b>	<b>42</b>

**Provisions for Commitments**

(€ million)	2020	2019
<b>Carrying amount as at the beginning of the reporting period</b>	<b>5</b>	<b>21</b>
Variations	1	(16)
<b>Carrying amount as at end of reporting period</b>	<b>6</b>	<b>5</b>

Provisions for commitments mainly consist of provisions for the MTPL deficit, which as at 31 December 2020 amounted to €6 million (2019: €5 million).

Both in the Czech Republic and Slovakia, statutory MTPL insurance was replaced by contractual MTPL insurance (on 31 December 1999 and 31 December 2001 respectively). All rights and obligations arising from MTPL insurance prior to those dates, including the deficit of premiums received to cover the liabilities and costs, were transferred to the Czech and Slovak Bureaus of Insurers ("the Bureaus").

Companies belonging to the Group, having obtained a license to write contractual MTPL insurance in the Czech Republic and Slovakia, are members of the Bureau (see Note F.31.5).

All members of the Bureaus guarantee the appropriate portion of their liabilities, based on the member's market share for this class of insurance.

Based on information publicly available and provided to Bureau members, the Group created a provision adequate to cover the cost of claims likely to be incurred in relation to the liabilities ceded. However, the final and exact amount of the incurred cost of claims will only be known after several years.

The variations relate primarily to the decrease in the Czech Bureau provision due to the change in the estimate of claims to be paid by the Czech Bureau and also the decline in the Group's share of the Czech MTPL market.

With the exception of provisions for commitments where €2 million (2019: €2 million) are non-current, all the other provisions are current.



**F.10. Insurance liabilities**

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
<b>Non-life insurance liabilities</b>	<b>3,167</b>	<b>3,279</b>	<b>80</b>	<b>82</b>	<b>3,247</b>	<b>3,361</b>
Provisions for unearned premium	999	963	9	14	1,008	977
Provisions for outstanding claims	2,125	2,273	70	67	2,195	2,340
Other insurance liabilities	43	43	1	1	44	44
<b>Life insurance liabilities</b>	<b>4,730</b>	<b>4,858</b>	<b>2</b>	<b>-</b>	<b>4,732</b>	<b>4,858</b>
Provisions for outstanding claims	198	191	-	-	198	191
Mathematical provision	2,098	2,203	2	-	2,100	2,203
Unit-linked provision	2,211	2,268	-	-	2,211	2,268
Other insurance liabilities	223	196	-	-	223	196
Provisions for liability adequacy test	14	16	-	-	14	16
Ageing provision	17	9	-	-	17	9
Deferred policyholder assets/liabilities	153	153	-	-	153	153
Other	39	18	-	-	39	18
<b>Total</b>	<b>7,897</b>	<b>8,137</b>	<b>82</b>	<b>82</b>	<b>7,979</b>	<b>8,219</b>
<b>Current portion</b>					<b>3,276</b>	<b>3,432</b>
<b>Non-current portion</b>					<b>4,703</b>	<b>4,787</b>

Item Mathematical provision also includes Provision for unearned premiums for life segment of €30 million (2019: €31 million).

Other life insurance liabilities represents among other items stated above provision of €21 million for amounts expected to be paid by Generali Česká pojišťovna, a.s. on top of the value of basic life assurance liability.

Other non-life insurance liabilities primarily comprise provisions for profit sharing and premiums refunds.

In 2020 Generali Osiguranje d.d. acquired portfolio of Izvor osiguranje d.d. The effect of acquisition is reflected in movement tables of respective items within the row Business combinations.

The Group acquired Adriatic Slovenica Zavarovalna družba d.d. in 2019. The effect of acquisition is reflected in movement tables of respective items within the row Business combinations.

**F.10.1. Non-life insurance liabilities****Provisions for unearned premiums**

The table below shows the roll-forward of the non-life liabilities for unearned premiums:

(€ million)	Gross amount		Reinsurance		Net amount	
	2020	2019	2020	2019	2020	2019
<b>Carrying amount as at beginning of reporting period</b>	<b>977</b>	<b>834</b>	<b>(87)</b>	<b>(79)</b>	<b>890</b>	<b>755</b>
Movements of the year	63	90	(1)	(8)	62	82
Foreign currency translation effects	(37)	3	4	-	(33)	3
Business combinations	5	50	-	-	5	50
<b>Carrying amount as at end of reporting period</b>	<b>1,008</b>	<b>977</b>	<b>(84)</b>	<b>(87)</b>	<b>924</b>	<b>890</b>

## Provisions for outstanding claims

The following table shows the roll-forward of provisions for outstanding claims, including claims incurred but not reported:

(€ million)	Gross amount		Reinsurance		Net amount	
	2020	2019	2020	2019	2020	2019
<b>Carrying amount as at beginning of reporting period</b>	<b>2,340</b>	<b>2,261</b>	<b>(303)</b>	<b>(309)</b>	<b>2,037</b>	<b>1,952</b>
Change related to claims incurred in current year	656	728	(43)	(50)	613	678
Change related to claims incurred in previous years	(715)	(770)	58	72	(657)	(698)
Business combinations	6	109	-	(14)	6	95
Foreign currency translation effects	(96)	12	12	(2)	(84)	10
Other changes	4	-	-	-	4	-
<b>Carrying amount as at end of reporting period</b>	<b>2,195</b>	<b>2,340</b>	<b>(276)</b>	<b>(303)</b>	<b>1,919</b>	<b>2,037</b>

The table below discloses information about gross insurance provisions for outstanding claims:

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
<b>Motor</b>	<b>1,338</b>	<b>1,427</b>	<b>1</b>	<b>1</b>	<b>1,339</b>	<b>1,428</b>
<b>Non Motor</b>	<b>787</b>	<b>846</b>	<b>69</b>	<b>66</b>	<b>856</b>	<b>912</b>
General liability	327	341	19	17	346	358
Property	327	360	49	43	376	403
Accident, Health and Disability	68	74	-	-	68	74
Marine, Aviation and Transport	31	42	1	5	32	47
Other	34	29	-	1	34	30
<b>Total</b>	<b>2,125</b>	<b>2,273</b>	<b>70</b>	<b>67</b>	<b>2,195</b>	<b>2,340</b>

## F.10.2. Life insurance liabilities

### Provisions for outstanding claims

(€ million)	Direct insurance	
	2020	2019
<b>Carrying amount as at beginning of reporting period</b>	<b>191</b>	<b>171</b>
Foreign currency translation effects	(7)	2
Change of the period	14	11
Business combinations	-	7
<b>Carrying amount as at end of reporting period</b>	<b>198</b>	<b>191</b>

### Mathematical provisions

(€ million)	Direct insurance	
	2020	2019
<b>Carrying amount as at beginning of reporting period</b>	<b>2,203</b>	<b>2,144</b>
Foreign currency translation effects	(53)	12
Premiums and payments	(101)	(111)
Interests and bonuses credited to policyholders	56	59
Business combinations	-	99
Other changes	(7)	-
<b>Carrying amount as at end of reporting period</b>	<b>2,098</b>	<b>2,203</b>

**Unit-linked provisions**

(€ million)	Direct insurance	
	2020	2019
<b>Carrying amount as at beginning of reporting period</b>	<b>2,268</b>	<b>1,719</b>
Foreign currency translation effects	(103)	-
Premiums and payments	(11)	(25)
Portfolio movements	-	76
Changes related to movements in the value of underlying assets	57	214
Business combinations	-	284
<b>Carrying amount as at end of reporting period</b>	<b>2,211</b>	<b>2,268</b>

The development of the unit-linked provisions is driven by the movements in the value of assets backing unit-linked policies and the net inflows of such provisions.

Business combinations of €284 million in 2019 represent provisions recognized as a result of acquisition of Adriatic Slovenica Zavarovalna družba d.d.

Portfolio movements of €76 million in 2019 represents acquisition of Ergo portfolio in Slovakia and Hungary.

**Deferred policyholders' liabilities**

(€ million)	Direct insurance	
	2020	2019
<b>Carrying amount as at beginning of reporting period</b>	<b>153</b>	<b>51</b>
Foreign currency translation effects	(5)	1
Premiums and payments	6	7
Change of the period without impact on income statement	(1)	94
<b>Carrying amount as at end of reporting period</b>	<b>153</b>	<b>153</b>

The development in Deferred Policyholder Liability (DPL) is almost entirely explained by the Transformed Fund and it reflects the movement of unrealised gains in the Available for sale portfolio which are attributed to policyholders through the DPL.

**Insurance liabilities and financial liabilities related to policies of the life segment**

(€ million)	Net position	
	31.12.2020	31.12.2020
Insurance contracts	4,201	4,352
Investment contracts with discretionary participation feature	82	63
<b>Total insurance provisions</b>	<b>4,283</b>	<b>4,415</b>
Investment contracts fair valued	209	305
Investment contracts at amortised cost	4,327	4,255
<b>Total investment contracts</b>	<b>4,536</b>	<b>4,560</b>

Total insurance liabilities include the following items – all net of reinsurance: mathematical provisions of € 2,055 million (2019: €2,171 million), provisions for policies where the investment risk is borne by the policyholders of €2,211 million (2019: €2,235 million) and ageing provisions for the life segment, which amounted to €17 million (2019: €9 million).

**F.11. Financial liabilities**

(€ million)	31.12.2020	31.12.2019
<b>Financial liabilities at fair value through profit or loss</b>	<b>279</b>	<b>344</b>
Financial liabilities at fair value through profit or loss related to investment contracts	209	305
Financial derivatives	68	37
Other liabilities at fair value through profit or loss	2	2
<b>Financial liabilities at amortised cost</b>	<b>4,535</b>	<b>4,905</b>
Financial liabilities at amortised cost related to investment contracts	4,326	4,254
Lease liability	59	76
Net asset value attributable to unit holders	47	58
Other liabilities at amortised cost	103	517
<b>Total</b>	<b>4,814</b>	<b>5,249</b>
<b>Current portion</b>	<b>1,679</b>	<b>2,105</b>
<b>Non-current portion</b>	<b>3,135</b>	<b>3,144</b>

Financial liabilities at amortised cost related to investment contracts primarily represent on demand financial liabilities towards participants of the Transformed Fund.

Other liabilities at amortised cost consist mainly of reinsurance deposits of €7 million (2019: €67 million), subordinated liability of €50 million (2019: €50 million) and REPO operations amounting to €45 million (2019: €398 million).

The amortization of any discount, premiums or direct transaction cost and interest related to other liabilities, evidenced by paper, is calculated using the effective interest rate method, and is recognised in interest expense and similar charges.

The fair value measurement of Financial liabilities at fair value through profit or loss as at the end of the reporting period:

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value through profit or loss</b>	<b>162</b>	<b>94</b>	<b>23</b>	<b>279</b>
Financial liabilities at fair value through profit or loss related to investment contracts	160	26	23	209
Financial derivatives	-	68	-	68
Other liabilities at fair value through profit or loss	2	-	-	2

(€ million)	31.12.2019			
	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value through profit or loss</b>	<b>252</b>	<b>91</b>	<b>1</b>	<b>344</b>
Financial liabilities at fair value through profit or loss related to investment contracts	250	54	1	305
Financial derivatives	-	37	-	37
Other liabilities at fair value through profit or loss	2	-	-	2

There were no transfers between levels of fair value measurement categories in 2020 and 2019.

The following table presents the changes in Level 3 instruments:

(€ million)	Financial assets held-for-trading		Financial liabilities designated as at fair value through profit and loss		Total financial liabilities at fair value through profit and loss	
	2020	2019	2020	2019	2020	2019
<b>Balance as at beginning of reporting period</b>	-	-	<b>1</b>	-	<b>1</b>	-
Increases	-	-	22	-	22	-
Business combination	-	-	-	2	-	2
Decreases and maturities	-	-	-	-	-	-
Fair value gains/losses recorded in income statement	-	-	-	-	-	-
Other changes	-	-	-	(1)	-	(1)
<b>Balance as at end of reporting period</b>	-	-	<b>23</b>	<b>1</b>	<b>23</b>	<b>1</b>
<b>Realised gains/losses for the period recognised in P&amp;L</b>	-	-	-	-	-	-

The fair value measurement of Financial liabilities at amortised costs as at the end of the reporting period:

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at amortised cost</b>	-	<b>145</b>	<b>4,390</b>	<b>4,535</b>
Financial liabilities at amortised cost related to investment contracts	-	-	4,326	4,326
Lease liability	-	45	14	59
Net asset value attributable to unit holders	-	47	-	47
Other liabilities at amortised cost	-	53	50	103

(€ million)	31.12.2019			
	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at amortised cost</b>	-	<b>542</b>	<b>4,363</b>	<b>4,905</b>
Financial liabilities at amortised cost related to investment contracts	-	-	4,254	4,254
Lease liability	-	19	57	76
Net asset value attributable to unit holders	-	58	-	58
Other liabilities at amortised cost	-	465	52	517

There were no significant transfers between levels of fair value measurement categories in 2020 and 2019.

Generally, if available and if the market is defined as active, fair value is equal to the market price.

The fair value is determined primarily on the basis of the income approach using discounting techniques. In particular, the fair value of debt instruments issued by the Group is valued using discounted cash flow models based on the current marginal rates of funding of the Group for similar types of loans, with maturities consistent with the maturity of the debt instruments subject to valuation.

The fair value of financial liabilities at amortised cost related to investment contracts can be assumed to be equal to its carrying amount, since the fund participants, after a year of membership, have the right at any moment to withdraw money from their accounts. The overwhelming majority of the fund members already fulfill this condition. The carrying amount can therefore be considered a reasonable approximation of fair value.

The fair value of such liabilities is therefore classified as level 3.

**F.12. Payables**

(€ million)	31.12.2020	31.12.2019
<b>Payable arising out of direct insurance operations</b>	<b>216</b>	<b>229</b>
<b>Payable arising out of reinsurance operations</b>	<b>219</b>	<b>181</b>
<b>Current income tax payables</b>	<b>68</b>	<b>65</b>
<b>Other payables</b>	<b>211</b>	<b>198</b>
Payables to employees	34	35
Payables to clients and suppliers	39	40
Social security	7	7
Other payables	131	116
<b>Total</b>	<b>714</b>	<b>673</b>
<b>Current portion</b>	<b>694</b>	<b>673</b>
<b>Non-current portion</b>	<b>20</b>	<b>-</b>

**F.13. Other liabilities**

(€ million)	31.12.2020	31.12.2019
<b>Deferred tax liabilities</b>	<b>119</b>	<b>126</b>
<b>Other liabilities</b>	<b>239</b>	<b>213</b>
Other accrued expenses	187	161
Deferred expenses	6	8
Other liabilities	46	44
<b>Total</b>	<b>358</b>	<b>339</b>
<b>Current portion</b>	<b>269</b>	<b>232</b>
<b>Non-current portion</b>	<b>89</b>	<b>107</b>

The line Other accrued expenses consists of accruals for commissions, bonuses, salaries, investments and other sundry accruals.

**F.14. Net earned premiums revenue**

(€ million)	Gross amount		Reinsurers' share		Net amount	
	2020	2019	2020	2019	2020	2019
<b>Non-life earned premium</b>	<b>2,814</b>	<b>2,829</b>	<b>(305)</b>	<b>(344)</b>	<b>2,509</b>	<b>2,485</b>
Premiums written	2,874	2,918	(306)	(351)	2,568	2,567
Change in the provision for unearned premium	(60)	(89)	1	7	(59)	(82)
<b>Life premium</b>	<b>1,033</b>	<b>1,070</b>	<b>(73)</b>	<b>(64)</b>	<b>960</b>	<b>1,006</b>
<b>Total</b>	<b>3,847</b>	<b>3,899</b>	<b>(378)</b>	<b>(408)</b>	<b>3,469</b>	<b>3,491</b>

**F.15. Fee and commission income and income from financial service activities**

(€ million)	2020	2019
Fee and commission income from asset management activity	78	63
Fee and commission income related to investment contracts	4	5
Fee and commission income related to pension funds management	14	5
<b>Total</b>	<b>96</b>	<b>73</b>

**F.16. Net income / (losses) from financial assets and liabilities at fair value through profit or loss**

(€ million)	Financial investments held-for-trading		Unit-linked financial investments and financial investments related to pension funds		Financial investments designated as at fair value through profit or loss		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Financial assets</b>	<b>7</b>	<b>-</b>	<b>66</b>	<b>230</b>	<b>(13)</b>	<b>19</b>	<b>60</b>	<b>249</b>
Interest income and other income	3	1	11	26	1	7	15	34
Realised gains	-	1	41	40	-	4	41	45
Realised losses	-	(1)	(73)	(27)	-	(1)	(73)	(29)
Unrealised gains	6	1	254	237	2	44	262	282
Unrealised losses	(2)	(2)	(167)	(46)	(16)	(35)	(185)	(83)
<b>Financial liabilities</b>	<b>(5)</b>	<b>(8)</b>	<b>(3)</b>	<b>(11)</b>	<b>(37)</b>	<b>(10)</b>	<b>(45)</b>	<b>(29)</b>
Interest expenses	(2)	(2)	-	-	(16)	(12)	(18)	(14)
Other income	2	1	-	-	7	8	9	9
Realised gains	1	1	6	1	-	-	7	2
Realised losses	(5)	(6)	(4)	(6)	-	-	(9)	(12)
Unrealised gains	1	3	5	3	3	7	9	13
Unrealised losses	(2)	(5)	(10)	(9)	(31)	(13)	(43)	(27)
<b>Total</b>	<b>2</b>	<b>(8)</b>	<b>63</b>	<b>219</b>	<b>(50)</b>	<b>9</b>	<b>15</b>	<b>220</b>

**F.17. Share of results of associates and joint ventures accounted for using the equity method**

The line "Share of results of associates and joint ventures accounted for using the equity method" in the consolidated income statement reflects the Groups' relevant share of the result of VÚB Generali d.s.s., a.s. amounting to €3.5 million (2019: €4 million), results of Europ Assistance s.r.o. and Europ Assistance Magyarország Befektetési Tanácsa dó Kft amounting to €0.2 million (2019: €1 million).

**F.18. Income and expenses from subsidiaries, investment vehicles and non-consolidated subsidiaries**

(€ million)	2020	2019
<b>Income</b>	<b>17</b>	<b>1</b>
Dividends and other income	-	1
Realized gains	17	-
<b>Expenses</b>	<b>(2)</b>	<b>(1)</b>
Impairment	(2)	(1)
<b>Net income</b>	<b>15</b>	<b>-</b>

Realized gains includes gains from sale of City Empiria which was sold out of group as at 20 May 2020.

**F.19. Income from other financial instruments and investment properties**

(€ million)	2020	2019
<b>Interest revenue calculated using the effective interest rate method</b>	<b>239</b>	<b>289</b>
Interest revenue from held to maturity financial assets	1	3
Interest revenue from loans and receivables	12	32
Interest revenue from available for sale financial assets	224	251
Interest revenue from cash and cash equivalents	2	3
<b>Income - other</b>	<b>39</b>	<b>48</b>
Income from investment properties	29	32
Other income from available for sale financial assets	10	16
<b>Realised gains</b>	<b>62</b>	<b>40</b>
Realised gains on available for sale financial assets	62	40
<b>Unrealised gains</b>	<b>51</b>	<b>20</b>
Unrealised gains from hedged instruments	51	20
<b>Reversal of impairment losses</b>	<b>14</b>	<b>5</b>
Reversal of impairment of loans and receivables	2	2
Reversal of impairment of other receivables	12	3
<b>Total</b>	<b>405</b>	<b>402</b>

**F.20. Other income**

(€ million)	2020	2019
Gains on foreign currencies	-	16
Changes in provision for commitments	-	16
Income from tangible assets	2	4
Income from tangible assets subject to leasing	-	1
Income from service and assistance activities and recovery of charges	20	21
Recovery of charges	7	8
Income from service and assistance activities	13	13
Other technical income	29	55
Income - other	26	21
<b>Total</b>	<b>77</b>	<b>134</b>

Income from recovery of charges includes service charge income from investment properties and amounts to €7 million (2019: €8 million).

**F.21. Net insurance benefits and claims**

(€ million)	Gross amount		Reinsurers' share		Net amount	
	2020	2019	2020	2019	2020	2019
<b>Non-life net insurance benefits and claims</b>	<b>1,414</b>	<b>1,513</b>	<b>(117)</b>	<b>(118)</b>	<b>1,297</b>	<b>1,395</b>
Claims paid	1,471	1,546	(138)	(139)	1,333	1,407
Change in technical provisions	(57)	(33)	21	21	(36)	(12)
<b>Life net insurance benefits and claims</b>	<b>742</b>	<b>931</b>	<b>(43)</b>	<b>(45)</b>	<b>699</b>	<b>886</b>
Claims paid	739	783	(35)	(35)	704	748
Change in technical provisions	3	148	(8)	(10)	(5)	138
<b>Total</b>	<b>2,156</b>	<b>2,444</b>	<b>(160)</b>	<b>(163)</b>	<b>1,996</b>	<b>2,281</b>



**F.22. Fee and commission expenses and expenses from financial service activities**

(€ million)	2020	2019
Fee and commission expenses from asset management activity	20	13
<b>Total</b>	<b>20</b>	<b>13</b>

**F.23. Expenses from other financial instruments and investment properties**

(€ million)	2020	2019
<b>Interest expense</b>	<b>66</b>	<b>89</b>
Interest expense on subordinated liabilities	4	4
Interest expense on loans, bonds and other payables	57	79
of which: Interest expenses on financial liabilities at amortised cost related to investment contracts	54	70
Interest expense for lease payments	5	2
Interest expense on deposits received from reinsurers	-	4
<b>Other expenses</b>	<b>13</b>	<b>13</b>
Depreciation of investment properties	10	11
Expenses from investment properties	3	2
<b>Realized losses</b>	<b>26</b>	<b>13</b>
Realized losses on available-for-sale financial assets	24	11
Realized losses on other receivables	2	2
<b>Unrealized losses</b>	<b>1</b>	<b>9</b>
Unrealized losses on hedged instruments available for sale	1	9
<b>Impairment losses</b>	<b>45</b>	<b>15</b>
Impairment of investment properties	1	-
Impairment of loans and receivables	28	11
Impairment of available-for-sale financial assets	14	3
Impairment of other receivables	2	1
<b>Total</b>	<b>151</b>	<b>139</b>

**F.24. Acquisition and administration costs**

(€ million)	Non-life segment		Life segment		Financial segment		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Commission and other acquisition costs</b>	<b>572</b>	<b>560</b>	<b>156</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>728</b>	<b>718</b>
Gross acquisition costs and other commission	614	602	169	174	-	-	783	776
Received reinsurance commission	(42)	(42)	(13)	(16)	-	-	(55)	(58)
<b>Investment management expenses</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>5</b>
<b>Other administration costs</b>	<b>179</b>	<b>189</b>	<b>78</b>	<b>83</b>	<b>32</b>	<b>29</b>	<b>289</b>	<b>301</b>
<b>Total</b>	<b>754</b>	<b>751</b>	<b>238</b>	<b>244</b>	<b>32</b>	<b>29</b>	<b>1,024</b>	<b>1,024</b>

Other administration costs consist mainly of wages and salaries, building and office rentals, and IT expenses.

**F.25. Other expenses**

(€ million)	2020	2019
Amortisation of intangible assets	97	106
Impairment of goodwill and other intangible assets	4	213
Depreciation of tangible assets	11	11
Depreciation of tangible assets subject to leasing	24	24
Expenses from tangible assets	1	2
Expenses from tangible assets subject to leasing	1	1
Losses on foreign currencies	3	-
Restructuring charges and allocation to other provisions	20	17
Change in provision for commitments	1	-
Expenses from service and assistance activities and charges incurred on behalf of third parties	5	6
Other technical expenses	85	72
Holding costs	32	31
Other charges	69	63
<b>Total</b>	<b>353</b>	<b>546</b>

In 2020, the fire brigade charge amounting to €15 million (2019: €15 million), contributions paid to insurance regulators of €6 million (2019: €7 million), charges relating to government guaranteed funds of €1 million (2019: €1 million) used to cover MTPL injuries from unknown or uninsured drivers, and cancellation of premiums written in previous years amounting to €3 million (2019: €4 million).

In 2019, Impairment of goodwill and other intangible assets represent derecognition of brand of Česká pojišťovna. For further details please see chapter F.1 Intangible assets.

**F.26. Income taxes**

The table below shows a breakdown of income taxes recognised in the income statement:

(€ million)	2020	2019
<b>Current income taxes</b>	<b>133</b>	<b>130</b>
Czech Republic	82	77
Bulgaria	22	27
Hungary	6	7
Poland	7	6
Slovakia	8	5
Other countries	8	8
<b>Income taxes related to previous period</b>	<b>(1)</b>	<b>4</b>
Czech Republic	(1)	4
<b>Deferred income taxes</b>	<b>(54)</b>	<b>(86)</b>
Czech Republic	(40)	(80)
Bulgaria	(1)	(3)
Hungary	(1)	-
Poland	(8)	-
Slovakia	(1)	(1)
Other countries	(3)	(2)
<b>Total</b>	<b>78</b>	<b>48</b>

The tax authorities of the territories in which Group entities operate may inspect the books and records of Group entities at any time within a maximum period from 3 to 10 years, depending on the tax jurisdiction subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances that might give rise to a potential material liability in this respect.

The table below shows tax rates in selected countries:

	2020	2019
Czech Republic	19%	19%
Bulgaria	10%	10%
Hungary	19%	19%
Poland	19%	19%
Slovakia	21%	21%

The table below shows the reconciliation between the expected and actual income tax, which is based on the 19% tax rate applicable in the Czech Republic.

(€ million)	2020	2019
<b>Expected income tax rate</b>	<b>19.0%</b>	<b>19.0%</b>
<b>Earnings before taxes</b>	<b>537</b>	<b>322</b>
<b>Expected income tax expense (benefit)</b>	<b>102</b>	<b>61</b>
Effect of foreign tax rate differential	7	5
Effect of special (lower) tax rate	(18)	(17)
Tax exempt income and other tax decreasing items	(31)	(22)
Tax non-deductible expenses and other tax increasing items	6	23
Foreing income tax	3	1
Income taxes for prior years	(1)	4
Other	10	(7)
<b>Tax expense</b>	<b>78</b>	<b>48</b>
<b>Effective tax rate</b>	<b>14.5%</b>	<b>14.9%</b>

**F.26.1. Deferred tax**

(€ million)	Deferred tax assets		Deferred tax liabilities	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Intangible assets	32	35	(82)	(97)
Land and buildings	-	1	(11)	(12)
Financial assets available-for-sale	35	38	(2)	(2)
Financial assets at fair value through profit and loss	1	1	(10)	(5)
Receivables	4	4	-	-
Deferred acquisition costs	-	-	-	(2)
Insurance provisions	43	3	(5)	(7)
Payables	27	19	-	-
Fiscal losses carried forward	6	3	-	-
Accrued income and prepayments	4	2	(5)	(3)
Deferred tax asset / liability with impact on equity	(6)	2	(74)	(61)
Other	20	23	(5)	(3)
<b>Total deferred tax asset/liability before set off</b>	<b>166</b>	<b>131</b>	<b>(194)</b>	<b>(192)</b>
Set off of tax	(75)	(66)	75	66
<b>Net deferred tax asset/liability</b>	<b>91</b>	<b>65</b>	<b>(119)</b>	<b>(126)</b>
<b>Current portion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current portion</b>	<b>91</b>	<b>65</b>	<b>(119)</b>	<b>(126)</b>

In accordance with the balance sheet liability method, the amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

Changes in net deferred tax position are presented in the following table:

(€ million)	Net deferred tax asset/liability	
	2020	2019
<b>Balance as at beginning of reporting period</b>	<b>(61)</b>	<b>(107)</b>
Deferred income tax for the period	54	86
Deferred tax recognised directly in equity	(14)	(26)
<b>Total deferred tax income for the period</b>	<b>40</b>	<b>60</b>
Business combinations	-	(11)
Currency translation differences	(7)	(3)
<b>Balance as at end of reporting period</b>	<b>(28)</b>	<b>(61)</b>

The Group did not recognise deferred tax assets of €33 million (2019: €89 million) from deductible temporary differences (unused tax losses) since their realization is not considered probable for certain individual entities in the Group. Tax losses of these entities cannot be offset against the taxable profits of other entities in the Group.

Expiration of unused tax losses carried forward are presented in the following table:

(€ million)	Not recognised temporary differences	
	31.12.2020	31.12.2019
Expire in 1 year	9	50
Expire between 1 and 3 years	3	15
Expire between 3 and 5 years	5	5
Expire in more than 5 years	16	19
<b>Total</b>	<b>33</b>	<b>89</b>

## F.27. Share-based payments

Selected members of management of the Group are beneficiaries of a Generali Group's long-term incentive (LTI) plan.

LTI represents the long-term variable remuneration which takes the form of multi-year plans, approved from time to time by the competent bodies and may be addressed to directors, managers with strategic responsibilities and other Generali Group employees; they may be based on cash disbursement or financial instruments.

The plan LTI 2017 has fully accrued its relevant cost component in the first half of the year, coming to a close with the equity instruments assignment upon verification of the Group's performance levels in terms of Operating ROE and relative TSR.

The LTI plans 2018 and 2019, currently in progress, may result in shares' granting respectively in 2021 and 2022, subject to the Group performance level (determined by the comparison of ranges of Operating ROE, Net ROE, EPS growth and relative TSR) and the overcoming of the minimum level, where requested in terms of Regulatory Solvency Ratio.

A new long-term incentive plan based on Assicurazioni Generali S.p.A. shares – Group Long Term Incentive (LTI) 2020 - has been submitted for the approval of the Shareholders' Meeting.

In line with market practices and investor expectations, shares are assigned and made available to beneficiaries over a deferred long-term time span, subject to the achievement of Group's performance conditions (Net Holding Cash Flow and relative TSR) and the achievement of a minimum level of Regulatory Solvency Ratio, as the only access threshold, as detailed below.

The Plan is based on the following essential aspects:

- the incentive connected with the achievement of the targets is paid through the grant of Assicurazioni Generali S.p.A. ordinary shares.;
- the right to receive the shares is subject to an entry threshold, defined annually by the Board of Directors and which represents a condition precedent;
- the targets to which payment of the incentive is subject are Group financial ones and are defined at the beginning of the performance period and kept consistent with the strategic long-term plans of the Group.

The maximum number of shares that can be assigned is determined at the start of the plan. The maximum potential bonus to be disbursed in shares equals to 175% of the gross fixed remuneration of the Global Leadership Group (GLG) members (or a different percentage considering the role of the beneficiary); therefore, the maximum number of shares that can be assigned is the result of the ratio of the maximum bonus and the share value, with the latter calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Parent Company and the consolidated financial statements for the year prior to that when the Plan is started.

At the end of the three-year performance period, 100% of the shares accrued will be granted to participants, of which 50% are immediately available (to allow the beneficiaries to bear the tax charges connected with the grant), while the remaining 50% are subject to a two-year lock-up period.

The performance level is expressed as a percentage of the level of Net average ROE, EPS Growth and relevant TSR reached, and it is determined with reference to two independent baskets. The final results in each basket are calculated using a linear interpolation approach.

During each year of the plan and at the end of the three-year performance period, the Board of Directors evaluates the degree to which access threshold has been achieved, defined in terms of Regulatory Solvency Ratio equal to 130% - the limit set considering the hard limit level defined in the Group Risk Appetite Framework - or an alternative percentage as may be chosen from time to time by the Board of Directors. This evaluation is a malus mechanism based on which the number of shares to grant definitively may be reduced or set at zero by the Board of Directors should the Regulatory Solvency Ratio be lower than the set threshold. The Board of Directors is also entitled to set a reduced number of shares to grant definitively should the Regulatory Solvency Ratio be lower than the soft limit level established by the Risk Appetite Framework, that is 150% - but in any case, higher than 130%.

In any case, no incentive will be paid in the event of a significant worsening of the capital and financial situation of Generali. Any amount disbursed will be subject to claw-back if the performance considered should later be found to be non-lasting or ineffective as a result of willful misconduct or gross negligence.

In line with what has already been established for the existing plans, the 2020 Plan has a dividend equivalent mechanism on the basis of the dividends distributed during the performance period. In particular, should the shareholders' meeting resolve upon the distribution of dividends in favour of the shareholders during the three-year reference period, at the expiry of such three-year reference period, an additional number of shares determined in relation to the overall dividends distributed during the three-year reference period will be assigned in favour of the beneficiaries. The additional number of shares thus determined shall be assigned simultaneously and in relation with the other shares assigned in favour of each beneficiary, subject to the same restrictions (holding period) and determined considering the shares' value at the assignment of the plan, to be calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Parent Company and the consolidated financial statements for the year before that when the Plan is started.

The maximum number of shares that can be granted is 9,500,000 accounting for 0.6% of the current share capital.

In line with the previous plans, the 2020 LTI plan can be treated as an equity-settled share-based payment falling under IFRS 2 scope, which provides a grant date measurement model seeking to capture the value of the contingent right to shares promised at grant date, to the extent that promises become an entitlement of the counterparty, rather than the value of any shares finally delivered.

The condition related to relative TSR configures as a market condition, other conditions mentioned above are considered whether as performance or as service condition.

The fair value of the right to receive free shares related to the market condition is estimated at grant date using a statistical model which estimates the statistically probable positioning of relative TSR of the Generali share compared to a peer group of selected companies.

The fair value of the bonus right linked to market condition is made by multiplying the forward price of assignable shares (taking into account the lock-up period set by the plan for the different beneficiary types) to the grant date with the pay-out ratio determined by applying the linear interpolation of the probable positions of TSR estimated using a statistical model. The linear interpolation method is applied to a range between the maximum pay-out, recognized in the case of the TSR positioning at the first place, and a pay-out zero in the case where the TSR is in the last position with respect to selected peer or has a negative value.

The estimated fair value of LTI 2020 plan at the grant date of the bonus right related to the performance level in terms of relative TSR is €4.66 with reference to the members of the GLG category.

The related cost on the overall plan is obtained by multiplying the fair value mentioned above by the number of rights related to the market condition, to be assigned based on the satisfaction of the vesting condition.

A similar calculation was applied to the bonus portion linked to Net Holding Cash Flow (NHCF), identifying the pay-out through the linear interpolation applied to the level of performance considered most probable. The range applied to the linear interpolation of NHCF is included between the maximum pay-out, granted in case of level equal to or greater than €8.8 billion and a pay-out equal to 0 in case of a level equal or lower than €7.2 billion.

Finally, the cost related to the recognition of dividends paid during the three-year period (so called dividend equivalent) was estimated by applying an estimated dividend to the expected number of shares to be assigned under the plan, based on the degree of achievement assessed as above described.

The overall cost of the LTI plans 2017, 2018 and 2019, sum of the three components described above, is allocated over the period of maturity (vesting period) starting from the first financial year on which the performance levels are assessed, with a corresponding increase in equity.

The costs associated with the above mentioned outstanding plans recognized during the period amounted to €4 million (2019: €3 million) and the equity reserve for share based payments as at 31 December 2020 to €9 million (2019: €9 million).

## F.28. Information on employees

The number of employees is presented in the following table:

	31.12.2020	31.12.2019
Managers	277	267
Employees	9,636	9,857
Sales attendants	2,826	2,766
Others	11	15
<b>Total</b>	<b>12,750</b>	<b>12,905</b>

The staff expenses are presented in the following table:

(€ million)	31.12.2020	31.12.2019
<b>Wages and salaries</b>	<b>271</b>	<b>287</b>
<b>Compulsory social security contributions</b>	<b>66</b>	<b>65</b>
of which State-defined contribution pension plan	20	18
<b>Others</b>	<b>26</b>	<b>35</b>
of which Contribution to private pension funds	2	2
<b>Total</b>	<b>363</b>	<b>387</b>

According to functional area accounting, staff costs are distributed to their respective functional areas and presented within applicable acquisition costs, claims handling costs, administrative expenses and other expenses.

Compulsory social security contributions mainly comprise contributions to state-defined contribution pension plans.

Other expenses include the costs of the Group's health and social programs (e.g. health program for managers, medical check-up for employees and social benefits).

## F.29. Hedge accounting

### F.29.1. Fair value hedge

#### Foreign currency risk hedging

Since 1 October 2008, hedge accounting has been applied by some of the Group companies to foreign currency risks (FX risk). The Group applies the fair value hedge.

The Group's investment strategy results in an investment portfolio, which consists of securities denominated in different currencies. On the other hand, the currency of the Group's liabilities is the functional currency of individual subsidiaries. Following the Group's risk policy, all these instruments are dynamically hedged into the functional currency of their respective subsidiaries via FX derivatives.

Hedge accounting is applied selectively for individual subsidiaries. For the entities that apply hedge accounting, foreign currency hedging is in place for chosen foreign currency investments (i.e., investment fund units, equities, etc.) to fully hedge the implied FX risk. The process in place aims to achieve high effectiveness in hedging.

The FX difference on hedged financial assets and liabilities and hedging instruments, except for equities classified in the available for sale portfolio, is reported in the profit or loss account according to IAS 39. FX revaluation on AFS equities included within the hedge accounting is reported in the income statement either as "Other income" – "Gains on foreign currencies" or "Other expenses" – "Losses on foreign currencies".

### Hedged items

Hedge accounting is applied in each subsidiary individually. In general, the hedged items consist of selected non-derivative financial assets and financial liabilities denominated or exposed in foreign currencies (with respect to the functional currency of each subsidiary) except for:

- a) Financial assets backing unit-linked products
- b) Other particular exclusions predefined by the investment management strategy

Hedged items under both hedge accounting and economic hedging include financial assets classified in the available-for-sale category, fair value to profit or loss, other investments and cash and cash equivalents. Hedged items may include financial liabilities in case of certain received collaterals.

### Hedging instruments

Hedging instruments are defined as all FX derivatives except for options and starting from 1 October 2015 also selected financial liabilities in foreign currency (such as sell-buy transactions).

As at 31 December, hedged items and hedging instruments were as follows:

(€ million)	Fair value as at 31.12.2020	FX gain/loss for the period from 1.1. to 31.12.2020
<b>Hedged items</b>		
Equities, bonds, investment funds units	1,348	2
Term deposits, current bank accounts and other	26	2
Insurance liabilities	(39)	-
<b>Hedging instruments</b>		
Derivatives	29	17
Financial liabilities (Sell-buy operations)	(8)	21

(€ million)	Fair value as at 31.12.2019	FX gain/loss for the period from 1.1. to 31.12.2019
<b>Hedged items</b>		
Equities, bonds, investment funds units	1,462	(7)
Term deposits, current bank accounts and other	55	(1)
Insurance liabilities	(424)	5
<b>Hedging instruments</b>		
Derivatives	(171)	3
Financial liabilities (Sell-buy operations)	437	-

Assessment of hedging effectiveness and possible adjustment of the dynamic hedging strategy is performed by the Group on a monthly basis. In every month of 2020 and 2019, the Group's hedging was evaluated as effective in accordance with IFRS.

### Interest rate risk hedging

Since 1 July 2011, hedge accounting has been applied to derivatives hedging an interest rate exposure of interest-bearing financial assets by some of the Group companies. The Group uses fair value hedging.

The Group has implemented a risk management strategy for interest rate risk. The objective of the investment and hedging strategy is to manage the overall interest rate risk position on a continuous basis. The Group achieves this objective through a dynamic strategy. Hedge accounting is applied selectively for individual subsidiaries.

Change in the fair value of interest rate derivatives and FVTPL interest-bearing financial assets is reported in the profit or loss account according to IAS 39. Change in the fair value of AFS interest-bearing financial assets attributable to the interest rate risk is within the hedge accounting reported in the profit or loss account either as other income from financial instruments and other investments or other expenses for financial instruments and other investments.



**Hedged items**

The Group designates a group of fixed income instruments as a hedged item. Hedged items include financial assets classified in the available for sale category. The hedged items do not include financial liabilities.

**Hedging instruments**

Hedging instruments are defined as a group of interest rate derivatives. The derivatives are designated as hedging instruments in their entirety.

Assets and derivatives according to this definition can be clearly identified at any time. As at 31 December, hedged items and hedging instruments were as follows:

(€ million)	Fair value as at 31.12.2020	Change in fair value attributable to interest rate risk for the period from 1.1. to 31.12.2020
Fixed income instruments	1,528	55
Derivatives	(58)	(49)

(€ million)	Fair value as at 31.12.2019	Change in fair value attributable to interest rate risk for the period from 1.1. to 31.12.2019
Fixed income instruments	1,638	10
Derivatives	(13)	(9)

Assessment of hedging effectiveness and possible adjustment of the dynamic hedging strategy is performed by the Group on a monthly basis. In every month of 2020, the Group's hedging was evaluated as effective in accordance with IFRS.

In 2019, hedging was evaluated as effective in accordance with IFRS. Due to unfavourable movements on the derivative market during the last months of the year, the overall assessment of hedging for the whole accounting period is not effective.

**F.29.2. Cash-flow hedge****Foreign currency risk hedging**

Subsidiaries of Generali CEE Holding B.V. ("GCEE") invest into real estate in line with their strategic asset allocation. Those investments are mostly in form of real estate SPV (special purpose vehicle) which are fully consolidated (line-by-line) on GCEE level.

The properties are located in the Czech Republic and its functional currency is CZK, but rental income, they are generating, is mostly realized in EUR. Risk management strategy is to minimize volatility in earnings of RE SPVs stemming from a change in CZK/EUR exchange rate. Therefore the open FX position is closed by FX derivatives.

In order to minimize amount of instruments and due to availability of cash needed for collateral management and operational costs, it was decided to hedge the whole FX exposure on the level of GCEE as parent company with functional currency CZK.

GCEE classifies the transaction as the hedge of future rent income (cash flow hedge). The hedge accounting is applied since 31st October 2019 and hedged cash flows are expected to occur until the end of January 2055.

**Hedged item**

The hedged item is highly probable rental income from contracts concluded in EUR. Term of currently valid lease contracts is significantly shorter than useful life of the buildings. The Company intends to conclude lease contracts in EUR even in the future. Therefore the hedged item consists of two parts:

- Cash flow related to existing lease contracts,
- Cash flow related to lease contracts concluded in future (after expiration of current leases).

**Hedging instruments:**

Usually FX swaps or FX forwards are used as hedging instruments. Tenor of the swaps/forwards is significantly shorter than tenor of the hedged cash flow from rents due to several reasons like unavailability of such long instrument on financial market, hedging strategy or risk of pricing on roll-over. Only the spot component of each FX derivative is designated as hedging instrument. Forward component and time value of the derivative is excluded from the designation and thus recognized in profit and loss statement.

**Prospective hedge effectiveness test**

GCEE expects that the hedging relationship will be effective over its lifetime, and that the changes in the spot component of the EUR-denominated rental income will be offset by the revaluation of the spot component of the FX derivatives.

The hedge is prospectively effective if the sum of the hedged cash flow equals or is higher than the amount of hedging instrument.

Prospective hedge effectiveness test as at 31 December 2020:

(€ million)	Hedged CF	Hedging instrument	Effectiveness
	125	125	Effective

Prospective hedge effectiveness test as at 31 December 2019:

(€ million)	Hedged CF	Hedging instrument	Effectiveness
	125	125	Effective

**Retrospective hedge effectiveness test**

Retrospective test compares month-on-month change of the spot component of the hedging instrument arising from changes in FX spot rate and change of the spot component of the hedged item.

The hedge is considered to be effective if the ratio falls within the range 80%-125%.

Retrospectively, the assumption of highly probable rental income is validated. GCEE compares actual invoiced rents and cumulative modelled rental income since the inception of the hedge. The purpose of this test is to prove the assumption of highly probable rental income, i.e. to prove that modelled rental income has been already collected. If this condition is met, it supports the assumption even for future, i.e. actually modelled rental income will be also collected.

(€ million)	31.12.2020	31.12.2019
Hedged rents	4	1
Actual rents received	4	1
<b>Hedged rents &gt;= Actual rents received</b>	<b>Yes</b>	<b>Yes</b>
Change in spot component of hedging instrument	(4)	(1)
Change in sport component of hedging item	4	1
<b>Ratio of change in hedging instrument to change in hedging item</b>	<b>100%</b>	<b>100%</b>

During 2020, loss of €0 million (2019 gain: €0 million) was recognized in Other comprehensive income out of which €3 million (2019: €0 million) profit was reclassified into Income statement.

**F.30. Offsetting financial instruments**

The following tables provide details relating to the effect or potential effect of netting arrangements, including the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities.

As at 31 December 2020, financial assets were as follows:

(€ million)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial assets	363	(286)	77	(40)	(31)	6
Receivable from derivative collateral paid	27	-	27	(27)	-	-
<b>Total</b>	<b>390</b>	<b>(286)</b>	<b>104</b>	<b>(67)</b>	<b>(31)</b>	<b>6</b>

As at 31 December 2019, financial assets were as follows:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial assets	55	-	55	(13)	(29)	13
Receivable from derivative collateral paid	55	-	55	(55)	-	-
<b>Total</b>	<b>110</b>	<b>-</b>	<b>110</b>	<b>(68)</b>	<b>(29)</b>	<b>13</b>

As at 31 December 2020, financial liabilities were as follows:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral paid	
Derivative financial liabilities	(354)	286	(68)	40	27	(1)
<b>Total</b>	<b>(354)</b>	<b>286</b>	<b>(68)</b>	<b>40</b>	<b>27</b>	<b>(1)</b>

As at 31 December 2019, financial liabilities were as follows:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral paid	
Derivative financial liabilities	(37)	-	(37)	13	55	31
<b>Total</b>	<b>(37)</b>	<b>-</b>	<b>(37)</b>	<b>13</b>	<b>55</b>	<b>31</b>

Financial assets and liabilities are offset in the consolidated statement of financial position when the Group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The Group is subject to an enforceable master netting arrangement in the form of an ISDA agreement with a derivative counterparty. Under the terms of this agreement, offsetting derivative contracts is permitted only in the event of bankruptcy or default of either party to the agreement. In order to manage the counterparty credit risk associated with derivative trades, the parties have executed a collateral support agreement.

### F.31. Off-balance sheet items

#### F.31.1. Commitments

As at 31 December 2020, the Group had a commitment under investment agreements of €132 million (2019: €131 million) to make an additional contribution into the private equity funds. Till 2020, the Group already invested €161 million into these private equity funds.

#### F.31.2. Pledged assets and collaterals

As at 31 December 2020, the Group had pledged €88 million (2019: €467 million) of assets as collateral, where €85 million (2019: €463 million) has been pledged in repurchase agreements (REPO). The fair value of the guaranteed liabilities in repurchase agreements amounted to €11 million (2019: €398 million).

Furthermore, as at 31 December 2020 the Group has received financial assets as collateral for €408 million (2019: €1,155 million), in particular for transactions in bonds and loans. The fair value of the asset for which the collateral was received amounted to €482 million (2019: €1,178 million).

#### F.31.3. Guarantees

When negotiating terms and conditions in respect of acquisition of real estate properties the Group receives guarantees given by the seller of the property. The guarantees usually refer to ownership rights and potential claims raised against the owner of the property. Furthermore, the Group in the context of its business in some Countries receives guarantees given by third parties.

The Group guarantees minimum investment yield of 0% on an annual basis for plan holders of the Transformed fund and has to ensure that the value of assets in the Fund is always equal to or greater than the value of liabilities.

#### F.31.4. Legal

As at the release date of the consolidated financial statements, there was a legal case concerning the decision of the 2005 General Meeting of the one of the Group's Company to approve a squeeze-out of minority shareholders and a pending consideration paid on the squeeze-out. Based on legal analyses carried out by external legal counsel, the management of the Company believes that this case does not give rise to any contingent future liabilities for the Company.

#### F.31.5. Other contingencies

##### Participation in nuclear pools

As a member of the National Nuclear Pools, the Group is jointly and severally liable for the obligations of the pools. This means that in the event that one or more of the other members are unable to meet their obligations to the pool, the Group would take over the uncovered part of this liability, pro-rata to its own net retention for the contracts in question. Management does not believe that the risk of another member being unable to meet its obligations to the pool to be material to the financial position of the Group. In addition, the potential liability of the Group for any given insured risk is contractually capped at twice the Group's net retention for that risk.

The subscribed country net retention is as follows:

##### Czech Republic

(€ million)	31.12.2020	31.12.2019
Liability	10	10
Fire, lightning, explosion, aircraft („FLEXA“) and break down of operations	28	27
<b>Total</b>	<b>38</b>	<b>37</b>

##### Slovakia

(€ million)	31.12.2020	31.12.2019
Liability	4	4
Fire, lightning, explosion, aircraft („FLEXA“) and break down of operations	4	4
<b>Total</b>	<b>8</b>	<b>8</b>

**Hungary**

(€ million)	31.12.2020	31.12.2019
Liability	1	1
Fire, lightning, explosion, aircraft („FLEXA“) and break down of operations	2	2
Technical insurance and breakdown of operations	2	2
<b>Total</b>	<b>5</b>	<b>5</b>

**Bulgaria**

(€ million)	31.12.2020	31.12.2019
Liability	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

**Croatia**

(€ million)	31.12.2020	31.12.2019
Fire, lightning, explosion, aircraft („FLEXA“) and break down of operations	1	1
Transportation risk	1	1
<b>Total</b>	<b>2</b>	<b>2</b>

**Membership in the Czech and Slovak Insurance Bureaus**

As a member of both the Czech and Slovak Insurance Bureaus (“the Bureaus”) related to the MTPL insurance in each country, the Group is committed to guaranteeing the MTPL liabilities of the Bureaus. For this purpose, the Group makes contributions to a guarantee fund for each Bureau based on the calculations of the relevant Bureau.

In the event of a fellow member of the Bureau being unable to meet its liabilities arising from MTPL due to insolvency, the Group may be required to make additional contributions to the guarantee fund. Management considers the risk of this to be immaterial to the financial position of the Group.

**F.32. Related parties**

This chapter contains information about all important transactions with related parties, excluding those which are described in other parts of the notes.

**F.32.1. Identity of related parties**

The ultimate parent company is Assicurazioni Generali S.p.A.

Related parties are Generali CEE's shareholders, entities outside the Group controlled by them, its associates and joint ventures, key management personnel, their close family members and other parties that are controlled, jointly controlled or significantly influenced by such individuals. Entities in which such individuals hold significant voting power are also considered related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

Key management personnel of the Group comprise the members of the Board of Directors.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely to the legal form.

**F.32.2. Transactions with key management personnel of the Group**

The following table shows the employee benefits for the members of Generali CEE Holding B.V. Board of Directors.

(€ thousands)	Board of Directors			
	Related to the board membership		Related to employment contract	
	2020	2019	2020	2019
Short-term employee benefits	-	-	3,179	3,052
Long-term employee benefits	-	-	1,328	1,329
Contribution to State-defined contribution pension plans	-	-	459	426

Short-term employee benefits include wages, salaries, allowances provided for membership in the statutory bodies, bonuses and other benefits such as medical care and cars. Bonuses are conditional upon achievement of specific targets linked to profitability levels of the Group's insurance business; these targets have been largely met in the current financial year.

There were no termination benefits paid to the key management personnel of the Group either in 2020 or in 2019.

**F.32.3. Related party transactions****Transactions with the parent company**

The transactions with the parent company Generali Assicurazioni were as follows:

(€ million)	31.12.2020	31.12.2019
<b>Total assets</b>	<b>127</b>	<b>217</b>
Investments	27	4
Reinsurance assets	87	179
Receivables	17	38
Other assets	(4)	(4)
<b>Total liabilities</b>	<b>60</b>	<b>121</b>
Insurance liabilities	5	20
Financial liabilities	3	65
Payables	51	34
Other liabilities	1	2

(€ million)	2020	2019
<b>Total income</b>	<b>(165)</b>	<b>(144)</b>
Net earned premiums revenue	(165)	(144)
<b>Total expenses</b>	<b>62</b>	<b>69</b>
Net insurance benefits and claims	54	62
Expenses from other financial instruments and investment properties	(1)	(4)
Acquisition and administration costs	18	19
Other expenses	(9)	(8)

Reinsurance assets are represented by technical provisions ceded to Assicurazioni Generali S.p.A. for €87 million (2019: €179 million) and item Net earned premiums revenue includes ceded premiums to Assicurazioni Generali S.p.A. under reinsurance contracts for €173 million (2019: €144 million).

**Other related party transactions**

Other transactions with related parties that are part of the Generali group, it means companies controlled by the ultimate parent company Assicurazioni Generali S.p.A., are presented in the following tables:

(€ million)	31.12.2020	31.12.2019
<b>Total assets</b>	<b>325</b>	<b>291</b>
Intangible assets	-	1
Investments	288	256
Reinsurance assets	22	22
Receivables	13	9
Other assets	2	3
<b>Total liabilities</b>	<b>36</b>	<b>28</b>
Insurance liabilities	16	12
Payables	14	12
Other liabilities	6	4

(€ million)	2020	2019
<b>Total income</b>	<b>33</b>	<b>16</b>
Net earned premiums revenue	27	7
Fee and commission income and income from financial service activities	2	-
Net income/(losses) from financial instruments at fair value through profit or loss	-	6
Share of results of joint ventures accounted for using the equity method	1	-
Income from other financial instruments and investment properties	1	1
Other income	2	2
<b>Total expenses</b>	<b>(16)</b>	<b>-</b>
Net insurance benefits and claims	(6)	2
Acquisition and administration costs	(3)	4
Other expenses	(7)	(6)

Item Investment comprises investment fund units of €72 million (2019: €67 million) mainly via unit-linked portfolio and investments in private equity funds and provided loans of €216 million (2019: €189 million).

## G. SUBSEQUENT EVENTS

### **Deconsolidation of Transformed fund of Generali penzijní společnost, a.s.**

With effective date of 1 January 2021 major changes of statute of Transformed fund have been made. Changes relate to investment strategy and limit the amount of investments into risky assets, specifically debt securities without an investment rating and shares and securities.

As a result of these changes the Group has decided to reassess criteria of IFRS 10 for consolidation of subsidiaries and came to following conclusions:

- The scope of the decision-making authority is significantly limited;
- The changes to the investment mandate of the Fund align the possible investment strategies with the purpose and design of the Funds, i.e. providing stable, low risk returns to the policyholders.
- Exposure to variability of returns is significantly lower due to the expected decrease of likelihood that the fund will incur losses calling the guarantee.

Based on the changes made, Transformed fund does not meet criteria which are required for consolidation under the IFRS 10. Considering the facts above, Generali group will deconsolidate the Transformed fund from its financial statements for the year ended 31 December 2021.

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### **III. Company financial statements for the year ended 31 December 2020**

## III. Company financial statements for the year ended 31 December 2020

### COMPANY STATEMENT OF FINANCIAL POSITION

(€ million)	Note	2020	2019
<b>Non-current assets</b>		<b>4,721</b>	<b>4,719</b>
Intangible assets		1	1
Financial fixed assets	D.1	4,720	4,718
Investments in group companies		4,720	4,718
<b>Current assets</b>	<b>D.2</b>	<b>226</b>	<b>303</b>
Receivables	D.2.1	45	3
Loans	D.2.2	49	177
Securities	D.2.3	119	109
Cash and cash equivalents	D.2.4	8	10
Other assets	D.2.5	5	4
<b>Total assets</b>		<b>4,947</b>	<b>5,022</b>
<b>Shareholder's equity</b>	<b>D.3</b>	<b>4,894</b>	<b>5,010</b>
Paid-up capital and share premiums reserve	D.3	3,935	3,935
Other reserves	D.3	959	1,075
<b>Current liabilities</b>	<b>D.4</b>	<b>53</b>	<b>12</b>
Financial liabilities	D.4.1	38	-
Other liabilities	D.4.2	15	12
<b>Total equity and liabilities</b>		<b>4,947</b>	<b>5,022</b>

### COMPANY INCOME STATEMENT

(€ million)	Note	2020	2019
Result from investments in Group companies after tax		498	296
Other income and expenses after tax	E.1	(38)	(21)
<b>Result of the period</b>		<b>460</b>	<b>275</b>

# Notes to the company financial statements

## A. GENERAL INFORMATION

The Company financial statements of Generali CEE Holding B.V. should be read in conjunction with the consolidated financial statements.

### A.1. Description of the Company

Generali CEE Holding B.V. or “the Company” was incorporated under Dutch law as a limited liability company on 8 June 2007. The Company is listed in the Commercial Register kept by the Chamber of Commerce of the city of Amsterdam under Registration Number 34275688 and is based in De Entree 91, 1101 BH Amsterdam, The Netherlands.

Generali CEE Holding was established under the laws of the Netherlands and as at 31 December 2020 was fully owned by Assicurazioni Generali S.p.A. (“Generali”) which is the Company’s ultimate parent company.

The Company was incorporated for the purpose of integrating the business activities of Generali Group and PPF Group (former minority shareholder of the Company). The Company’s business activities are consulting services in the entrepreneurial, financial, economic and organizational fields and their procurement throughout the companies in the Group.

### A.2. Statutory body

The statutory body of the Company was as at 31 December 2020 as follows:

Members: Luciano Cirinà  
Carlo Schiavetto  
Jaime Anchustegui Melgarejo  
Cristiano Borean  
Heike Otteman-Toyza

The Company incorporated a branch (Generali CEE Holding B.V., organizační složka) in the Czech Republic which was entered into the Commercial Register kept by the Municipal Court in Prague, Section A, Insert 59992 on 30 January 2008 under Identification Number 28239652 and is situated in Na Pankráci 121/1658, 140 21 Prague 4, Czech Republic. As at 31 December 2020, the Chief Executive Director of the branch was Mr. Luciano Cirinà.

The Company is subject to Dutch and Czech corporate income taxation, due to its branch in the Czech Republic. Since all the assets and activities of the Company have been transferred to the Czech branch, Czech tax law has primacy for the Company’s tax status.

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## **B. BASIS OF PREPARATION**

These financial statements are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. The principles of valuation and determination of results described in the consolidated financial statements prepared under International Financial Reporting Standards (IFRS) as endorsed by the European Commission are also applicable to the individual financial statements. Investments in Group companies and investments in associates are initially recognised at cost and subsequently accounted for by the equity method of accounting.

The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Netherlands Civil Code. The income statement has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code.

The financial statements will be adopted by the Annual General Meeting which is expected to take place in May 2021. Expectations are that the financial statements will be adopted without any changes

## C. ACCOUNTING POLICIES

### C.1. Functional and presentation currency

The functional currency of the Company is the Czech koruna (CZK), the domestic currency of the Czech Republic. The amounts in the financial statements are presented in euros (€), if not stated otherwise.

### C.2. Investments in group companies

Investments in group companies are entities (including intermediate subsidiaries and special purpose entities) over which the Company has control. Subsidiaries are recognised from the date on which control is transferred to the Company or its intermediate holding entities. They are derecognised from the date that control ceases.

There are three conditions of control (according to the standard IFRS 10 Consolidated Financial Statements) which have to be met for considering an entity as controlled:

- a) Power over the investee.
- b) Exposure, or right to variable returns.
- c) The ability to affect those returns through power over the investee.

The Company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date and are subsumed in the net asset value of the investment in group companies. Acquisition-related costs are expensed as incurred.

Investments in group companies are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

The Company's share of the net income of Group companies is included in results relating to investments in Group companies in the Income Statement. Unrealised revaluations within consolidated Group companies are presented in the related equity items in the Company financial statements.

When an acquisition of an investment in a group company is achieved in stages, any previously held equity interest is remeasured to fair value on the date of acquisition. The remeasurement against the book value is accounted for in the income statement.

When the Company ceases to have control over a subsidiary, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the income statement.

When parts of investments in group companies are bought or sold, and such a transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognised in equity.

### C.3. Investments – recognition of losses

When the Company's share of losses in an investment equals or exceeds its interest in the investment (including separately presented goodwill or any other unsecured non-current receivables, being part of the net investment) the Company does not recognise any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment. In such case, the Company will recognise a provision.

### C.4. Investments – unrealised gains and losses

Unrealised gains on transactions between the Company and its investments in consolidated subsidiaries are eliminated in full based on the consolidation principles. Unrealised gains on transactions between the Company and its investments in associates are eliminated to the extent of the Company's share in these investments.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

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## **C.5. Current assets**

Current assets include securities, derivative contracts, loans and receivables (term deposits included), cash and cash equivalents.

Current assets are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. For standard purchases and sales of financial assets, the Company's policy is to recognise them using settlement-date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Company used trade-date accounting. Financial instruments are measured initially at fair value plus transaction costs directly attributable to the acquisition or issue of the financial instrument.

Current assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

### **C.5.1. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than classified as securities.

After initial recognition at fair value, loans and receivables are measured at amortised cost using the effective interest method less provision for impairment.

### **C.5.2. Securities**

Securities are those non-derivative financial assets that are not classified as loans and receivables.

After initial recognition, the Company measures securities at their fair values, without any deduction for transaction costs that it may incur upon sale or other disposal, with the exception of instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured which are stated at cost, including transaction costs, less impairment losses.

Any revaluation gain or loss is recognised in other comprehensive income with the exception of impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When securities are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. Where these instruments are interest-bearing, interest calculated using the effective interest rate method is recognised in the income statement. Dividend income is recognised in the income statement as other investment income.

### **C.5.3. Derivative contracts**

All derivatives in a net receivable position (positive fair value) are reported as financial assets.  
All derivatives in a net payable position (negative fair value) are reported as financial liabilities.

### **C.5.4. Other receivables**

Other receivables include all other receivables not related to tax. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

### **C.5.5. Cash and cash equivalents**

Cash consists of cash in hand and demand deposits with banks and other financial institutions and term deposits due within 15 days. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **C.5.6. Term deposit with credit institution**

Term deposits with credit institutions consist of deposits with banks and other financial institutions with a term longer than 15 days.

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### **C.6. Share based payments**

Employees of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The Company has no obligation to settle the share-based transaction; rather the transaction will be settled by shares issued by Assicurazioni Generali S.p.A. (shareholder).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised together with a corresponding increase in retained earnings in equity. The cumulative expense is recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified and if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expenses not yet recognised for the award are recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if there was a modification of the original award as described in the previous paragraph.

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## D. NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION

### D.1. Financial fixed assets

Investments in Group companies comprise the following:

(€ million)	31.12.2020	31.12.2019
Investments in group companies	4,720	4,718
<b>Total investments in subsidiaries and associates</b>	<b>4,720</b>	<b>4,718</b>

Identification of group companies, their country of residence and proportion of ownership interest is provided in Note C.1 of the consolidated financial statements.

Changes in Group companies comprise the following:

(€ million)	31.12.2020	31.12.2019
<b>Carrying amount as at beginning of reporting period</b>	<b>4,718</b>	<b>4,585</b>
Additional investments in group companies	13	351
Disposal of group companies	-	(259)
Dividend distribution	(379)	(489)
Other movements in group companies equity	(130)	234
Result of group companies	498	296
<b>Carrying amount as at end of reporting period</b>	<b>4,720</b>	<b>4,718</b>

In 2020 the Company increase its participation in Generali osiguranje d.d. and Romanian pension fund.

In 2019 the Company acquired Adriatic Group for €246 million, Union Investment for €93 million and Romanian pension fund for €10 million.

The Company sold its subsidiary Generali pojišťovna a.s. to other company within Generali Group Česká pojišťovna which is now named Generali Česká pojišťovna.

Other movements in group companies equity primarily comprise of changes in the share premium reserve, the revaluation reserve arising from changes in the fair value of available for sale financial instruments held by the Group companies and changes in the currency translation reserve arising from differences between functional currencies and the presentation currency.

The list of Group companies is presented in the consolidated financial statements (see Note C.1 in the consolidated financial statements). In majority of entities where the Company has direct participation its share exceeds 50%, except for Generali Alapkezelő Zrt. (share 26%) and GW Beta (49%).

### D.2. Current assets

#### D.2.1. Receivables

(€ million)	31.12.2020	31.12.2019
Receivables from clients and suppliers	45	3
<b>Total</b>	<b>45</b>	<b>3</b>

All receivables are due within one year.



**D.2.2. Loans**

(€ million)	31.12.2020	31.12.2019
Loans	49	177
<b>Total</b>	<b>49</b>	<b>177</b>

Loans consist of cash-pooling operated by Assicurazioni Generali S.p.A. of €25 million (2019: €2 million), reverse repurchase agreement of €16 million (2019: €145 million) and loan provided to City Empiria, a.s. of €0 million (2019: €24 million) and GW Beta B.V. of €8 million (2019: €6 million).

Changes in company loans provided were as follows:

(€ million)	2020	2019
<b>Balance as at beginning of reporting period</b>	<b>177</b>	<b>149</b>
Redemptions	(152)	(1)
Increases	32	27
Exchange differences	(8)	2
<b>Balance as at end of reporting period</b>	<b>49</b>	<b>177</b>

In 2020 there was an redemption of €146 million related to reverse repurchase agreement and pay back of €24 millions loan to City Empiria which was sold out of group.

In 2019 there was an increase of €23 million related to reverse repurchase agreement and €3 million related to loan provided to GW Beta B.V. Redemption of €1 million represents the partial repayment of loan provided to City Empiria, a.s.

**D.2.3. Securities**

Securities as at 31 December comprise:

(€ million)	31.12.2020	31.12.2019
<b>Quoted securities</b>	<b>31</b>	<b>31</b>
Equities	29	29
Corporate bonds	2	2
<b>Unquoted securities</b>	<b>84</b>	<b>75</b>
Equities	84	75
<b>Derivatives</b>	<b>4</b>	<b>3</b>
<b>Total</b>	<b>119</b>	<b>109</b>

Changes in company securities were as follows:

(€ million)	2020	2019
<b>Balance as at beginning of reporting period</b>	<b>109</b>	<b>83</b>
Investments	-	33
Revaluation in equity	7	6
Revaluation in income statement	1	1
Exchange differences	2	2
Sold	-	(16)
<b>Balance as at end of reporting period</b>	<b>119</b>	<b>109</b>

The investments in 2019 were represented by acquisition of equities. All the government bonds (€7 million) and significant part of corporate bonds (€9 million) were sold in 2019.

**D.2.4. Cash and cash equivalents**

Cash and cash equivalents are as follows:

(€ million)	2020	2019
<b>Balance as at beginning of reporting period</b>	<b>10</b>	<b>11</b>
Decrease in cash at bank and in hand	(2)	(1)
<b>Balance as at end of reporting period</b>	<b>8</b>	<b>10</b>

No restrictions are applicable to cash balances.

**D.2.5. Other assets**

Other assets comprise the following:

(€ million)	31.12.2020	31.12.2019
Accrued income and prepayments	1	-
Tax receivables	4	4
<b>Total</b>	<b>5</b>	<b>4</b>

**D.3. Shareholder's equity**

The following table shows the roll-forward of shareholder's equity:

(€ million)	Paid-up and called capital	Share premium reserve	Revaluation reserves	Currency translation reserve	Cash flow hedge reserve	Retained earnings	Result of the period	Total
<b>Balance as at 31.12.2018</b>	-	3,935	140	18	(2)	365	358	4,814
Transfer of net gain 2018						358	(358)	-
<b>Balance after transfer</b>	-	3,935	140	18	(2)	723	-	4,814
Revaluation - financial assets AFS			8					8
Currency translation differences				2				2
Other movements in subsidiaries equity			173	60	1			234
<b>Other comprehensive income</b>	-	-	181	62	1	-	-	244
Net gain 2019							275	275
<b>Total comprehensive income for the period</b>	-	-	181	62	1	-	275	519
Allocation to reserve for share-based payments						3		3
Dividends to shareholders						(326)		(326)
<b>Balance as at 31.12.2019</b>	-	3,935	321	80	(1)	400	275	5,010
Transfer of net gain 2019						275	(275)	-
<b>Balance after transfer</b>	-	3,935	321	80	(1)	675	-	5,010
Revaluation - financial assets AFS			6					6
Currency translation differences				(24)				(24)
Other movements in subsidiaries equity			48	(179)	(5)			(136)
<b>Other comprehensive income</b>	-	-	54	(203)	(5)	-	-	(154)
Net gain 2020							460	460
<b>Total comprehensive income for the period</b>	-	-	54	(203)	(5)	-	460	306
Allocation to reserve for share-based payments						4		4
Dividends to shareholders						(426)		(426)
<b>Balance as at 31.12.2020</b>	-	3,935	375	(123)	(6)	253	460	4,894

The following table provides details of the distribution restrictions of equity:

(€ million)	31.12.2020	31.12.2019
<b>Not available for distribution to shareholders</b>	<b>467</b>	<b>610</b>
Share capital	-	-
Share premium reserve - portion not available for distribution	157	157
Revaluation reserves	439	374
Currency translation reserve	(123)	80
Cash flow hedge reserve	(6)	(1)
<b>Available for distribution to shareholders</b>	<b>4,427</b>	<b>4,400</b>
Share premium reserve - portion available for distribution	3,778	3,778
Revaluation reserves	(64)	(53)
Retained earnings	713	675
<b>Total shareholder's equity</b>	<b>4,894</b>	<b>5,010</b>

#### D.3.1. Paid-up and called capital

Authorized share capital amounts to €0.5 million and is divided into 500,000 shares at €1.0 par value, of which 100,000 have been issued and fully paid.

#### D.3.2. Revaluation reserve

The revaluation reserve includes a positive revaluation reserve from the available for sale securities of the Group companies for €439 million (2019: €374 million) which is not available for distribution.

#### D.3.3. Profit distribution

On 24 June 2020, the Sole shareholder (Assicurazioni Generali) adopted a decision to distribute dividends in amount of €200 million, paid out of the 2019 profit. Dividends in the amount of €60 million has been already paid on 1 April 2020 as an interim dividend.

On 10 December 2020, the Sole shareholder (Assicurazioni Generali) adopted a decision to distribute interim dividends in amount of €226 million, paid out of the 2020 interim profit.

Overall dividend payment in year 2020 amounted to €426 million.

### D.4. Current liabilities

#### D.4.1. Financial liabilities

Other Financial liabilities consist of the following:

(€ million)	31.12.2020	31.12.2019
Loans from subsidiaries and investment vehicles	37	-
Other hedging derivatives	1	-
<b>Total</b>	<b>38</b>	<b>-</b>

In 2020 the Company was provided with a short term loan in the total amount of €37 million from its subsidiary General Biztosító Zrt.

**D.4.2. Other liabilities**

Other liabilities consist of the following:

(€ million)	31.12.2020	31.12.2019
Payables to clients and suppliers	5	4
Payables related to taxation	1	2
Accrued charges	9	6
<b>Total</b>	<b>15</b>	<b>12</b>

## E. NOTES TO THE COMPANY INCOME STATEMENT

### E.1. Other income and expenses

Other income and expenses can be analyzed as follows:

(€ million)	2020	2019
Interests and other investment income	2	4
Currency gains	-	8
Other income	1	1
<b>Total income</b>	<b>3</b>	<b>13</b>
Personnel expenses	(16)	(16)
Expenses for share-based payments	(2)	(1)
Audit and consulting services	(7)	(7)
Currency losses	(6)	-
Other expenses	(8)	(8)
<b>Total expenses</b>	<b>(39)</b>	<b>(32)</b>
<b>Income taxes</b>	<b>(2)</b>	<b>(2)</b>
<b>Other income and expenses</b>	<b>(38)</b>	<b>(21)</b>

### E.2. Off-balance sheet items

#### E.2.1. Commitments

As at 31 December 2020, the Company had a commitment under investment agreements of €33 million (2019: €37 million) to make an additional contribution into the private equity funds.

#### E.2.2. Pledged assets and collaterals

Furthermore, the Company has received financial assets as collateral for approximately €15 million (2019: €143 million), in particular for repo operations.

### E.3. Share-based payments

The detailed description of share-based payments for the Company's employees including vesting period, conditions and valuation is presented in the consolidated financial statements (see Note F.26 in the consolidated financial statements).

As at 31 December 2020, an expense recognised in relation to this plan amounted to €2 million (2019: €1 million).

### E.4. Employees

Number of employees:

	31.12.2020	31.12.2019
Managers	47	45
Employees	89	71
<b>Total</b>	<b>136</b>	<b>116</b>

Employee expenses were €16 million (2019: €16 million) (Note E.1). Further information about employees is provided in Note F.28 of the consolidated financial statements. All employees of the Group work outside the Netherlands.

### **E.5. Company directors**

Further information about the remuneration of Company directors is provided in Note F.32.2 of the consolidated financial statements.

### **E.6. Transactions with related parties**

All investments in the Group companies and other investments disclosed in the consolidated financial statements qualify as related parties. Information on related party transactions is provided in Note F.32 of the consolidated financial statements.

### **E.7. Audit fees**

Audit fees related to the audit of the financial statements for the Company and its subsidiaries for 2020 amounted to €2.9 million, net of VAT (2019: €3.2 million) and are due to the Ernst & Young network of firms. The other services provided by the audit firm have been immaterial.

### **E.8. Subsequent events**

Information on subsequent events is provided in Note G of the consolidated financial statements.

3 May 2021

Signed by the Board of Directors:

**Luciano Cirinà**  
(Managing Director)

**Jaime Anchústegui Melgarejo**  
(Managing Director)

**Cristiano Borean**  
(Managing Director)

**Heike Ottemann-Toyza**  
(Managing Director)

**Carlo Schiavetto**  
(Managing Director)

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## **F. OTHER INFORMATION**

### **F.1. Profit appropriation**

Provisions in the Articles of Association governing the appropriation of profit (Article 22):

- a) Distributions can only take place up to the amount of that part of the company's net assets which exceeds the aggregate of the issued capital and reserves which must be maintained by virtue of the law.
- b) Distribution of profits shall take place upon adoption of the Annual Accounts from which it appears that such distribution is allowed.

### **F.2. Independent auditor's report**

To: the General Meeting of Shareholders of Generali CEE Holding B.V.

## Independent auditor's report

To: the shareholder and board of directors of Generali CEE Holding B.V.

### Report on the audit of the financial statements 2020 included in the annual report

#### Our opinion

We have audited the financial statements 2020 of Generali CEE Holding B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

#### In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Generali CEE Holding B.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Generali CEE Holding B.V. as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code

#### The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2020
- The following statements for 2020: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

#### The company financial statements comprise:

- The company balance sheet as at 31 December 2020
- The company profit and loss account for 2020
- The notes comprising a summary of the accounting policies and other explanatory information

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Generali CEE Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Board of directors report including the letter from the Chairman and CEO, the economic and insurance market development and the holding's management
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the board of directors report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities for the financial statements

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements 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. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining 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
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding 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 a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

The Hague, 3 May 2021

Ernst & Young Accountants LLP

signed by S.B. Spiessens

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