ANNUAL REPORT 2022
Generali CEE Holding B.V.

generalicee.com

GENERALI

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LETTER FROM THE CHAIRMAN AND CEO

Dear Ladies and Gentlemen,

Last year was marked by unmatched external and internal challenges, though we emerged stronger, and thanks to your undisputed capabilities, fast response and resilience, we achieved outstanding results. In 2022, the total premium income reached €4,485 million, and the operating result was €688 million. The combined ratio increased to 84.84% from 81.13% (2021), and we remain among the top three players in the Czech Republic, Hungary, Serbia, Slovakia and Slovenia.

The Central and Eastern European countries are navigating in turbulent waters with one of the highest inflation rates across the Euro zone, an uncertain geopolitical context due to the proximity to Ukraine and more frequent natural catastrophes occurring. However, skilled people stand out in tough times, and we have now to focus on fulfilling all the ambitious targets set in the Generali strategic plan Lifetime Partner 24 Driving Growth.

New Governance

As of September 1st, 2022, following the Generali Group's reorganization to support the priorities of the strategic plan, Austria joined the newly established DACH business unit, together with Germany and Switzerland, while all the other CEE countries have been moved under the Generali International unit, led by Jaime Anchústegui. Since then, we are now organized into three regions: International Asia, International Mediterranean & Latin America and International Central and Eastern Europe. Consequently, Manlio Lostuzzi has been appointed International CEE Regional Officer.

Together, we now represent 26 countries with 31,000 employees. As a result, we are the most diverse unit of the Generali Group. We aim to leverage this diversity to create long-term value for our people and clients and become the engine of growth and profitability for Generali Group over the next years.

With the ambition to work with a ONE TEAM approach where clocks are always in sync despite the distances, we have created a new governance with clear principles and accountability. Strong International Functions have been established to support both the Generali International CEO and the three International Regional Officers mirroring Group Head Office with no duplication. Nevertheless, the main actors remain the CEOs of the local business units and their teams.

Generali CEE Holding will continue to play a crucial role in this new organization; it is pivotal for accelerating the business and supporting the local business units.

Regional priorities

Among the priorities to drive the strategic plan this year and in 2024, we have to focus on controlling the inflation impact on cost and claims, define a proper strategy for IT, defend current profitability in the protection business and increase protection penetration. Remembering the importance of capturing customers' savings through developing insurance and financial wrappers and fostering the profitable growth of Health businesses supported by new digital health services and ecosystems.

The Regional Digital Acceleration Program, Lion Power, launched in May 2020, remains the focus of our digitization journey and a powerful tool to embed the Group Strategy Lifetime Partner 24. By leveraging well-established structures for supporting and monitoring strategy implementation, 141 highly ambitious execution targets were set across six different workstreams and nine countries. In addition, the implemented regular strategy check procedures facilitate a holistic view of LTP24 execution and enhance the exchange of best practices throughout the CEE region.

Sustainability
Sustainability remains the originator of the Generali Group strategy, which means that our ambition is that sustainability will shape all the decisions that are taken. For example, in 2022, we discontinued the insurance contracts with client's owner of four coal plants operating in CEE countries, accelerating further the decarbonization process.

As responsible insurer, we want to foster a sustainable transition for the SMEs through the third edition of the SME EnterPRIZE initiative. Croatia, the Czech Republic, Hungary are already part of this journey, and Slovenia is joining this year's edition, adding further value.

Lastly, we are proud and grateful of Generali employee’s contribution to the many humanitarian initiatives still running in many CEE countries to support the Ukrainian families who escaped the war seeking refuge in the neighboring countries where Generali is present. On top of it, we are delighted by the impact of the programs launched in every country by The Human Safety Net foundation in cooperation with local NGOs.

We are well positioned and have a clear strategy to face a complex environment thanks to the capabilities and motivation of our people We have an ambitious plan for the following years to further reinforce our strong market position and continue the journey to becoming Lifetime Partner to our customers and distributors. We aim to transform our role to a trusted advisor, providing integrated solutions that add genuine value to people’s lives, health, home, mobility, work and support them in achieving their life goals and dreams.

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

Manlio Lostuzzi
International CEE Regional Officer
CEO of Generali CEE Holding B.V.

ECONOMIC AND INSURANCE MARKET DEVELOPMENT

General economic situation in 2022

Economic development in 2022 was impacted by the war in Ukraine. Growing inflation pressures in Europe and in other regions of the world economy, driven by strong domestic demand and by growing commodity prices in the global markets, were apparent already in 2021. Moderation of price pressures, originally expected for spring 2022, did not materialize. The conflict in Ukraine led to a further increase in energy and food prices. Inflation in Europe was growing for the most of 2022 and in some countries, incl. some in the CEE region, reached its peak only in early 2023. While inflation is expected to decline during 2023, inflation targets are likely to be reached only in 2024 at earliest.

High inflation led to monetary policy tightening and had negative impact on household consumption and the overall GDP performance via pressure on real disposable incomes. The full-year GDP growth in 2022 was solid: it reached 3.5% in both the Eurozone and the EU. However, a slowdown is expected for 2023 due to a weaker GDP performance recorded in late 2022 and only a gradual recovery, which is likely to take place during 2023. GDP was flat in the quarter-to-quarter terms in the Eurozone and fell by -0.1% qoq in the EU in the fourth quarter 2022. The European Commission in its Winter 2023 Forecast expected the full-year GDP growth in 2023 at 0.9% for the Eurozone and at 0.8% for the EU.

Monetary policy interest rates in the CEE region probably reached their peak already in 2022 in several countries but some of the regional central banks were still raising their rates in the first quarter of 2023. While monetary easing may start in some cases during 2023, we do not expect the CEE central banks to rush a U-turn in their policy stance. Any monetary easing would be gradual, and its timing will reflect a fact that the ECB and the U.S. FED were still in a process of monetary tightening in early spring 2023.

The Czech GDP rose by 2.4% in 2022: the growth was driven mainly by gross fixed capital creation and by change in inventories, while household consumption declined as real wage fell sharply due to high inflation. This led the economy into recession in the second half of 2022. Inflation jumped mainly on higher commodity prices. The CNB raised its interest rates last time in June 2022 and kept them on hold since then (the key rate at 7%). The mix of falling inflation and stronger CZK may open a room for rate cuts later in 2023. The CNB intervened in FX market between May and September to protect the Czech crown against depreciation. No interventions were conducted since October, as the CZK started to firm.

In Poland, the full-2022 GDP growth reached 4.9% in gross terms (5.3% in seasonally adjusted-terms according to our calculation). The performance was volatile with a very strong growth in the first quarter and sharp quarter-to-quarter GDP declines in the second and fourth quarter of 2022 due to volatile inventories. High inflation, fueled mainly by energy prices, started to weigh on household consumption via negative impact on the real wage. The NBP was raising interest rates in 2022: the last hike in September put the key rate at 6.75%. We expect monetary policy rates to remain unchanged in 2023.

The Hungarian GDP increased by 4.6% in 2022 but the economy fell into recession in the second half of the year. The full-year GDP growth was mainly driven by household consumption, gross fixed capital creation and net exports. High inflation, which was driven by commodity prices as well as domestic demand, started to weigh on household consumption since summer months. The MNB was raising its interest rates in 2022 and declared the end of cycle in September after the base rate reached 13%. The subsequent weakening of the forint forced the MNB to tighten financial conditions via introducing O/N deposit with a rate at 18% and this monetary policy regime was still in place in early 2023.

Slovakia's economic growth will stay muted in 2023 at 1.5%, after reaching 1.7% in 2022, although fiscal loosening, large inflow of EU funds and collapse of European energy prices, have reduced downside risks to activity. Inflation has peaked in the winter 2022/2023 and should gradually decline later but will stay elevated in 2024 due to the delayed adjustment of household energy prices. Fiscal consolidation is left to the new government which will be formed after September 2023 early elections.

Bulgarian economy is experiencing a gradual slowdown and GDP growth halved to 3.4% in 2022. Despite there are some signs of revival of fixed investments, another visible slowdown is likely in 2023. Prevailing political paralysis could complicate swift absorption of EU funds, as the country heads toward another early election in April, fifth over the past two years. Meanwhile, the interim government gave up self-imposed euro adoption target for 2024, which was already anticipated by rating agencies due to high inflation and pending legislative changes. However, Bulgaria managed to navigate through energy crisis after Russia completely halted gas supplies in spring. Gas pipeline to Greece and diversification of nuclear fuels are parts of the move away from dependency on Russia.

Croatian economy continued to recover from the shock that the pandemic left on its vital tourism sector. In 2022, GDP again rose strongly by 6.3% while inflation was relatively muted as the government imposed a wide set of measures to fulfil euro adoption criteria before the country successfully switched to euro in 2023. The switch sparked instant positive rating actions. As outlook for European economy in general is less pessimistic, Croatia is expected to deliver modest growth also in 2023 despite a high cyclical sensitivity related to tourism.

The economy in Montenegro likely grew by still strong 7%, although it is almost a half vs. 2021. Recovery of tourism and large hikes of wages helped to stimulate growth in 2022 but cyclical sensitivity related to exposure on tourism will remain a vulnerability, combined with weak fiscal and external metrics, although the trend is cautiously improving. Politics remains a source of worries due to prolonged political paralysis and the presidential election in March and April 2023 were also part of the struggle.

Romanian economy performed well in 2022 as GDP growth slowed only modestly to still solid 4.8%. Such growth was achieved thanks to the combination of a lower dependency on energy imports and a lower exposure toward exports in general. Domestic demand was resilient thanks to robust growth of fixed investments while consumption remained resilient despite real wage change turned slightly negative. As inflation likely stabilized, monetary policy tightening is over but rate cuts from current 7% are off card for this year. Domestic demand should remain a backbone of the growth and Romania could outperform peers also in 2023. Funding position of the government is comfortable thanks to the robust foreign and record domestic debt issuance, which also helped RON, which still faces pressures related to prevailing twin deficits, although fiscal position slightly improved amid an unusual political stability.

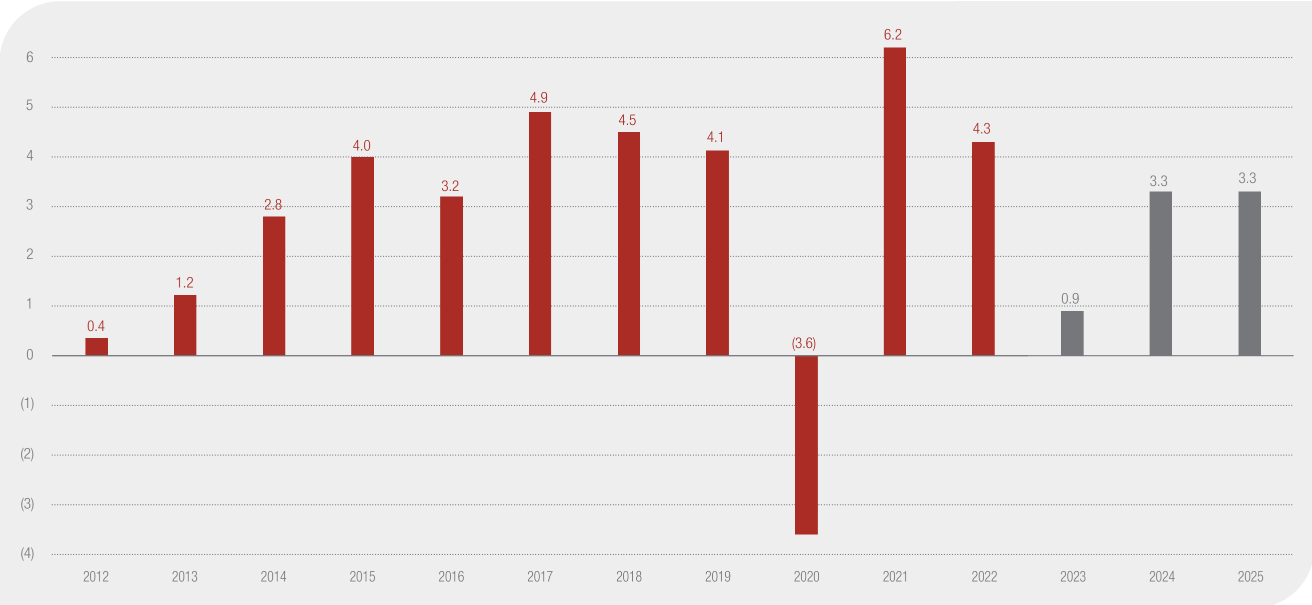
Serbian economy already showed substantial slowdown of growth as GDP rose only by 2.3% in 2022, thus underperforming peers. Poor weather conditions hit important agriculture and river transportation. However, effect of past investments should soon bear some fruits, so GDP growth is not expected to slow much in 2023. Inflation jumped on high energy costs and support for state-owned enterprises in the energy sector forced the government to establish a new IMF financial program, which provides comfort for investors. Still, the central bank was forced to prolong its hiking cycle into early 2023 following rather a cautious approach in 2022. Political status quo was kept despite series of elections while unsettled relationship with Kosovo and ties with Russia are sources of uncertainties.

Slovenia delivered still a solid economy growth at 5.4% in 2022 thanks to the resilient domestic demand. Mild winter conditions also helped, as the country remains vulnerable to energy shocks due to a lack of domestic gas storage facility and limited access to external pipelines. Tax changes helped to keep inflation under control, but prices remain sticky already since mid-2022. Political alternation toward center-left occurred in 2022 and the government launched a broad tax reform which should help to correct fiscal disbalances.

Economic conditions

Economic activity (GDP) weakened in many CEE countries during 2022, as domestic demand (mainly household consumption) was hit by high inflation and its negative impact on real wages while export performance reflected a weaker economic growth in major export markets. Several CEE countries fell into a technical recession in the second half of 2022 or reported a very weak GDP performance in the final quarter of the year. That said: there were some exceptions from this rule (e.g.: Romania) with growth performance supported by fiscal policy. The weak performance at end-2022 and a slow start into 2023 is likely to result in a weak full-year GDP growth in 2023 in most of the CEE economies.

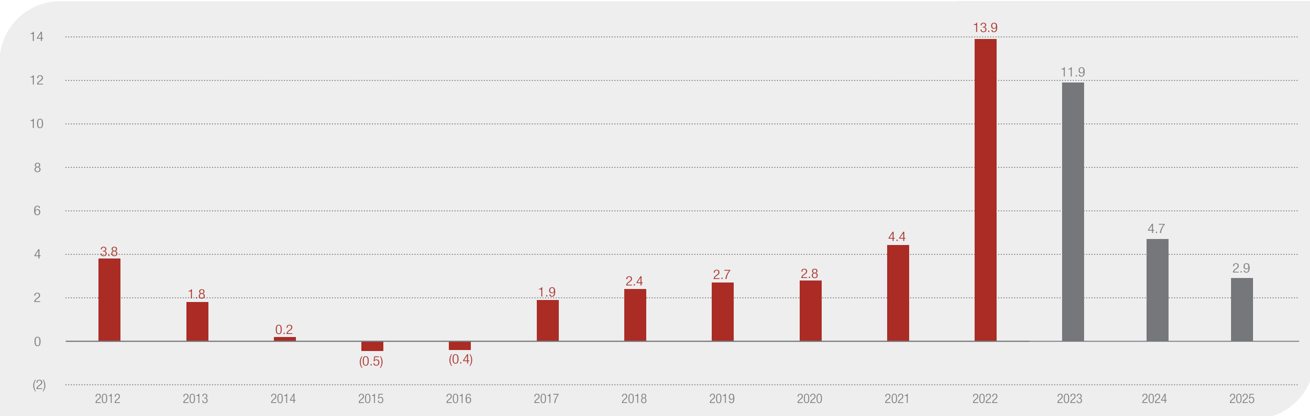
Real GDP growth in CEE region (%)



Real GDP growth (%)	2020	2021	2022	2023f	2024f	2025f
CEE overall	**(3.6)**	**6.2**	**4.3**	**0.9**	**3.3**	**3.3**
Bulgaria	(4.0)	7.6	3.4	1.3	2.8	3.0
Croatia	(8.1)	10.2	6.3	1.3	2.5	3.2
Czech Republic	(5.5)	3.5	2.4	0.5	3.0	3.3
Hungary	(4.7)	7.1	4.6	0.3	3.5	3.5
Montenegro	(15.3)	13.0	7.0	2.2	3.0	3.3
Poland	(2.0)	6.8	5.3	0.4	3.5	3.5
Romania	(3.7)	5.8	4.8	2.2	3.2	3.0
Serbia	(1.0)	7.4	2.3	1.6	3.5	3.3
Slovakia	(3.4)	3.1	1.7	1.5	3.5	4.0
Slovenia	(4.2)	8.1	5.4	0.9	2.6	2.5

Inflationary pressures were visible already in 2021 and intensified further in early 2022 in a reflection of growing commodity prices. The developments were driven by geopolitics: mainly by incidents related to the war in Ukraine. The CEE central banks responded via tighter policy. Monetary policy interest rates in the Czech Republic, Hungary and Poland most likely reached their peak in 2022. Central banks in Romania or Serbia were still raising rates in early 2023 but it seems that their key rates are also already at their peak or close to it. Hungary is likely to start exit from its current tight policy regime during the spring months, the other CEE central banks may start policy easing in the second half of 2023 at earliest.

Inflation in CEE region (%)



Inflation (%)	2020	2021	2022	2023f	2024f	2025f
CEE overall	**2.8**	**4.4**	**13.9**	**11.9**	**4.7**	**2.9**
Bulgaria	1.7	3.3	15.3	10.0	5.5	3.0
Croatia	0.1	2.6	10.8	7.0	3.0	3.0
Czech Republic	3.2	3.8	15.1	10.7	2.2	2.0
Hungary	3.3	5.1	14.5	17.0	5.0	3.2
Montenegro	(0.8)	2.5	13.0	8.5	4.2	3.1
Poland	3.4	5.1	14.3	13.5	4.8	3.0
Romania	2.6	5.1	13.8	10.2	5.9	3.3
Serbia	1.6	4.0	11.9	8.8	4.3	3.5
Slovakia	2.0	2.8	12.1	11.0	8.0	3.5
Slovenia	(0.3)	1.9	9.3	6.8	3.3	2.5

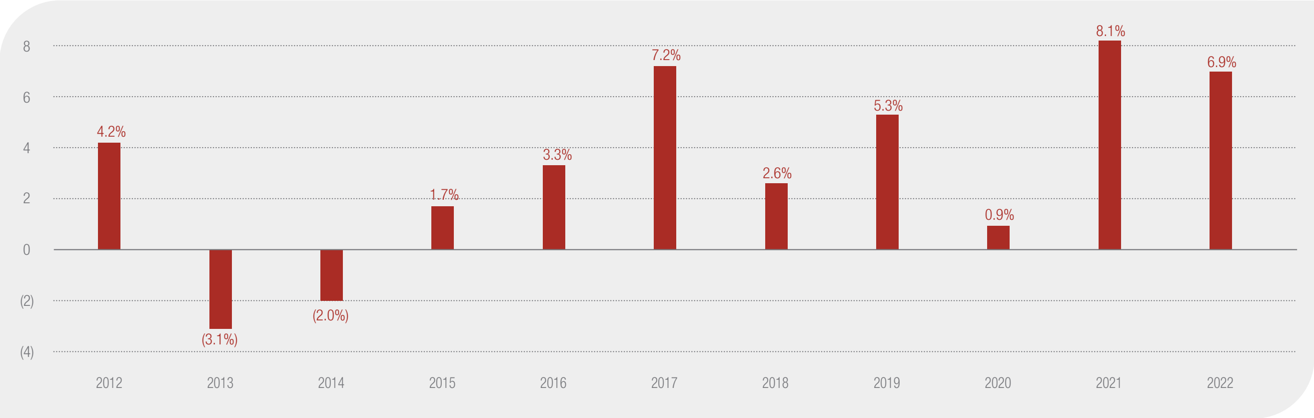
Public finance developments were mixed in 2022: while fiscal balance improved in many countries, the deficit remained significant in most cases. Efforts to shield subjects in domestic economy -particularly households- from impact of high inflation, mixed with domestic political cycle, had a negative impact on fiscal discipline. The efforts to compensate the impact of high inflation and to support the domestic economy during the period of weaker GDP growth are likely to keep public finance deficits at high levels also in 2023, even if -as currently expected- the fiscal deficit will narrow further in most of the CEE countries (the Czech Republic is one of the countries where the deficit is likely to widen).

The CEE currencies were impacted by geopolitics: the war in Ukraine weighed on the sentiment for the most of 2022. The negative impact on the regional currencies came also via developments of energy prices, as expensive energy imports resulted in wider current account deficits across the region. The situation started to change since early autumn, when it became apparent that Europe managed to reduce its dependence on energy imports from Russia significantly, which cut a likelihood of energy crisis on the European continent. The CEE currencies started to strengthen, or they at least stabilized, since October. The Czech crown firmed by almost 3% since the start of 2022 by the year-end, trading below 24.20 against the euro in late December. The CZK received support from the CNB's FX interventions between late May and September: the CNB sold equivalent of almost EUR 25.5 bn in its effort to oppose weakening/volatility of the crown's FX rate. The central bank was not active in the FX market since October, as the CZK started to strengthen due to a generally better sentiment of financial markets against Europe. The crown appreciated further -below 23.50 against the euro- by early March 2023. The Hungarian forint was weakening during the first three quarters of the year and the situation worsened after the MNB declared an end of the cycle of its interest rate hikes at the end of September. This forced the MNB to tighten monetary policy further in October and the HUF has been mostly firming since then. Agreement with the European Union about Hungary's future access to the EU funds also improved the sentiment at the year-end. Nevertheless, over the whole 2022 the forint lost more than 8% against the euro. The Polish zloty lost more than 2% during 2022 and its firming in the final quarter of the year was not that strong as in case of the Czech crown or of the Hungarian forint. In the CEE, preference of central banks and authorities to keep stable exchange rate remained important also in 2022. Central banks defended their currencies via interventions mostly during the market turmoil in the spring, but stable FX provided only limited protection against inflation spike. As noted above, Croatia successfully managed to finalize euro adoption while the process is being delayed in Bulgaria.

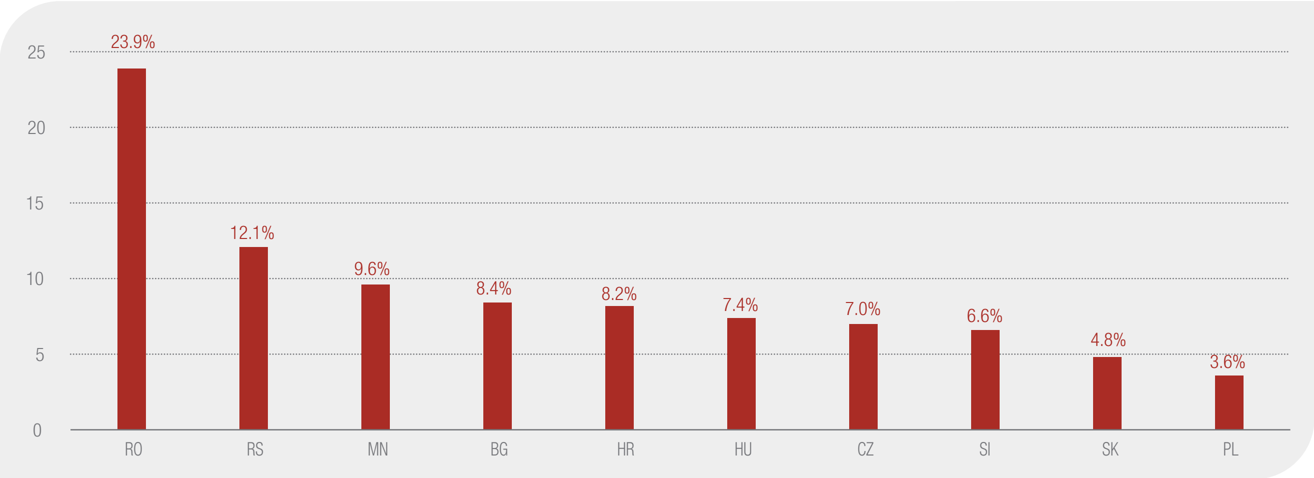
CEE Insurance market development

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, which has been significantly weakened during 2020 as the result of Covid-19 pandemic. During the last two years, impacts of the crisis have been mitigated and market has been experiencing solid recovery ever since, reaching 6.9 % growth rate of total insurance premiums in 2022. Non-Life segment proved to be more resilient, showing lasting growth across the years despite less favorable conditions. Trend in Life segment is less stable with its repetitive tendency to decline.

CEE insurance market growth (%)



Insurance market growth 2022 (%)

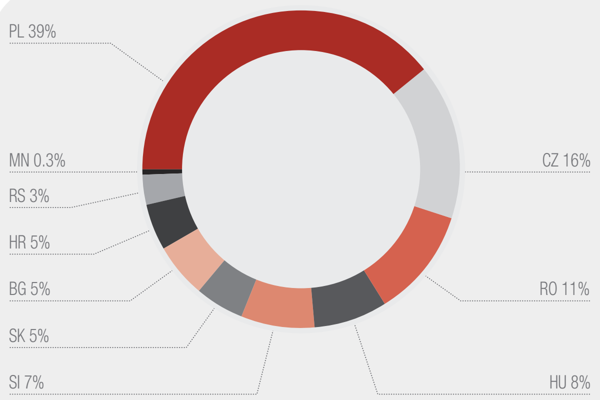


Note: Growth of Gross Written Premiums (Non-Life and Life) in local currencies (weighted average for CEE). "CEE" represents the average rate for Generali CEE Holding countries (Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia).

Source: National Insurance Markets Associations / Regulators, Generali CEE Research.

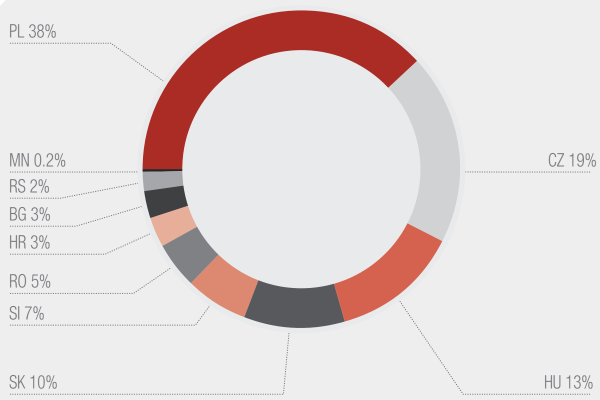
CEE Non-life market remained on positive track also in 2022, achieving +10.7 % growth rate, fairly comparable to the years preceding the Covid-19 pandemic. In general, Motor insurance continues to grow on the pre-crisis level. Although, the growth is mitigated by predominantly negative trend in new car sales, which appeared with Covid-19 pandemic. Despite short recovery on several markets during following year, decrease in car sales deepened again within 2022 as the result of long-term impacts of the crisis together with current inflation pressures and worsened economic outlook. Non-Motor segment, including for instance also travel insurance, kept positive trend, which has been restored already in 2021.

CEE Non-life market structure (2022)



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

CEE Life market structure (2022)



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

Most of the CEE countries reported growth in Non-Life segment over the year. In comparison with the preceding year, the growth tends to be on stable level in Non-Motor and MTPL (Motor Third Party Liability insurance), while premium in MOD (Motor Own Damage insurance) slightly accelerated on CEE market. Considering the largest markets, the most favorable development of Non-Life insurance was coming from Romania, followed by Hungary, the Czech Republic and Slovakia.

In Hungary the growth has been supported by both Motor and Non-Motor. Slower pace of increase in MTPL is present in the Czech Republic, Poland and Slovakia, reflecting the development of average premium. Despite high level of inflation, MTPL average premium in the Czech Republic grew rather slightly, far behind the increase of spare parts prices. Slovakian market experienced similarly mild growth in prices, however together with accelerating growth in premium over 2022. In Poland on the other hand, the trend of decreasing average premium persisted on the market despite the warnings of the regulator. In contrary, MTPL represents the main driver of growth on Romanian market, which is affected by the bankruptcy of the largest player City and subsequent reallocation of market shares together with price increases across the market. Another country with rise in MTPL average premium is Croatia, where the trend is accompanied by positive development in Casco and mainly thanks to Credit, also Non-Motor. Other Balkan countries also achieved fair overall growth. Slovenia and Serbia reported growth in Motor as well as Non-Motor. Slightly decreasing trend in MTPL appeared only in Bulgaria. Non-Motor continued to be positively impacted by recovery in travel insurance, which stands behind the significant growth on majority of markets.

CEE Life market has been experiencing volatile development over the last years reflecting the strength of drops reported in Life Single, but also growing trend in Life Regular. The development of the past years confirmed the volatility. After Covid-19 pandemic in 2020, market experienced recovery with positive trend reported during preceding year 2021. Nevertheless, with 2022 premium returned to negative growth rate of -1.0%. The worsened trend was attributable mainly to Life Single as Life Regular kept stable positive development over the past years.

The drop of Single Life premium is present on all markets with the reported split. In 2022 the drop appeared also in Poland as the result of KNF product intervention establishing maximum level of UL fees allowed. As the result, Poland together with Croatia reported a decrease in overall Life premium. On Croatian market the continuous drop has been recognized in Traditional insurance, partially offset by high increase in Unit-linked business mostly realised through bank channel. Overall Life premium on all other markets increased. Nevertheless, despite this predominantly positive trend, regional result on CEE market turned out to the negative growth rate.

All in all, the entire CEE insurance market reached 39.4 billion EUR in 2022 (considering the countries with the presence of Generali CEE Holding) of which Non-Life segment represents 70% and Life segment represents 30%. CEE insurance market is economically dominated by Central European countries. The biggest market is Poland representing 39% of Non-Life and 38% of Life premium volume in CEE region.

THE HOLDING'S MANAGEMENT

Board of Directors

Jaime Anchústegui Melgarejo

Cristiano Borean

Heike Ottemann-Toyza

Luciano Cirinà
(suspended in March 2022, dismissed in April 2022)

Giovanni Liverani
(appointed in March 2022, terminated his ad interim mandate in September 2022)

Manlio Lostuzzi
(appointed in September 2022)

Carlo Schiavetto

Executive Committee

Manlio Lostuzzi
Chief Executive Officer

Lorenzo Bacca
Head of Distribution, Marketing & Bancassurance

Josef Beneš
Chief Investment Officer

Samuele Borghi
Head of P&C Corporate & Commercial

Alberto Branchesi
Head of IT & Operations

Andrej Bukovčan
Human Resources & Organization

Pavel Charamza
Head of Risk Management

Mark Dassui
Head of Property & Casualty Retail & Motor Insurance and Claims

Antonella Maier
Chief Insurance Officer Life&Health

Carlo Schiavetto
Chief Financial Officer

Miroslav Singer
Institutional Affairs & Economics

Manlio Lostuzzi
Chief Executive Officer

Manlio Lostuzzi has been appointed Chief Executive Officer and CEE Regional Officer on September 1st, 2022. With over 30 years of experience, Lostuzzi joined Assicurazioni Generali in 1986 and has covered a variety of managerial roles within the Group. In 2003, Lostuzzi became the head of the technical and reinsurance area of the Generali Group and, in 2011, he assumed the position of deputy general manager of Generali in Italy with responsibility for the agency network. In 2013, Manlio Lostuzzi was appointed to Chief Insurance Officer of Generali Italia and, after one year in 2014, Lostuzzi became CEO of Genertel and GenertelLife - the companies operating in bancassurance and direct channel businesses. In September 2019, Lostuzzi has been appointed CEO of Generali Global Corporate & Commercial until January 2023. Passionate Chess master and judo athlete, Manlio Lostuzzi graduated in Statistics, Actuarial and Economic Sciences from the Università degli Studi di Trieste.

Lorenzo Bacca

Lorenzo Bacca was appointed Head of Distribution, Marketing & Bancassurance and Member of the Executive Committee of Generali CEE Holding in December 2022. Prior to this appointment he was Head of Distribution in the CEE Region, and he previously covered the role of Group Head of Business Development and Innovation in the Group Head Office. Lorenzo started his professional career as Controller at the Italian Stock Exchange and then he moved to management consultancy at McKinsey with focus on financial services. Before joining Generali, he worked for more than four years at the leading Italian aggregator, Facile.it (since the very first days till the first exit) where he led the business unit of Financial Products and the network of subagents. He holds a degree in Business Administration from Bocconi University.

Josef Beneš

Josef Beneš became Chief Investment Officer of Generali CEE Holding and CEO of Generali Investments CEE in 2014. At the same time, he was appointed Regional CIO for CEE 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's degrees from the University of Economics Prague and the Columbia University New York.

Samuele Borghi

Samuele Borghi has been appointed CEE Head of P&C Corporate & Commercial and Member of the Executive Committee of Generali CEE Holding B.V. in December 2022. He remains Head of CEE Global Corporate & Commercial. Previously, Samuele - with nearly 20 years of experience in the Group - held the position of Head of Operations and IT in the GC&C segment. Before moving to the Czech Republic in 2013, he held various managerial positions in the Netherlands, Belgium and Italy, primarily in the organizational/process improvement field within Life and P&C retail segments. He has a master's degree from the University of Padova in Industrial and Management Engineering.

Alberto Branchesi

Alberto Branchesi was appointed CEE Head of IT & Operations and Member of the Executive Committee of Generali CEE Holding in December 2022. Since he joined Assicurazioni Generali in 2016, Alberto has been Group Head of Data and Digital Platforms where he defined Group strategy in digital and innovation and managed Group Smart Process Automation program. In the last year he worked as senior manager in Operations and IT in International. Before Generali, Alberto worked in Microsoft and in IBM, leading enterprise digital transformation projects and managing business development teams. Alberto Branchesi graduated in Theoretical Physics at University of Bologna and has an Executive MBA at POLIMI Graduate School of Management.

Andrej Bukovčan

Andrej Bukovčan has been appointed Head of Human Resources & Organization in Austria & CEE since December 2019 and at the same time became a Member of the Executive Committee of Generali CEE Holding B.V. As of September 2022, Austria is not anymore under her supervision, consequently a Group reorganization. He has joined Generali CEE Holding in May 2016 and contributed significantly to further development of the HR area in the region. Before, Andrej was Head of HR at Generali Poisťovňa 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. Andrej Bukovčan has studied psychology and English language and literature at the Comenius University in Bratislava.

Pavel Charamza

Pavel Charamza has been appointed CEE Head of Risk Management and Member of the Executive Committee of Generali CEE Holding B.V. in December 2022. Before he worked as a Head of Enterprise risk management in GCEE Holding and Generali Česká pojišťovna from 2017. He came to Generali Group from Erste Group where he worked as a Team leader of risk parameters competence center. Pavel studied Econometrics at the Charles University. He is experienced Team Lead with a demonstrated history of working in the banking and insurance industry. Skilled in Enterprise Risk Management, Solvency II and Basel III regulations. Strong information technology professional with focus on automation, development and innovations.

Mark Dassui

Mark Dassui has been appointed CEE Head of Property & Casualty Retail & Motor Insurance and Claims and Member of the Executive Committee of Generali CEE Holding B.V. in December 2022. Previously, Mark held various management positions within the Generali Group. After working for many years as a manager in Generali Deutschland, in 2011 he moved to Poland as Member of the Management Board. In May 2014, Mark moved to the Generali CEE Holding as Head of P&C Non-Motor and took over at the same time the position as Head of Product Management Non-Life Motor and Retail Non-Motor of Česká pojišťovna. In July 2015, Mark was asked to join the Group Head Office in Trieste as Head of Non-Life Non-Motor before he returned end of 2016 to the Generali CEE Holding as Chief Insurance Officer. After Austria became part of the CEE region Mark acted as Deputy Chief Insurance Officer P&C.

Antonella Maier

Antonella Maier was appointed Chief Insurance Officer for Life and Health Business for the Austria & CEE Region in December 2019. As of September 2022, Austria is not anymore under her supervision, consequently a Group reorganization. Antonella Maier 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 Generali Group´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 or Banca Generali. Since 2009 Antonella was Member of the Management Board of Genertel Life becoming Managing Director in 2015. Antonella Maier holds a Degree in Statistical and Actuarial Sciences from the University of Trieste.

Carlo Schiavetto

Carlo Schiavetto became Chief Financial Officer of Generali CEE Holding B.V. on the 1st of May 2020 to supervise the financial performance and strategic development of 13 countries within the entire Austria & CEE Region. As of September 2022, Austria is not anymore under his supervision, consequently a Group reorganization. As of 1st of May 2020, he was appointed a member of the Executive Committee of Generali CEE Holding B.V. 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 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 joined Generali CEE Holding in January 2017 as Director for Institutional Affairs and Chief Economist of Generali CEE Holding. As of 1st of January 2018, he has been appointed member of the Executive Committee of Generali CEE Holding. He, then, became also the Chairman of the Supervisory Board of 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, he completed his postgraduate thesis at the University of Pittsburgh and was awarded a PhD in 1995.

FINANCIAL SECTION

CONTENTS

I. BOARD OF DIRECTORS REPORT

I. BOARD OF DIRECTORS REPORT

A. Profile

The Generali Group operates in Central-Eastern Europe through Generali CEE Holding, the parent company of ten subsidiaries in Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia for a total of 12,200 employees, including the Prague regional office. The organizational unit of Generali CEE Holding is based in Prague with 161 employees from 13 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 Group is among the leaders in 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.

As of September 1st, 2022, Austria is no longer part of the CEE region following an internal reorganization within the Generali Group and over time, the Moscow representative office has been closed. Consequently, the renamed CEE (Central and Eastern Europe) region moved under the Generali International business unit.

The authorized share capital of Generali CEE Holding B.V. amounts to €0.5 million and is divided into 500,000 ordinary shares with a nominal value of €1 each, of which 100,000 shares are issued and fully paid. Sole shareholder is Assicurazioni Generali S.P.A. All shares are registered and are numbered consecutively from 1 forwards. Attached to each share is a voting right, a meeting right and a right to share in the company's profits and reserves, in accordance with the provisions of the articles of association.

The Group's companies in the CEE region take care of 9.5 million clients and hold total assets of €14 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 €81,538 million in 2022. With 82,000 employees serving 69 million customers, the Group has a leading position in Europe and a growing presence in Asia and Latin America.

At the heart of Generali's strategy is its Lifetime Partner commitment to customers, achieved through innovative and personalized solutions, best-in-class customer experience and its digitalized global distribution capabilities. The Group has fully embedded sustainability (see chapter E) into all strategic choices, with the aim to create value for all stakeholders while building a fairer and more resilient society.

In 2022, the Generali Group's operating result reached €6,509 million, mainly driven by Life, together with P&C and Holding and other businesses segments. The Combined Ratio was 93.2% (+2.4 p.p.).

In the CEE Region, the Generali Group showed strong business resilience in the face of high inflation in both Life and P&C segments. In the P&C business, our Region marked the year with a combined ratio of 84.84%. Life gross written premiums reached €1,103 million and the P&C segment premium grew to 3,382 million. We remain the market leader in the Czech Republic, and among the top three players in Hungary, Serbia, Slovakia and Slovenia.

In order to ensure proper governance framework over data governance and data quality, within CEE Regional entities we have in place Data Governance Group/Regional Policy & Guideline and Integrated Data Quality System Group/Regional Policy & Guideline. In brief, the Data Governance Policy has been defined the "Master Policy" to which other internal regulations on data management shall refer to, ensuring compliance with external regulation, through an effective data management activity, guaranteeing efficient decision-making processes and appropriate market and regulatory reporting.

The Integrated Data Quality System (IDQS) Policy then identifies the following processes for data quality management: (i) Identification, Analysis and Design; (ii) Implementation and Monitoring; (iii) Verification. Basic Requirements and Extended Requirements are defined for all the processes above. For all data, group legal entities in scope shall guarantee (Basic Requirements): the design and implementation of adequate DQ controls, ensuring their effective execution; the performance of data categorization through a dedicated tool; the performance of a DQ assessment and the definition of the System of Governance (roles and responsibilities for data). For Relevant Outputs, additional requirements (Extended Requirement) are provided for monitoring activities, performed using specific tools (Data Directory approach and/or Process-Data Flow approach).

A specific Escalation Process is in place for the on-going management of data quality issues, recorded in a dedicated register with the aim of putting in place dedicated structural actions. Specific management certifications on data quality are provided (Integrated Confirmation Letter and DQ Certification).

Within Generali Group we have the "Code of Conduct" (maintained by the Compliance function), setting up minimum standards of behaviour to follow in the relationships with colleagues, customers, shareholders, suppliers and the other stakeholders. The Code of Conduct mandatorily applies to all employees of Generali Group, but also to third parties (i.e. consultants, suppliers, agents, etc.) who act on behalf of the Group who are expected to adhere to the principles set out in the Code as well.

Elaborating more on group rules stipulated in Generali Group Code of Conduct, we have in place Promoting diversity and inclusion Group/Regional Guideline (maintained by the Compliance function) covering this topic.

GROUP HIGHLIGHTS

GROSS WRITTEN PREMIUM

€4,485 million

Life segment **24.6** % | **75.4** % P&C segment

OUR CLIENTS

9.5 million

GENERALI

OUR PEOPLE

Almost **12,200**

NET PROFIT

€106 million

representing **3.6** %
of the Group´s net result

OPERATING RESULT

€688 million

of which is **10.6** %
of the Generali Group's operating result)

B. Financial performance

In 2022, Generali CEE Holding maintained its financial position. At the end of 2022, the consolidated shareholder's equity attributable to Generali CEE Holding amounted to €4 billion (2021: €5 billion) and total assets amounted to €14 billion (2021: €15 billion).

The consolidated profit of the Group attributable to the equity holders of the parent amounted to €291 million (2021: €509 million).
Operating result was €688 million in 2022 which is above planned targets.

P&C gross written premiums went up by 8% in 2022 (an increase by €249 million) and reached €3,382 million.

Generali CEE Holding shows very good results within the combined ratio indicator which reached 84.84% in 2022.

Life insurance premiums amounted to €1,103 million. Operating result of life insurance segment amounted to €258 million, increasing by €67 million compared to year 2021.

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, optimize 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.

D. Overview of operations, by country and subsidiary

BULGARIA

GROSS WRITTEN PREMIUM
€99.5 million

P&C MARKET SHARE
6.5%

OFFICES
135

Generali Bulgaria
With more than 383 employees in Bulgaria (including Generali Insurance AD, Generali Zakrila Medical and Dental Centre and GP Reinsurance) and 6.5% P&C market share, Generali Bulgaria is one of the major international insurers. Its operations include Generali Insurance AD (P&C insurance) and Generali Zakrila Medical and Dental Centre – an outpatient medical facility.

The company has 135 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 centers in the biggest cities. The insurance products of Generali Bulgaria are offered by 555 agents, five intermediaries offering insurance products as an additional activity and 283 brokers. In 2022, Generali Bulgaria held the 7th position on the insurance market with a gross written premium of €99.5 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. The activity of GP Reinsurance EAD in 2022 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 €1,078 million and profit after tax amounted to €208 million in 2022.

CROATIA

GROSS WRITTEN PREMIUM

€134.9 million

P&C MARKET SHARE

8.02%

EMPLOYEES

768

Generali osiguranje

Generali osiguranje d.d. is giving special importance to the innovation and competitiveness of its products, as well as to the development of the distribution network – from its own and exclusive network as a vital sales function, nurturing phygital approach supported with digital tools; all to the multi-channel partnerships with banks, brokers, and agencies – of which all are conditions for providing top customer experience.

In total there are 768 employees spread over 80 offices throughout the country taking care of over 390 thousand company's clients.

Despite the challenging economical context, Generali Croatia strengthened its market footprint in Croatia by recently acquiring two insurance companies and closing 2022 with a gross written premium of € 134.9 million in total and a market share of 8.02%.

Committed to being a responsible Lifetime partner to our stakeholders, Generali Croatia in 2022 has implemented several strategic projects propelling the company to further sustainable business development and new opportunities, such as the expansion and strengthening of the management team, diversifying distribution channels and accelerating digital processes in the service of comprehensive support for clients and partners. Significant steps have been taken to further strengthen relations with partners in the bancassurance, the largest distribution channel, which position Generali Croatia as a market leader in this segment.

Special attention was devoted to the introduction of the euro at the beginning of 2023, as an important milestone for the Croatian economy, which required throughout the recent period meticulous adjustments to business processes and the IT environment, and the project of fulfilling the obligations from IFRS 17.

Committed to building a sustainable future for all, in 2022 Generali Croatia joined the SME EnterPRIZE initiative, Generali Group's leading initiative to promote a culture of sustainability among European SMEs.

CZECH REPUBLIC AND SLOVAKIA

GROSS WRITTEN PREMIUM
€1.6 billion

P&C MARKET SHARE
26.8%

POINTS OF SALE
700

Generali Česka pojišťovna
Generali Česká pojišťovna is a universal insurance company providing a full range of services, covering both individual life and non-life insurance and insurance for small, medium and large clients in the area of industrial and business risks, as well as in agriculture. As the largest insurance company on the Czech market with more than 3,000 employees, it serves its clients through 4,700 agents and 550 points sale.

In 2022, the total market share of Generali Česká pojišťovna measured by the methodology of the Czech Insurers Association (ČAP) reached 24.9%, in life insurance it was 20.7% and in P&C insurance 26.8%. The position of Generali Česka 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, €1.6 billion. Gross written premiums in P&C insurance amounted to €1.2 billion in 2022. Premiums written in life insurance reached €428 million.

As of 20 December 2021, based on "Business Sale Agreement" signed by representatives of Generali Česká pojišťovna and the Generali Poisťovňa in Slovakia, activities in Slovakia operate through the Generali Česká pojišťovna organizational unit under the official name Generali Poisťovňa, a branch of an insurance company from another Member State. Last year was the first time when Generali Česká pojišt'ovna and Slovak Generali operated as a single entity.

Generali Poisťovňa, a branch of an insurance company Generali Ceska poistovna a. s. is the third biggest insurance company in Slovakia, provides prompt and professional services thanks to its more than 570 employees and through almost 800 agents. There are more than 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 14.8% to €209.3 million and in Life insurance by 2.7% to €122.4 million. Total GWP then amounted to €331.7 million. Generali has increased market share and in 2022 kept the third position on the market with a share of 12.8% (excluding investment contracts).

Generali penzijní společnost
Generali penzijní společnost is the leading provider of pension insurance in the Czech Republic with 24.4% market share. The company is taking care about more than 1 million clients and in 2022 generated a profit of €27.2 million.

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 players in the CEE Region, with assets under management amounting regionally to €13.8 billion and assets under advisory of €5 billion, representing a market share of 7–8% in the CEE Region.

HUNGARY

GROSS WRITTEN PREMIUM

€582.65 million

MARKET SHARE

15.9%

EMPLOYEES

1,300

With a market share of 15.9% in 2022 based on total 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 players of the Hungarian insurance market. Due to its innovative business attitude and responsible financial management, the company boasts the trust of more than 1,000,000 clients. Generali has 1,300 employees and around 1,300 tied agents. The Hungarian Generali Group confirmed its stability while achieving growth in Life and in the P&C insurance segments.

The Group recorded 12.67% growth of gross written premiums amounting to €582.65 million in total. In the P&C segment GWP amounted to €436.37 million (+16.63%) and in Life to €146.29 million with 2.32% growth (+7.40% regular premium, -23.73% single premium).

Committed to building a sustainable future for all, Generali Hungary joined the SME EnterPRIZE initiative, Generali Group's leading initiative to promote a culture of sustainability among European SMEs. In 2022, 127 Hungarian SMEs companies participated submitting applications in the categories of welfare, environment, and community.

MONTENEGRO

GROSS WRITTEN PREMIUM

€12.2 million

P&C MARKET SHARE

14%

EMPLOYEES

130

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 130 employees of which 60 agents at more than 77 points of sale throughout the country. In 2022, Generali's market share in P&C was 14% and the gross premiums written reached €12.2 million.

POLAND

GROSS WRITTEN PREMIUM

€779.4 million

EMPLOYEES

1,500

ASSETS UNDER MANAGEMENT

€3.1 billion

Generali Group has been present in Poland since 1998. It provides insurance life, P&C, pension and investment products to individuals and commercial entities. In 2022 Generali Group was the 7th player on the Polish insurance 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 €779,4 mln of GWP in 2022 and employed ca 1,500 people. P&C Gross Written Premiums totaled €569.2 million, while life insurance premiums amounted to €210.2 million.

In 2022 Generali Investments reported €3.1 billion assets under management and €17.7 million sales revenues.

At the end of 2018 Generali acquired Concordia Polska (specialized in agriculture insurance) and Concordia Capital (life protection), which joined the group of existing four companies: Generali Towarzystwo Ubezpieczeń S.A., Generali Życie Towarzystwo Ubezpieczeń S.A., Generali Powszechne Towarzystwo Emerytalne S.A. Generali Finance Sp. z o.o. The acquisition of the asset management company Union Investment was completed in July 2019 and rebranded to Generali Investments. In October 2019 Generali Życie Towarzystwo Ubezpieczeń S.A. merged with Concordia Capital. In 2021, the non-life company Concordia Polska merged with Generali TU and, since August, products for the agricultural sector have been offered under the Generali Agro brand.

In September 2022, Generali PTE S.A. signed a conditional agreement to acquire the company from the MetLife PTE S.A. (now NNLife PTE S.A.), part of the Dutch multinational NN Group. The transaction provided for the transfer to Generali PTE of the management of the NNLife OFE (Open Pension Fund) and NNLife DFE (Voluntary Pension Fund) funds, as well as the acquisition of the relevant components of the business for this purpose. A final agreement was signed in January 2023, following approval by the FSA and the OCCP.

ROMANIA

GROSS WRITTEN PREMIUM

€184 million

EMPLOYEES

365 almost 1,000 agents

Generali is the oldest foreign insurance company in Romania, starting its local activity in 1835 in the port city of Galati, with a focus on cargo insurance. Over time, having become 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.

Now, with a history spanning on almost 190 years, Generali Romania is a leading insurer in terms of stability and efficiency.

Generali Romania has a composite activity, with a balanced life and non-life portfolio products designed to cover its retail and corporate clients' needs. The total volume of gross written premiums reached almost €184 million in 2022.

Generali Romania is one of the top 10 local insurers based on GWP, with significant market shares on the non-motor lines like household and property, technical insurance, Casco and liability.

The team of Generali Romania consists of 365 employees and almost 1,000 agents that support the ambition to become LifeTime Partner to our clients with services of the highest quality.

SERBIA

GROSS WRITTEN PREMIUM
€211.5 million

EMPLOYEES
1,500

POINTS OF SALE
1,000

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 54 branches spread in 2 regional centers across Serbia, with 1,000 points of sale and over 1,500 employees.

Generali products are also available to customers through Mobile application, significant Serbian banks and numerous partners.

In 2022, gross written premiums amounted to €211.5 million. Life insurance premiums reached €61 million, P&C premiums increased by 8.1% to €150.5 million. Achieving excellent results in terms profitability, Generali Osiguranje Srbija remained the most profitable insurance company in Serbia.

SLOVENIA

GROSS WRITTEN PREMIUM

€480.8 million

P&C MARKET SHARE

19.2 %

EMPLOYEES

1,300

Generali zavarovalnica d.d.
Generali zavarovalnica is the second largest insurance company 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 2022 the company had nearly 1,300 employees and 981 points of sales throughout the entire country. Generali products are also available through significant Slovenian banks and numerous partners.

Generali zavarovalnica further improved its position in the insurance market and has a 17.4% market share (P&C 19.2%, life 12.6% market share). It significantly expanded the range of insurance products and increased the volume of premiums, especially in the segment non-life insurance (+ 7.2%) and health insurance (+ 7.2%). Total gross written premiums volume recorded €480.8 million.

Generali Investments
Founded in 1994, Generali Investments is the oldest management company in Slovenia. The Company ended 2022 further consolidated its third place among Slovenian UCITS funds management companies, achieving an 15.7% market share with a fund of €620 million. Outside of Slovenia, it has 2 subsidiary companies in Croatia and Northern Macedonia. Generali Investments manages Generali Umbrella Fund with 15 subfunds, 2 alternative investment funds and mandates, with assets under management amounting to €1,557 million (as at 31 December 2022).

E. Sustainability

At Generali we think that being a sustainable player is about living our purpose: “to enable people to shape a safer and more sustainable future by caring for their lives and dreams”. We are passionate to build a more sustainable future integrating sustainability principles into everything we do. This allows us to act as a true Lifetime Partner for all our stakeholders. Environmental, Social and Governance (ESG) commitments were embedded within our previous strategic plans and we further accelerate as sustainability is the originator of the strategy Generali “Lifetime Partner 24: Driving Growth”. This means creating long-term value, preserving the environment, and acting for the common good.

To deliver sustainable long-term value, we have four “Responsible” roles to play as an Investor, an Insurer, an Employer, and a Citizen.

- **A RESPONSIBLE INSURER,** fostering a carbon neutral insurance portfolio by 2050, providing new sustainable solutions incorporating ESG principles (GDWP CAGR 2022-24: +5% -7%) and offering new solutions to Small and Medium-sized Enterprises (SMEs).

  SME EnterPRIZE project was conceived with the intent to support small and medium-sized companies in their sustainable transition and highlight significant examples of responsible business, inspiring entrepreneurs of SMEs to develop sustainable behaviors with a direct impact in three areas: environment, welfare and community. Since the first edition in 2021, SME EnterPRIZE gives now visibility to companies across Europe, including Croatia, the Czech Republic, Hungary. In 2023, Slovenia as well will join this sustainable initiative.

  In addition, we act in this field following our Generali Group Strategy on Climate Change whose goals span from the creation of a competence center to develop and share the best practices for underwriting the renewable energy sector, to no longer insuring any new construction of coal mines or coal-fired power plants or any existing coal mines or coal-fired power plants of new clients. For example, in the Czech Republic and in Poland, in the last two years, we have decided not to renew insurance coverage for four coal-related companies, as we did not obtain from them a satisfactory transition plans and we continue limiting our activities in the area of coal-fired power plant insurance across the whole region.

- **A RESPONSIBLE INVESTOR,** committing to be carbon neutral by 2050 through a gradual decarbonization of our investment portfolio, with an interim goal of reducing by 25% our carbon footprint by 2024; the commitment is also to invest in new green and sustainable investment between until 2025 up to 9.5 billion euro on a global scale.

- **A RESPONSIBLE EMPLOYER,** working to measure, reduce, and report the carbon footprint resulting from our own direct operations. In 2009 Generali developed the Group Environmental Management System (EMS) to effectively manage the impacts arising from the operating activities of the Group's companies. As of 31st December 2021, the System is being used also by the Czech Republic, Hungary, Poland, Serbia and Slovakia, and the scope of countries and legal entities will be further extended.

  Being a responsible employer means also promoting dedicated actions to create, increase and nurture diversity, equity and inclusion, upskilling and new ways of working. Our Lifetime Partner 24 objectives include ensuring equal opportunities with a target of 40% of women in leadership positions, placing people at the heart of our transformation with a target of 70% of employees upskilled and embracing a sustainable hybrid work model that is digitally rooted, with a target of 100% adoption rate among our entities.

- **A RESPONSIBLE CITIZEN,** the insurance companies of Generali CEE Holding are also active in helping communities. The Human Safety Net – a social innovation hub powered by Generali’s skills, networks, and solutions to create social impact – was activated in all the countries of our region. Two out of three The Human Safety Net’s programs were launched in various companies across the region. They target key social issues affecting communities, creating equal life opportunities for children from disadvantaged backgrounds and saving newborns from the debilitating and potentially fatal consequences of asphyxia.

Sustainability is at the core of our long-term vision and success. Everything we do is based on the notion that true economic prosperity can be achieved only if it is built on socially just and environmentally sound foundations. This level of ambition has led Generali Group to publicly subscribe to voluntary agreements such as the Global Compact (2007), the Principles for Responsible Investment (2011), the Principles for Sustainable Insurance (2014), and the Paris Pledge for Action (2015), as well as to be one of the eight founding members of the Net-Zero Insurance Alliance and a member of the Net-Zero Asset Owner Alliance.

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

The global economic development in 2022 was impacted by the war in Ukraine, which triggered important macroeconomic consequences, among which the most important was the growth of inflation to levels never experienced in the last twenty years both in Eurozone and even more in the CEE region. This increase was driven by the growth in energy and food prices related to the conflict, which however intensified inflation pressures which were visible already in 2021. The economic growth was robust in the first months of 2022, but it weakened in many CEE countries during the year, as domestic demand was hit by the high inflation and its negative impact on real wages, and several CEE countries experienced a significantly slower GDP performance in the final quarter of the year.

The outlook for 2023 will be influenced by the weak economic performance at the end of 2022, and the slow start of the year will likely result in much lower GDP growth rate in most of CEE economics. On the other side inflation has probably already reached its peak in the first months of the year, and it is expected to decline during 2023, although the decline will be slow and inflation targets are expected to be met only in 2024 at the earliest. Similar development is expected also in the monetary policies in the CEE region, with the interest rates which most likely already reached their peaks in the first months of the year; a monetary easing by the Central banks is expected to start during 2023, but such easing is expected to be very gradual.

CEE insurance markets showed a solid growth in 2022, with positive contribution in all countries in the region. The growth was however concentrated in the P&C segment, with stronger contribution of the Casco and Non-Motor lines, whereas Life premiums marked a marginal decline, influenced by the drop of single premiums in most CEE markets. In 2023 we expect a similar development, with Non-Life segment being the major source of growth.

Concerning Group results, we expect a further growth in the overall premium volumes with stronger contribution coming from Non-Life business. The profit after tax is expected to improve compared to 2022, which was negatively impacted by the impairment in our indirect investment in Ingosstrakh. The improvement will be driven by a very robust technical profitability and by a positive contribution from the investment income. Such outlook is however subject to a high uncertainty connected to the unstable macroeconomic development and to the volatile capital markets.

Prague, 24 April 2023
The Board of Directors

II. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

II. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

ACRONYMS:

Acronyms	
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
CSM	Contractual Service Margin
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
EPS	Earnings per share
ESMA	European Securities and Markets Authority
EU	European union
FCF	Future Cash Flow
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
GMM	General Measurement Model
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	
LAT	Liability adequacy test
LIC	Liability for Incurred Claims
LTI	Long-term incentive
LRC	Liability for Remaining Coverage
MTPL	Motor Third Party Liability
NAV	Net assets value
NCI	Non-Controlling Interest
NHCF	Net Holding Cash Flow
OCI	Other comprehensive income
P&C	Property and Casualty
PAA	Premium Allocation Approach
PPA	Purchase price allocation
PPE	Property, plant and equipment
PVFCF	Present value future cash flows
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
SPPI	Solely Payments for Principal and Interest
TSR	Total Shareholders‘ Return
ULAE	Unallocated Loss Adjustment Expenses
VFA	Variable Fee Approach
VOBA	Value of Business Acquired
WHT	Withholding tax

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

(€ million)	Note	2022	2021
Total assets		**14,081**	**15,107**
Intangible assets	**F.1**	**2,209**	**2,208**
Goodwill	F.1.1	1,687	1,657
Other intangible assets	F.1.2	522	551
Tangible Assets	**F.2**	**320**	**324**
Land and buildings	F.2.1, F.2.2	286	290
Other tangible assets	F.2.3, F.2.4	34	34
Investments	**F.3**	**9,198**	**10,475**
Investment properties	F.3.1	370	378
Investments in associates and joint ventures	F.3.2	28	39
Held to maturity investments	F.3.3	24	29
Loans and receivables	F.3.4	290	225
Available for sale financial assets	F.3.5	5,836	6,946
Financial assets at fair value through profit or loss	F.3.6	2,650	2,858
of which financial assets relating to unit-linked policies	F.3.6	2,306	2,615
Reinsurance assets	**F.4**	**549**	**592**
Receivables	**F.5**	**686**	**596**
Receivables arising out of direct insurance operations		390	364
Receivables arising out of reinsurance operations		140	123
Trade and other receivables		75	79
Current income tax receivables		81	30
Other assets	**F.6**	**700**	**590**
Deferred acquisition costs	F.6.1	326	308
Deferred tax assets	F.26.1	302	223
Other assets - other		72	59
Cash and cash equivalents	**F.7**	**419**	**322**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

(€ million)	Note	2022	2021
Total shareholder's equity and liabilities		**14,081**	**15,107**
Shareholder's equity	F.8	**4,363**	**5,164**
Shareholder's equity attributable to the Group		**4,305**	**4,968**
Share capital		-	-
Other reserves		4,305	4,968
Shareholder's equity attributable to non-controlling interests		**58**	**196**
Other provisions	F.9	**63**	**65**
Insurance liabilities	F.10	**8,079**	**8,430**
Financial liabilities	F.11	**316**	**324**
Financial liabilities at fair value through profit or loss		190	216
Financial liabilities at amortized cost		126	108
Payables	F.12	**861**	**706**
Payables arising out of direct insurance operations		222	224
Payables arising out of reinsurance operations		307	226
Current income tax payables		20	31
Other payables		312	225
Other liabilities	F.13	**399**	**418**
Deferred tax liabilities	F.26.1	87	128
Other liabilities - other		312	290

The notes on pages 46 to 154 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

(€ million)	Note	2022	2021
Total income		4,385	4,422
Net earned premiums revenue	F.14	3,948	3,712
Insurance premium revenue		4,379	4,109
Insurance premium ceded to reinsurers		(431)	(397)
Fee and commission income and income from financial service activities	F.15	138	153
Net income/(losses) from financial instruments at fair value through profit or loss	F.16	(170)	246
of which net income/(losses) from financial investments relating to unit-linked policies		(222)	214
Share of results of associates and joint ventures accounted for using the equity method	F.17	3	10
Net income/(losses) related to associates and disposal of subsidiaries	F.18	6	-
Income from other financial instruments and investment properties	F.19	314	228
Interest revenue calculated using the effective interest method		181	134
Income - other		48	40
Realized gains		80	50
Reversal of impairment losses		5	4
Other income	F.20	146	73
Total expenses		(4,191)	(3,868)
Net insurance benefits and claims	F.21	(2,004)	(2,276)
Claims paid and change in insurance provisions		(2,150)	(2,617)
Reinsurers' share		146	341
Fee and commission expenses and expenses from financial service activities	F.22	(18)	(25)
Expenses from other financial instruments and investment properties	F.23	(583)	(129)
Interest expense calculated using the effective interest method		(1)	(7)
Expense - other		(11)	(11)
Realized losses		(87)	(59)
Unrealized losses		(45)	(36)
Impairment losses		(439)	(16)
Acquisition and administration costs	F.24	(1,197)	(1,089)
Commission and other acquisition costs		(858)	(780)
Investment management expenses		(9)	(6)
Other administration costs		(330)	(303)
Other expenses	F.25	(389)	(349)
EARNINGS BEFORE TAXES		194	554
Income taxes	F.26	(88)	(46)
NET PROFIT OF THE YEAR		106	508
Result of the period attributable to the equity holders of the parent		291	509
Result of the period attributable to non-controlling interests		(185)	(1)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

(€ million)	Note	2022	2021
Net profit of the year		**106**	**508**
Other comprehensive income items that may be reclassified to profit or loss in future periods			
Available for sale financial assets' revaluation to OCI	F.8	(1,070)	(313)
Available for sale financial assets' revaluation reclassified to profit or loss	F.8, F.19, F.23	4	9
Available for sale impairment losses reclassified to income statement	F.8, F.23	421	5
Available for sale change in deferred policyholders liabilities/assets	F.8	31	24
Sales and disposals from consolidation group	F.8	-	(15)
Currency translation differences	F.8	113	166
Changes in cash flow hedge reserve	F.8	3	6
Total gains and losses recognised directly in equity		**(498)**	**(118)**
Tax on items taken directly to or transferred into equity	F.8	106	41
Other comprehensive income, net of tax		**(392)**	**(77)**
Total comprehensive income		**(286)**	**431**
Attributable to:			
– equity holders of Parent Company		(148)	459
– non-controlling interests		(138)	(28)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(€ 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
Balance as at beginning of reporting period		**3,602**	**424**	**143**	**(109)**	**(6)**	**840**	**4,894**	**224**	**5,118**
Net profit for the year		-	-	-	-	-	509	509	(1)	508
Available-for-sale financial assets revaluation in equity	F.8	-	(290)	-	-	-	-	(290)	(23)	(313)
Available-for-sale financial asset realised revaluation reclassified to income statement	F.8	-	9	-	-	-	-	9	-	9
Available-for-sale impairment losses reclassified to income statement	F.8	-	5	-	-	-	-	5	-	5
Change of policyholders' share on items recognised through equity	F.8	-	24	-	-	-	-	24	-	24
Sales and disposals from consolidation group	F.8	-	(15)	-	-	-	-	(15)	-	(15)
Currency translation differences	F.8	-	-	-	170	-	-	170	(4)	166
Changes in cash flow hedge reserve	F.8	-	-	-	-	6	-	6	-	6
Tax on items of other comprehensive income	F.8	-	41	-	-	-	-	41	-	41
Total comprehensive income		**-**	**(226)**	**-**	**170**	**6**	**509**	**459**	**(28)**	**431**
Allocation to reserve for share-based payments		-	-	-	-	-	4	4	-	4
Dividends to shareholders	F.8.1	-	-	-	-	-	(389)	(389)	-	(389)
Balance as at end of reporting period		**3,602**	**198**	**143**	**61**	**-**	**964**	**4,968**	**196**	**5,164**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(€ 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
Balance as at beginning of reporting period		**3,602**	**198**	**143**	**61**	**-**	**964**	**4,968**	**196**	**5,164**
Net profit for the year		-	-	-	-	-	291	291	(185)	106
Available-for-sale financial assets revaluation in equity	F.8	-	(903)	-	-	-	-	(903)	(167)	(1,070)
Available-for-sale financial asset realised revaluation reclassified to income statement	F.8	-	4	-	-	-	-	4	-	4
Available-for-sale impairment losses reclassified to income statement	F.8	-	235	-	-	-	-	235	186	421
Change of policyholders' share on items recognised through equity	F.8	-	31	-	-	-	-	31	-	31
Currency translation differences	F.8	-	-	-	85	-	-	85	28	113
Changes in cash flow hedge reserve	F.8	-	-	-	-	3	-	3	-	3
Tax on items of other comprehensive income	F.8	-	106	-	-	-	-	106	-	106
Total comprehensive income		**-**	**(527)**	**-**	**85**	**3**	**291**	**(148)**	**(138)**	**(286)**
Allocation to reserve for share-based payments		-	-	-	-	-	4	4	-	4
Transfer to and use of funds	F.8	-	-	(55)	-	-	-	(55)	-	(55)
Other movements				(5)				(5)	-	(5)
Dividends to shareholders	F.8.1	-	-	-	-	-	(459)	(459)	-	(459)
Balance as at end of reporting period		**3,602**	**(329)**	**83**	**146**	**3**	**800**	**4,305**	**58**	**4,363**

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

For the period from 1 January to 31 December

(€ million)	Note	2022	2021
Cash flow from operating activities			
Earnings before taxes		**194**	**554**
Adjustments for:			
Depreciation and amortisation	F.23, F.25	128	133
Impairment and reversal of impairment of current and non-current assets	F.19, F.23	434	12
Profit/Loss on disposal of PPE, intangible assets and investment property	F.18, F.20	(7)	(1)
Gain/loss from revaluation of financial securities, investment property and financial liabilities at FVTPL	F.16, F.19, F.23	273	(186)
Interest expense	F.23	1	7
Interest income	F.19	(181)	(134)
Dividend income	F.17, F.18	(4)	(12)
Net Interest income from financial instruments at FVTPL	F.16	(47)	(12)
Income/expenses not involving movements of cash		3	-
Net foreign exchange differences		(30)	(167)
Change in loans and receivables	F.3.4	(77)	139
Change in receivables	F.5	(39)	(118)
Change in reinsurance assets	F.4	43	(170)
Change in other assets, prepayments and accrued income	F.6	(31)	(58)
Change in payables	F.12	166	41
Change in financial liabilities for investment contract with DPF	F.11	1	-
Change in financial liabilities at FVTPL	F.11	(20)	(33)
Change in liabilities to banks	F.11	30	(33)
Change in deposits received from reinsurer	F.11	(3)	2
Change in insurance liabilities	F.10	(383)	553
Change in other liabilities, accruals and deferred income	F.13	22	50
Change in other provisions	F.9	(2)	14
Interest received		248	176
Dividends received	F.18	4	12
Net cash flow from FVTPL financial assets		105	32
Net cash flow from available for sale financial assets		58	(116)
Net cash flow from held to maturity financial assets		5	-
Cash flows arising from taxes on income		(162)	(171)
Net cash flow from operating activities		**729**	**514**

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

For the period from 1 January to 31 December

(€ million)	Note	2022	2021
Cash flow from investing activities			
Purchase of tangible assets and intangible assets		(116)	(59)
Purchase of investment property		(2)	(74)
Proceeds from disposals of tangible and intangible assets		16	11
Proceeds from sale of investment property		6	22
Proceeds from disposal and other proceeds from subsidiaries, associates and joint ventures, net of cash disposed		4	-
Net cash flow from investing activities		**(92)**	**(100)**
Cash flow from financing activities			
Interest paid		(10)	(7)
Payment of principal portion of lease liabilities		(17)	(22)
Dividends paid to shareholders	F.8.1	(459)	(389)
Transfer to and usage of funds	F.8	(55)	-
Net cash flow from financing activities		**(541)**	**(418)**
Net increase (decrease) in cash and cash equivalents		**96**	**(4)**
Cash and cash equivalents as at beginning of reporting period	F.7	**322**	**320**
Effect of exchange rate changes on cash and cash equivalents		1	6
Cash and cash equivalents as at end of reporting period	F.7	**419**	**322**

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 2022 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.

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 2022 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 24 April 2023.

A.2 Statutory body

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

Members: Manlio Lostuzzi
Jaime Anchustegui Melgarejo
Carlo Schiavetto
Cristiano Borean
Heike Otteman-Toyza

Luciano Cirinà was dismissed in April 2022 and Giovanni Liverani was appointed a new member of the Board of Directors. As of 1 September 2022 Giovanni Liverani terminated his ad interim mandate and Manlio Lostuzzi was appointed a new member of the Board of Directors.

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 D.6.2.

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 extend 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 Group will continue as a going concern.

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, associates and joint ventures. 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 2022

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
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
Palác Křižík 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.	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
Palác Špork a.s.	Czech Republic	CZK	100.00	100.00
Pankrác East a.s.	Czech Republic	CZK	100.00	100.00
Pankrác West a.s.	Czech Republic	CZK	100.00	100.00
Generali Biztosító Zrt.	Hungary	HUF	100.00	100.00
Europai Utazasi Biztosito 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 Zycie 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
Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A. (Union Investment TFI)	Poland	PLN	100.00	100.00
PL Investment Jerozolimskie I SP. Z o.o.	Poland	PLN	100.00	100.00
Saneo S.A.	Poland	PLN	25.00	25.00
Cleha Invest Sp. z o.o.	Poland	PLN	100.00	100.00

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
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	100.00	100.00
Generali Osiguranje Srbija A.D.O	Serbia	RSD	100.00	100.00
Generali Reosiguranje Srbija A.D.O.	Serbia	RSD	100.00	100.00
Voluntary Pension Fund Manag - Generali Drustvo za upravljanje dobrovoljnim penzijskim fondom A.D.	Serbia	RSD	100.00	100.00
Generali Slovenská Distribúcia, s.r.o.	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	44.70	44.70
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	100.00	100.00
Generali US Fund*	Ireland	USD	100.00	100.00
Generali WE Fund*	Ireland	EUR	100.00	100.00
Generali EM Fund*	Ireland	USD	100.00	100.00
Generali CEE Fund*	Ireland	EUR	100.00	100.00

* Entity acquired in 2022, ** Joint-venture, *** Generali Russia and CIS is sub-consolidated in its parent company GW Beta Limited

For the year ended 31 December 2021

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
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
Palác Křižík 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
Námestí 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.	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

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
OVOCNÝ TRH 2 s.r.o.	Czech Republic	CZK	100.00	100.00
Palác Špork a.s.	Czech Republic	CZK	100.00	100.00
Pankrác East a.s.*	Czech Republic	CZK	100.00	100.00
Pankrác West a.s.*	Czech Republic	CZK	100.00	100.00
Generali Biztosító Zrt.	Hungary	HUF	100.00	100.00
Europai Utazasi Biztosito R.t.	Hungary	HUF	61.00	61.00
Generali Ingatlan Kft.	Hungary	HUF	100.00	100.00
Generali Alapkezelõ Rt.	Hungary	HUF	100.00	100.00
Genertel Biztosító Zrt.	Hungary	HUF	100.00	100.00
Lakits Ház Lft*	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 Zycie 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
Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A. (Union Investment TFI)	Poland	PLN	100.00	100.00
PL Investment Jerozolimskie I SP. Z o.o.	Poland	PLN	100.00	100.00
Saneo S.A.*	Poland	PLN	25.00	25.00
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
Generali Osiguranje Srbija A.D.O	Serbia	RSD	100.00	100.00
Generali Reosiguranje Srbija A.D.O.	Serbia	RSD	100.00	100.00
Voluntary Pension Fund Manag - Generali Drustvo za upravljanje dobrovoljnim penzijskim fondom A.D.	Serbia	RSD	100.00	100.00
Generali Poisťovňa, a.s.***	Slovakia	EUR	100.00	100.00
Generali Slovenská Distribúcia, s.r.o.*	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

*Entity acquired in 2021, ** Joint-venture, *** Name was changed in 2022 to GSK Financial, a. s.

General information about joint ventures:	VÚB Generali, Dôchodková správcovská spoločnosť, a.s.,
Registered seat:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	Generali Slovensko Poisťovňa, a.s. and VÚB, a.s.
Group's stake in registered capital:	44.7%
Core business:	Administration of pension funds for retirement savings scheme
Recognised:	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 2022 is provided below.

Establishment of collective asset management vehicle in Ireland

On 6 January 2022, investment collective asset management vehicle (ICAV) was established, named Generali Invest CEE Global Exposure ICAV.

This vehicle is set up as umbrella structure, currently containing 4 sub-funds, segregated based on underlying investment objectives and orientation. This vehicle was established to optimize investments in equities held by entities of CEE region, allowing better investment management, diversification and portfolio optimization. As well, this structure and optimization of equities holdings within the region was done as a reaction on forthcoming IFRS9 Financial Instruments accounting principle, optimizing in such way also the accounting implications arising from new standard.

The ICAV's sole object is the collective investment of its funds in assets (equities in this case being the prevalent investment objectives) with the aim of giving the holders of shares the benefit of the results of the management of its funds, either in form of dividends or investment appreciation.

From the consolidation point of view, entire structure is fully consolidated. The Group has power over the structure, exposure variable returns from its involvement with the structure (or single funds) and has the ability to use its power over the investee. Consolidation is done through umbrella structure (fund) and all four sub-funds being defined as separated consolidation units.

Consolidation at the level of sub-funds, rather than at entire structure level, is related to fact of each funds' assets being separate from one another and are invested in accordance with the investment objectives and policies applicable to each such Fund. This condition resulted in the definition of consolidated unit on fund level being more appropriate.

Involved entities are Generali Invest CEE Global Exposure ICAV, Generali US Fund, Generali WE Fund, Generali EM Fund and Generali CEE Fund.

Merger of GSK Financial, a.s. into Generali Slovenská Distribúcia, s.r.o.

With effective date of 1 July 2022, GSK Financial, a.s. merged with Generali Slovenská Distribúcia, s.r.o. which became universal successor of the company GSK Financial, a.s. and acquired all its rights and obligations. This is the final step of transfer of portfolio of former Generali Poisťovňa, a.s. into Generali Česká pojišťovna. The transaction has no impact on consolidated financial statements as at 31 December 2022.

Subconsolidation of Generali Russia and CIS in GW Beta Limited

From the fourth quarter of 2022 Generali Russia and CIS is not directly consolidated line by line anymore but is treated as subconsolidated entity and included in the reporting of parent company GW Beta Limited. This change was introduced in order to optimize reporting process.

Partial sale of VUB Generali d.s.s., a.s.

On 24 October 2022, Generali Česká pojišťovna a.s. sold 16 shares (5.3%) to VUB Intesa group. The sale has no impact on the consolidation method. The impact of sale is disclosed in note F.18.

Sale of OVOCNÝ TRH 2 s.r.o.

On 16 December 2022 Generali Real Estate Fund sold OVOCNÝ TRH 2 s.r.o. to ITAMA s.r.o. As a result company was deconsolidated during 2022. For financial impact from deconsolidation of this entity please see note F.18.

Detailed information about significant transactions with subsidiaries of the Group for the year ended 31 December 2021 is provided below.

Transfer of portfolio of Generali Poisťovňa, a.s. to Generali Česká pojišťovna

On 19 December 2021, Generali Česká pojišťovna a.s. acquired, in an under common control transaction, insurance and reinsurance contracts, rights, obligation, debts, employees, other assets and liabilities, all other rights and obligations, receivables and liabilities as defined in the agreement on sale of the business portfolios of Generali Poisťovňa, a.s.

As a result, intangible assets previously recognized in relation to such portfolio within the CGU of Generali Poisťovňa, were transferred to CGU of Generali Česká pojišťovna. There are only limited impacts on financial statements resulting from different tax rules in Slovakia compared to the Czech Republic.

The branch in Slovakia has been established, Generali Poisťovňa, pobočka poisťovne z iného členského štátu (the Branch). The Branch was registered into the Slovak Commercial Register on 11 November 2021.

Merger of Concordia Polska TUW with Generali Towarzystwo Ubezpieczeń S.A.

With effective date of 31 July 2021, Concordia Polska TUW merged with Generali TU S.A. which became universal successor of the company Concordia TUW and acquired all its rights and obligations. With this step the Group further increased the market share of Generali in Poland and made final step to simplification of organizational structure in Polish market. The transaction has no impact on consolidated financial statements as at 31 December 2021.

Merger of Pojišťovna Patricie a.s., Česká pojišťovna ZDRAVI a.s. and Generali Česká pojišťovna, a.s.

With effective date of 1 July 2021, Pojišťovna Patricie a.s. and Česká pojišťovna Zdraví a.s.merged with Generali Česká pojišťovna, a.s. which became universal successor of the companies and acquired all its rights and obligations. This formal step was the last one related to transfer of portfolio of Generali pojišťovna and ČP Zdraví which took place at the end of 2019. The transaction has no impact on consolidated financial statements as at 31 December 2021.

Merger of CZI Holdings N.V., CP Strategic Investments N.V. and Generali CEE Holding B.V.

On 1 June 2021, CZI Holdings N.V. and Strategic Investments N.V. merged with Generali CEE Holding B.V. with effective date of 1 January 2021 keeping GCEEH as the successor. The transaction has no impact on consolidated financial statements as at 31 December 2021. This represents another step in simplifying organizational structure of the Generali Group in the CEE region.

Merger of Direct Care s.r.o. and Acredité s.r.o.

With effective date of 1 January 2021, Direct Care s.r.o. merged with Acredité s.r.o. which became universal successor of the company and acquired all its rights and obligations. The transaction has no impact on consolidated financial statements as at 31 December 2021.

Deconsolidation of Transformovaný fond Generali penzijní společnosti, a.s.

Due to changes in statute of Transformed fund, changes in investment strategy and other changes, Transformed fund did not meet the criteria which are required for consolidation under IFRS standards. With effective date of 1 January 2021, Transformovaný fond Generali penzijní společnosti, a.s. has been deconsolidated. Related impacts on consolidated financial statements are derecognition of Loans and receivables line in amount €195 million, Available for sale investments €4,238 million, Financial assets at fair value through profit or loss €27 million. Other receivables €15 million, Cash at bank €43 million, Insurance provision €125 million, Financial liabilities at fair value through profit or loss €35 million, Financial liabilities at Amortised cost €4,327 million, Other payables €11 million. Related impacts on consolidated financial statements are also available within individual disclosure tables.

Liquidation of LLC Generali Insurance Brokers - Russia and CIS

On 29 December 2021 the company LLC Generali Insurance Brokers - Russia and CIS was liquidated. There is no material impact on consolidated financial statements.

Acquisition of Pankrác West, a.s. and Pankrác East, a.s.

On 16 December 2021, Generali Real Estate has completed the acquisition of Pankrác West and Pankrác East from CPI Property Group. These office buildings located in the Pankrác district in Prague have been hosting the headquarters of the Generali Group in Central and Eastern Europe since 2008 as well as they serve as headquarter of several group entities. The office buildings, covering 37,700 sqm, are located in the dynamic office district Pankrác in Prague 4, sought-after for its ideal connections to public transport and the availability of services and amenities. Such location, already one of the most important office districts in town, will be further enhanced by the new metro D line planned to be completed in the near future. The new acquisition confirms the centrality of Central and Eastern Europe in the investment strategy of Generali Real Estate, which targets high quality assets in prime European gateway cities, such as Prague.

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 business combinations.

As a result of acquisition, the Group recognized Land and buildings in the amount of €110 million (F.2.1).

Sale of British Corner s.r.o.

On 10 November 2021 Generali Real Estate Fund sold British Corner, s.r.o. to Amundi Czech Republic Asset Management, a.s.. As a result company was deconsolidated during 2021. For financial impact from deconsolidation of this entity please see note F.18.

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.

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.

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 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 specialised Group investment management companies.

The Group invests through investment funds both assets related to unit-linked products, as well as its own direct investments.

For each of the fund in which Group invested, the Group considers if the power over that investment fund exists and if the Group is exposed, or has rights, to significant portion of 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 the Group controls the respective investment management company and simultaneously the direct interests held by the Group in the investment fund are more than 40% of fund assets. This threshold is defined as indicative threshold where the exposure to variability of return is retained significant. Unit-linked products where the financial risk related to the investment is borne by the policyholders are not taken into consideration since the exposure to variable returns (and ability to affect those returns through power over the investee) is only limited or does 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 its original classification category (available for sale financial assets or in financial assets at fair value through profit or loss) as investment fund units. The same occurs in case an investment in a fund is below specific materiality threshold, in which case fund is not consolidated as well for cost/benefit reasons.

In case of consolidation, the non-controlling interests in open investment funds are reported within financial liabilities, because of their puttable nature.

During 2022 investment collective asset management vehicle (ICAV) was established and its 4 sub-funds are being consolidated line-by-line. For more information please see note C.1.1.

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 CGU 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.

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 there are any impairment losses it is 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 Note 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 in the bank assurance field 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 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 Note 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. 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 intermediates, 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.

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 contract (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.

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

Investment contracts with DPF issued by the Group relate primarily to pension insurance policies written by its Czech subsidiary Generali penzijní společnost. Under these investment contracts, the policyholders are entitled to receive gains 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 foresee 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 which are accounted for in accordance with previous local GAAP, 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 temporis 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.

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 generally do not include the amounts of taxes or charges levied with premiums unless agreed differently like it is the case for MTPL levy in Slovakia which is included within gross earned 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.

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.

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 analyzed 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.

Impairment testing of goodwill is disclosed in Note 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.

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 categorizes 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 a third party or is based on the amount of Shareholder's equity.
Investment funds		The fair value is mainly based on information about the value of underlying assets.
Bonds, Loans	Bonds are valued using the 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.	Indicative price is provided by a third party or significant expert judgement.
Derivatives	Derivatives are valued using the discounted cash flow technique.	
Deposits, Reverse REPO operations, Deposits under reinsurance business	These instruments are valued using discounted cash flow technique.	
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.

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

Description	Fair value as at 31 December 2022	Valuation technique(s)	Non-market observable input(s)	Range
Equities*	382	net asset value	value of underlying instruments	n/a
Bonds Government	161	discounted cash flow technique	level of credit spread	(12) - 1,711 bps
Bonds Corporate	176	discounted cash flow technique	level of credit spread	(8) - 1,348 bps
Unit-linked investments	8	net asset value	value of underlying instruments	n/a
Investment fund units	66	net asset value	value of underlying instruments	n/a
Investment property	429	external valuation expert	similar transactions	€811 – €19.140 per sqm

* in 2022 there were equities of Ingosstrakh in Level 3 in the amount of €117 million with these non-market observable inputs: discount rate 26.3%, growth rate 4%.

Description	Fair value as at 31 December 2021	Valuation technique(s)	Non-market observable input(s)	Range
Equities	654	discounted cash flow	discount rate	13.1%
		technique / net asset value	growth rate	4.0%
Bonds Government	434	discounted cash flow technique	level of credit spread	(50) – 314 bps
Bonds Corporate	240	discounted cash flow technique	level of credit spread	(45) – 428 bps
Unit-linked investments	22	net asset value	value of underlying instruments	n/a
Investment fund units	54	net asset value	value of underlying instruments	n/a
Investment property	441	external valuation expert	similar transactions	€753 – €18,129 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 €337 million (2021: €674 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 €-12 to €13 million (2021: €-43 to €+51 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.).

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 intension 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.

Due to deconsolidation of Transformed fund as at 1.1.2022 this section is applicable for comparative period only.

D.3 Principal assumptions

D.3.1 Life insurance liabilities

Actuarial assumptions and their sensitivities underlie the insurance calculation. 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 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.

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.

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.

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 modeling 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.

Any difference between the IFRS carrying amount and the current value for LAT purposes is charged to the profit and loss account, initially by reducing the deferred acquisition costs and the VOBA and subsequently, for the excess, by adjusting the technical provisions.

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 2022 and as at 31 December 2021 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 analyzed 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 and Generali Towarzystwo Ubezpieczeń S.A., which represent 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

(€ million)		31.12.2022		31.12.2021	
	Change in variable	Change in insurance liabilities (gross)	Change in insurance liabilities (net)	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount Rate	(100) bp	30	16	32	17
Pension growth rate	100 bp	29	15	31	16

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 contract
Bonuses
Only minor part of Group's life insurance contracts includes an entitlement to receive a bonus. The new production in recent years is dominated by protection and unit linked products. 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.

Hybrid and multiline life insurance
This group is the dominant "on sale" group of products. It 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 many other health and accident coverages. It also allows for investment of the regular premium or extra single premium into unit linked 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. In these products policyholders carry the investment risk and the Group earns management and administration fees and mortality results on these products.

Retirement insurance for regular payments (with interest rates)
Life-long retirement program 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. 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.

D.6 Changes in accounting policies

D.6.1 Standards, interpretations and amendments to existing standards that are effective and are relevant for the Group's financial statements
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.

D.6.2 Standards, interpretations and amendments to existing standards that are effective in the reporting period but not relevant for the Group's financial statements

Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021)

The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use.

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.

The amendments require additional disclosures that allow users to understand the nature and extent of risks arising from the IBOR (Interbank offered rates) reform to which the entity is exposed to and how the entity manages those risks. Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

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.

D.6.3 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 Note D.6.5)

IFRS 9 replaces IAS 39 - Financial Instruments: classification and measurement and includes a principle-based model for the classification and measurement of financial instruments, an impairment model based on expected losses and an approach to hedge accounting more in line with risk management strategies.

The implementation of IFRS 9 by the Group is aimed at ensuring the correct and homogeneous application of the new accounting standard in conjunction with the entry into force of IFRS 17.

Classification and evaluation

Financial assets

IFRS 9 introduces the approach for the classification of financial instruments that is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

With reference to the contractual terms, a financial instrument is eligible for measurement at amortized cost if it is a simple debt instrument (basic lending agreement). An entity shall conduct its own assessment on an individual instrument basis to determine whether the contractual characteristics of cash flows consist solely of principal and interest payments (SPPIs).

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

Interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time, as well as a profit margin that is consistent with a basic lending arrangement. A contractual term that introduces exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, does not give rise to contractual cash flows that are solely payments of principal and interest results in such instrument shall be measured at fair value through profit or loss.

If the business model objective is achieved by both collecting contractual cash flows and selling financial assets and the instruments contractual terms of cash flows represent only principal and interest payments, the financial instrument shall be measured at fair value through other comprehensive income, with recycling to profit and loss account of any value gain or loss upon sale.

As in the current IAS 39 - Financial Instruments: classification and measurement, the entity has the possibility, at the time of initial recognition, to designate a financial instrument at fair value recognized in the income statement if this allows to eliminate or significantly reduce accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Equity instruments must be classified and measured at fair value through profit or loss since their cash flows are not in line with the basic lending agreement. An entity has the irrevocable option at the initial recognition to elect equity instruments, that are not held for the purpose of trading, at fair value through other comprehensive income. If an entity makes such an election, it shall recognize in profit or loss only dividends from that investment. No other income or cost will ever be recognized in profit or loss on such instruments.

In other cases, a financial instrument must be classified and measured at fair value through profit or loss.

The Group intends to apply the irrevocable option to elect at fair value through other comprehensive income all equity instruments that are not held for trading or not related to insurance products with direct participation features.

Financial liabilities

IFRS9 does not substantially change the accounting rules of IAS39 for the classification and measurement of financial liabilities. The material difference between principles concerns the accounting of the change in fair value of financial liabilities designated at fair value in the income statement. In particular, IFRS9 requires that the part of the change in fair value attributable to changes in the credit risk of that liability should be presented in other comprehensive income, while the remaining part must be recognized in the income statement.

The Group expects nearly nil impact deriving from the application of the above requirement. The only financial liabilities designated at fair value are investment contracts whose change in value is therefore linked to the underlying asset and not to credit risk.

Additional classification and measurement changes resulting from the new principles

It should be noted that, the Amendments made by IFRS17 could have led to some changes regarding the classification and measurement relating to subsidiaries, properties and, to a lesser extent, other financial statement items, in case these assets would be linked or covering contracts with direct participation in profits.

In the region, there were no such cases.

Impacts of classification and measurement

With reference to the composition of the investment portfolio, there is a preponderance of financial instruments measured at fair value through other comprehensive income, equaling 70% (82% Assets available for sale pursuant to IAS39). Financial instruments measured at fair value with impact in the income statement were 23% (4% in IAS 39) while those at amortised cost amounted to 7% (14% in IAS 39).

Application of IFRS 9 is confirming the most frequent allocation of investments into measurement category at fair value through other comprehensive income, in line with business model associated with insurance business and fixed income investments (bonds, loans) being the prevalent investment type. Fair value through other comprehensive income is also used for equity investments, following the designation option. Measurement category at amortized cost is rarely used, mainly in relation to assets not actively managed as investments, such as receivables, some loans and term deposits.

Financial instruments measured at fair value are mainly related to unit linked life products, being this measurement category best representing the objectives used to manage such assets, and to minor extent to non-consolidated funds and derivatives.

Impairment

IFRS 9 introduced a new impairment model for instruments measured at amortized cost or fair value through other comprehensive income (with exception of equities elected at through other comprehensive income). New impairment model is based on expected losses. In particular, the new standard outlines a three-stage impairment approach based on the assessment of credit quality each balance sheet date compared to the date of the first recognition:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since the date of the first recognition or that have low credit risk at the reference date (investment grade instruments are considered as such). For these assets, the expected credit losses in consideration of the possibility of default events occurring in the next 12 months are recognized. Change of expected credit losses estimate of the period is recognized in profit or loss statement. Interest revenues are recognized on gross carrying value (i.e. without deduction of loss allowance).

- Stage 2 includes financial instruments that have had a significant increase in credit risk since the date of the first recognition (unless the instrument is still meeting definition of low credit risk asset at the reference date), but which do not have objective evidence of impairment. For these assets, expected credit losses considering default probability over the entire expected life of the financial instrument (lifetime expected credit losses) are recognized. Change of expected credit losses estimate of the period is recognized in profit or loss statement. Interest revenues are recognized on gross carrying value (i.e. without deduction of loss allowance).

- Stage 3 includes financial assets that have objective evidence of impairment at the balance sheet date. For these assets, expected credit losses are estimated considering objective evidence of impairment already occurred, estimating possible recovery of investment over the life of the instrument or after that. Change of expected credit losses estimate of the period is recognized in profit or loss statement. Interest revenues are recognized on net amortized cost (i.e. including deduction of loss allowance).

New impairment model also introduces a simplified approach for trade and leasing receivables for which the calculation of 12-month expected credit losses is not necessary, but lifetime expected credit losses can be recognized.

With regard to the new impairment model, this had limited impact on the financial statements, reflecting the high creditworthiness and quality of the portfolio of debt securities (and similar assets) held. Loans or similar non-rated investments represent only a minor fraction of investment portfolio.

Hedge accounting

IFRS 9 introduces a substantially reformed model for hedge accounting that allows to a greater extent than IAS 39 to reflect in the financial statements the hedging activities carried out as part of risk management strategies.

In particular, there is a considerable simplification of the effectiveness requirements. The predetermined thresholds to demonstrate the effectiveness of a coverage relationship (i.e. 80-125% in the current IAS 39) are no longer required. To prove a hedge accounting relationship, It is sufficient that:

- There is an economic relationship between the hedging instrument and the hedged item; and
- Credit risk should not be the key component of hedged risk (i.e. the change in fair value of the hedging relationship should not be dominated by the credit risk component).

The Group has decided to apply the new IFRS9 rules on hedge accounting from 1 January 2023, although it was not detected any substantial impact deriving from the application of the new rules.

Impact of adopting IFRS 9

The impact of adopting IFRS 9 is considered as limited. Therefore the Group presents this together with the impact of IFRS 17. For the overall impact of adopting IFRS 9 and IFRS 17 please see note D.6.5.

Amendment to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective for annual reporting beginning on or after 1 January 2023.

The main change is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

Amendments to IAS 8 – Definition of Accounting estimates effective for annual periods beginning on or after 1 January 2023.

This amendment focuses entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

Amendments to IFRS 16 Leases – Amended by Lease liability in a Sale and Leaseback effective for annual periods beginning on or after 1 January 2024

These amendments should help to clarify how a seller-lessee subsequently measures sale and leaseback transactions.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments effective for annual periods beginning on or after 1 January 2023

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.

D.6.4 Standards, interpretations and amendments to published standards that are not yet effective and are not relevant for the Group's financial statements

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.

Amendments to IAS 1 – Non-current Liabilities with Covenants effective for annual periods beginning on or after 1 January 2024.

D.6.5 IFRS 17 Insurance contracts

The Group will apply IFRS 17 – Insurance contracts and IFRS 9 – Financial Instruments from 1 January 2023.

The first application of both standards will introduce significant changes in the measurement and accounting of (re)insurance contracts and financial instruments.

On 9 December 2021, the IASB published a narrow-scope amendment to the transition requirements of IFRS 17 (Amendment to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 - Insurance Contracts) regarding the application of IFRS 9 requirements to comparative periods. The proposed amendment allows for better alignment of the presentation of comparative information under IFRS 17 and IFRS 9 by applying a classification overlay that effectively allows the IFRS 9 rules for classification and measurement in comparative periods to be applied for all financial instruments, including assets sold during 2022.

The quantitative criteria for the adoption of deferral and the disclosures required from entities applying IFRS 9 in arrears are included in the chapter related to the disclosure on the deferred application of IFRS 9 (Note D.6.6).

The Group intends to restate the comparative period to the first application of IFRS 9 and foresees the application of this amendment for all financial instruments, in order to produce 2022 comparative information consistent with IFRS 17 and IFRS 9 requirements and in line with the financial reporting that will be provided from 1 January 2023 onwards.

The following paragraphs present the main changes introduced by the adoption of the new standards, the accounting policies adopted by the Group and the estimated expected impacts on the Group's shareholders' equity at the transition date.

All valuations contained in the paragraphs below represent a reasonable estimate based on the information available at the date of publication of the 2022 financial statements.

IFRS 17 Insurance contracts

On 18 May 2017, the IASB published Standard IFRS 17 - Insurance Contracts, which replaces the current IFRS 4 - Insurance Contracts. The new standard introduces a new model for measuring insurance contracts, structured on a Building Block Approach based on the Fulfilment Cash Flows (FCF), which comprise the present value of future cash flows, weighted by the probability of occurrence (Present Value of Future Cash Flows – PVFCF), and the adjustment for non-financial risk (Risk Adjustment - RA), and on the expected value of the unearned profit for the services provided (Contractual Service Margin - CSM). The adoption of a simplified approach (Premium Allocation Approach - PAA) is allowed if the contractual coverage period is less than one year or if the model used for the measurement provides a reasonable approximation with respect to the Building Block approach. The simplification applies to the measurement of the Liability for Remaining Coverage (LRC), which does not have to be broken down into PVFCF, RA and CSM, but is essentially based on the premium received net of acquisition costs. As it pertains to the Liability for Incurred Claims (LIC), it is consistently measured by means of the General Measurement Model (GMM), for which all the claims occurred are subject to discounting and the calculation of the Risk Adjustment is executed accordingly.

The Variable Fee Approach (VFA) is envisaged for contracts entailing the direct participation of the policyholders in the Company's financial and/or insurance results; this model is applied instead of the GMM when certain conditions are fulfilled. The VFA provides for a different treatment of changes in cash flows linked to financial variables whose impact is reported in the CSM rather than directly in the statement of comprehensive income.

The IFRS 17 will also affect the presentation of revenues from insurance contracts, which will no longer include the premiums written and, in particular, the deposit components included in the premiums and claims. In addition, insurance revenues and costs for insurance services gross of reinsurance will be presented with the reinsurance result included in the costs of the insurance service. Pursuant to the IFRS 17, insurance liabilities are subject to discounting; the periodic unwinding of discounting will be a financial charge included in the financial result.

Implementation of the principle

The Group expects a significant change in the financial statement information both in terms of evaluation of the technical provisions and in the presentation of the economic performance and the notes to the financial statements. In light of the significance of the changes introduced by the standard, very relevant impacts are also reported in terms of resources, processes and information systems to support the assessment framework.

In order to adopt IFRS 17 in the Group's consolidated financial statements, a global finance transformation program is in place since 2017. This program involves various central and local functions and has the objective of implementing IFRS 17 and IFRS 9 consistently at Group level. In particular, the program includes functional workstream dedicated to developing the methodological and interpretative aspects of the standard in coherence with the market practices of the sector and implementation workstream dedicated to the implementation of the operating model and architecture of the target information systems.

During 2022, the main objective pursued by the program was represented by the transition to the new standard, which provides for the determination of the new opening balances at 1 January 2022 and the comparative information preparatory to entry into force.

IFRS 17: more relevant accounting requirements and accounting policies adopted

The following paragraphs summarize the most significant insurance accounting requirements of IFRS 17 and policy choice made by the Group.

Scope of application

IFRS 17 is applied to contracts that meet the definition of an insurance contract, which generally include:

- insurance contracts, including reinsurance contracts (i.e., Assumed business), it issues;
- reinsurance contracts it holds; and
- investment contracts with discretionary participation features (DPF) it issues if the entity also issues insurance contracts.

Insurance contracts create a bundle of rights and obligations that work together to generate a package of cash flows. Indeed, while some types of insurance contracts only provide insurance coverage (e.g., most short-term non-life contracts), other types of insurance contracts could contain one or more components that would be within the scope of another Standard if they were separate contracts. For example, some insurance contracts may contain:

- investment components (e.g., pure deposits, such as financial instruments whereby an entity receives a specified sum and undertakes to repay that sum with interest);
- good and service components (e.g., services other than insurance contract services, such as pension administration, risk management services, asset management or custody services); and
- embedded derivatives (e.g., financial derivatives, such as interest rate options or options linked to an equity index).

In certain cases, specifically defined by IFRS 17, the above-mentioned components must be separately considered and measured under another IFRS standard.

IFRS 17 requires separating from the host contract the distinct investment components only. Indeed, the investment component is distinct only if, and only if, both of the following criteria are met:

- the investment component and the insurance component are not highly interrelated. The two components are highly interrelated if the value of one component varies with the value of the other component and hence the entity is unable to measure each component without considering the other one. The components are also highly interrelated if the policyholder is unable to benefit from one component unless the other is also present;
- A contract with terms equivalent to the investment component is sold, or could be sold, separately in the same market or same jurisdiction.

If the investment component does not satisfy the two conditions above, it would be identified as non-distinct and IFRS 17 would apply on the contract as a whole (no separation from host contract).

The Group does not expect significant impacts on the insurance contract classification when compared to IFRS 4, as well as from the unbundling of distinct investment components.

Level of Aggregation

IFRS 17 requires that an entity should aggregate contracts at inception in groups, for recognition, measurement, presentation and disclosure. An entity shall establish the groups at initial recognition and shall not reassess the composition of the groups subsequently.

The starting point for aggregating contracts is to identify portfolios of insurance contracts. A portfolio comprises contracts that are subject to similar risks and managed together.

The assessment of "similar risks" should take into consideration the prevailing risks of the contracts. In case the prevailing risks are similar, then two contracts can be considered as exposed to similar risks.

IFRS 17 then requires the entity to divide the contracts in each portfolio on initial recognition into the following groups:
– group of contracts that are onerous at initial recognition;
– group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
– group of the remaining contracts in the portfolio.

IFRS 17 prescribes that an entity cannot include contracts issued more than one year apart in the same group. Therefore, each portfolio should be disaggregated into annual cohorts, or cohorts consisting of periods of less than one year.

Contract Boundary

The measurement of a group of insurance contracts includes all the expected cash flows within the boundary of each contract within the group. Generali Group considers the contract boundary requirements as linked to the entity ability to fully reprice a contract. All future premiums and policyholder options should be included in the initial projections if the entity does not have the ability to fully reprice the contract when the premium is paid/the option is exercised. According to this requirement, the contract boundaries will be set considering the insurance contract as a whole and not considering each single component independently, leading to difference compared to the current approach applied in Solvency II, with particular reference to multi-risk contracts, where different risk components may have different contracts boundaries.

Expected future cash flows

Expected Future Cash Flows are the first element of Fulfilment Cash Flows (FCF) and represents an estimate of future cash flows within the contract boundary.

The estimate of future cash flows should: i) incorporate, in an unbiased way, all reasonable and supportable information available; ii) reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices for those variables, iii) be current and iv) be explicit.

Generally, the operating assumptions underlying the projections of Expected Future Cash Flows are in line with the ones adopted within the Solvency II framework. However, as regard expense perimeter, differences may arise because of the IFRS 17 requirement envisaging that only expenses directly attributable to insurance and reinsurance contracts must be considered for the measurement of Expected Future Cash Flows.

Time value of money

The second element of FCF is represented by the time value of money. IFRS 17 requires adjusting the estimates of expected cash flows to reflect the time value of money and the financial risks associated with those cash flows to the extent that the financial risks are not already included in the cash flow estimates.

The discount rates must:

– reflect the time value of money, the characteristics of the cash flows and liquidity characteristics of the insurance contracts;
– be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts (e.g., timing, currency and liquidity);
– exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.
– In case of cash flows that vary according to any financial underlying items, reflect that variability.

The Group will apply the bottom-up approach to define the discount curve to be applied to insurance and reinsurance contracts, in line with what is done in the Solvency 2 framework. Where appropriate, the Group's position is to apply a risk neutral approach for IFRS 17, both for participating and non-participating business for the purpose of fulfilling market consistency requirements. In this context, the IFRS17 discount curve, for each currency in the portfolio, will be determined as the sum of:

- a risk-free base curve and
- an adjustment for the illiquidity premium (IFRS17 adjustment).

To determine the IFRS17 adjustment, the average spread of a portfolio of reference assets adjusted to exclude credit risk components (i.e. risk corrections) and the effect of potential misalignments in asset cash flows with the portfolio of hedged liabilities are considered.

As far as the risk-free base curve is concerned, the approach is aligned with the parameterization and the current Solvency 2 methodology. In particular, the same extrapolation algorithm is applied (i.e. Smith-Wilson method) and the same convergence rate (i.e. ultimate forward rate) is considered for most of the currencies.

With reference to the IFRS17 adjustment component:

- For the GMM and P&C business, the same adjustment as Solvency 2 (i.e. volatility adjustment) is used.
- For the VFA business, an adjustment for the illiquidity premium specific to each company is calibrated in order to ensure a better economic representation of the life business and avoid creating artificial volatility due to the movement of market spreads on the balance sheet and income statement. The illiquidity premium of the VFA business is based on the following company-specific characteristics:
  - asset mix (instead of the EIOPA portfolio considered by Solvency 2)
  - an application percentage that reflects the duration match between the portfolio of assets and liabilities (instead of 65% of Solvency 2)

Non-financial risk adjustment

The Non-financial Risk Adjustment (RA) is the last element included within the FCF. The RA for non-financial risk provides information to users of financial statements about the amount the entity charges for bearing the uncertainty over the amount and timing of cash flows arising from non-financial risk.

The RA considers risks arising from an insurance contract other than financial risk. This includes insurance risk and other non-financial risks as lapse and expense risk. Entities are required to account for a risk adjustment explicitly, while time value of money and financial risk remains implicit in the Present Value Future Cash Flows (PVFCF).

The RA reflects:

- the degree of diversification benefit that the entity includes when determining the compensation that it requires for bearing that risk; and
- the entity's degree of risk aversion, reflected by both favorable and unfavorable outcomes.

With reference to diversification benefits, diversification benefits between different entities and between the life and non-life segment are not considered.

Differently from Solvency II framework for which the Cost of Capital method is applied to quantify the Risk Margin, IFRS 17 does not prescribe a specific method to calculate the Non-financial risk Adjustment. The Group will adopt the percentile approach, leveraging on the methodology and calculation models developed for its Internal Model under Solvency II, appropriately adjusted to comply with the IFRS 17 requirements for determining the Risk Adjustment.

Contractual Service Margin

The Contractual Service Margin (CSM) reflects the unearned profit in the group of insurance contracts that has not yet been recognized in profit or loss at each reporting date, because it relates to future service to be provided.

The CSM is released on the basis of coverage units that are determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage duration.

Depending on the type of service provided, the coverage unit and the related quantity of benefit could be defined in different ways. Following, some alternatives (non-exhaustive) for the definition of the coverage unit:

- In case of Saving or Unit-Linked contracts, the coverage units are primarily a function of the assets under management (AuM), but the provided insurance coverages are taken into account as well;
- In case of contracts providing only insurance services, the coverage units are generally defined as a function of the sums assured (weighted among different risks insured);
- In case of contracts that envisage a bundle of services, the coverage units are combination of the assets under management (AuM) and the insurance coverage corresponding to the nature of the contract.

The carrying amount of the CSM at the end of the reporting period shall be equal to the carrying amount at the beginning of the reporting period adjusted as a result of:

- The effect of the profit on newly issued contracts. This is the main factor that typically generates an increase in the CSM;
- The recognition of the interest accrued on the carrying amount of the CSM during the reporting period. Accrued interest is determined using current rates under the VFA measurement model and rates determined at the initial recognition date of the GMM group of contracts.
- Changes in fulfillment cash flows relating to future services. These changes, which can be defined as operating variances, represent the impact of non-financial variables on future fulfillment cash flows. Examples, not exhaustive, might be experience adjustments arising from premiums received in the period that relate to future service and changes in estimates of the present value of the future cash flows in the liability for remaining coverage;
- Within the VFA measurement model, the change in the amount of the entity's share of the fair value of the underlying items;
- The effect of exchange rate differences on the CSM;
- The amount of CSM recognized as insurance revenue because of insurance services provided during the period. The release of the margin is carried out after the recognition of the margin relating to new contracts issued, the impact of variances and accrued interest.

Variable Fee Approach (VFA)
The VFA is the mandatory measurement model for contracts with direct participation features. In Generali business units in CEE, the VFA measurement model will be applied solely to Unit-linked policies (ca. 46% of life insurance liabilities as of transition date 1 January 2022). It is to be noted, that the underlying mechanics of VFA measurement model overcome the accounting scheme of IFRS 4 Shadow Accounting since both the insurance liabilities and the backing underlying items are typically measured at current value. As consequence, any change in fair value of the underlying items will be reflected within the measurement of FCF and CSM.

Premium Allocation Approach (PAA)
The PAA is an optional simplification for the measurement of the liability for remaining coverage for insurance contracts with short-term coverage and for insurance contracts where the simplified approach yields a liability for remaining coverage that not materially differs from the one that would be produced by the General Measurement Model.

This model is predominantly applied to the P&C insurance portfolio. In Generali business units in CEE, all P&C insurance liabilities and reinsurance assets at the transition date (i.e. 1 January 2022) are measured by the PAA.

With reference to the life segment, the application of this measurement model will be limited only to groups of contracts with coverage not exceeding one year, estimated at the transition date at ca. 1% of life insurance liabilities.

General Model Measurement (GMM)
The GMM is the standard measurement model for measuring insurance assets and liabilities.

Within the life segment, the GMM will be applied to all long-term contracts which are not eligible for the VFA. Among CEE business units ca. 53% of life insurance liabilities at the transition date (i.e. 1 January 2022) are measured through GMM.

Within the P&C segment, the GMM is not applied thanks to the full eligibility for the simplified model PAA results.

Insurance finance income or expenses
IFRS 17 requires an entity to make an accounting policy choice whether to disaggregate insurance finance income or expenses for the period between profit or loss and other comprehensive income. Once chosen, the accounting policy will need to be applied consistently at the level of a portfolio of insurance contracts issued and reinsurance contracts held.

When determining whether to select the accounting disaggregation policy choice, an entity should assess the combinations of various measurement methods for insurance obligations under IFRS 17 and the underlying financial instruments under IFRS 9 that could lead to accounting mismatch and the potential ways to mitigate them.

The Group will apply the Disaggregation Approach to most of its existing insurance contracts issued and reinsurance contracts held portfolio to mitigate the potential accounting mismatch and related volatility in P&L.

Transition

IFRS 17 will be applied starting from the 1 January 2023. However, the Transition date is identified by the beginning of the annual reporting period immediately preceding the date of initial application (i.e., 1 January 2022).

IFRS 17 envisages the following methods to recognize and measure insurance and reinsurance contracts for transition purposes:

- Full Retrospective Approach (FRA): this method requires an entity to identify, recognize and measure each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- Modified Retrospective Approach (MRA): if FRA is impracticable, an entity can choose to apply MRA that introduces a set of simplifications to the general Standard's requirements having regard to the level of aggregation, discount rate, recognition of CSM and allocation of insurance finance income and expenses. However, the objective of the Modified Retrospective Approach, similarly to the Fully Retrospective, is to determine the CSM at initial recognition (allowing for some simplification) and to carry it forward to the transition date;
- Fair Value Approach (FVA): if FRA is impracticable, an entity can choose to apply the FVA. This transition method relies on the possibility to determine the contractual service margin at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

The method of full retrospective approach is applied on contracts for which all historical data are available and for which simplifications are not necessary. This will cover mainly LRC for short-term contracts classified under PAA and LIC for most recent generations.

For long-term contracts for which the full retrospective application method is impracticable, the method predominantly used is the modified retrospective application method.

Within the life segment, approximately 87% of the CSM at the transition date was therefore valued using one of the retrospective approaches. The remaining 13% of the CSM is measured using the FVA.

The retrospective approaches are considered as the preferred transition method since it is more in line with the entity's estimation of the underlying unearned profit and more aligned to valuation of insurance and reinsurance contracts that will be sold after transition date.

Within the P&C segment, the retrospective approaches were applied for the valuation at the transition date of the liability for remaining coverage. Regarding the estimation of the liability for incurred claims (LIC), it should be noted that the discount curve at the end of 2021 was used to discount liabilities relating to claims with the year of occurrence prior to 2016. Consequently, no Other Comprehensive Income (OCI) is calculated for these claims at the transition date.

Estimating the impact of adopting IFRS 17 and IFRS 9

The Group will jointly apply IFRS 17 and IFRS 9 starting from the financial statements beginning on 1 January 2023.

The impact on shareholders' equity resulting from the combined introduction of IFRS 17 and IFRS 9 is determined on 1 January 2022, which is identified as the beginning of the financial period immediately preceding the date of first application.

Based on the assessments and reasonable estimates available at the date of publication of the 2022 financial statements, the Group's shareholders' equity at the transition date is substantially unchanged following the joint introduction of the new standards.

The table below summarizes the estimated increase (reduction) on Group shareholders' equity split by segment.

(€ million)	Adjustment at 1 January 2022
Life segment	189
Non-life segment	496
Other	(6)
Total	**679**

The decrease in the liabilities for life contracts on transition to IFRS 17 can mainly be attributed to the following:

Change from IFRS 4	Impact on equity on transition to IFRS 17
The risk adjustment for non-financial risk under IFRS 17 will be lower than the risk margin under IFRS 4 as a result of (a) recalibration of the measurement techniques to conform with the IFRS 17 requirements, (b) exclusion of financial risk and general operational risk from the IFRS 17 risk adjustment for non-financial risk.	Increase
A CSM, determined using the transition approaches described above, will be recognized for the unearned profit for these contracts.	Decrease
The estimates of the present value of future cash flows will replace currently used mathematical provisions and as a result, the insurance liabilities will decrease, due to application of current assumptions rather than locked in assumptions.	Increase

The Group expects, that, on adoption of IFRS 17, the impact of these changes is an increase in the Company's total equity of €189 million at 1 January 2022.

The decrease in the liabilities for non-life contracts on transition to IFRS 17 can mainly be attributed to the following:

Change from IFRS 4	Impact on equity on transition to IFRS 17
Under IFRS17, when measuring liabilities for incurred claims, the future expected cash flows will be discounted. Based on the current accounting policy, such cash flows are discounted only for payments paid as annuities. The impact on equity on transition to IFRS17 is the increase of the equity, since the major part of liabilities for incurred claims is paid as lump sum and the risk-free rates structure provided high yields at transition date.	Increase
IFRS17 requires the fulfilment cash flows to include a separately presented allowance for non-financial risk, risk adjustment. The current accounting policy allows to include prudency when measuring liabilities for incurred claims. However, such prudency is not presented separately from the best estimate. The current accounting policy does not require to state the types of risks included in the prudent measurement of liabilities for incurred claims. Under IFRS17 Group's accounting policy, the level of prudency is explicitly stated, and the impact on equity on transition to IFRS17 is the increase of equity given the level of prudency stated by the Group's accounting policy.	Increase

The Group expects, that, on adoption of IFRS 17, the impact of these changes is an increase in the Company's total equity of €496 million at 1 January 2022.

D.6.6 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), was 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)

The following tables show the disclosure related to financial statements at 31 December 2022 and 2021, in accordance to the amendment to IFRS 4.

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 2022	Fair value change as at 31 December 2021
Financial assets managed on fair value basis and held for trading*	**2,650**	**(222)**
Investment fund units	199	(9)
Derivatives	138	4
Investments back to policies where the risk is borne by the policyholders and pension funds	2,306	(217)
Bonds	7	-
Available for sale financial assets (AFS), held to maturity and loans and receivables**	**6,139**	**(1,141)**
Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest	**5,439**	**(719)**
Bonds	5,159	(719)
Loans and other debt instruments	266	-
Receivables from banks and customers	14	-
Financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest	**700**	**(422)**
Equity instruments	607	(396)
Investment fund units	81	(24)
Bonds	12	(2)
Total	**8,789**	**(1,363)**

* fair value change consist of asset value change excluding foreign exchange impact
** policy loans in the amount of €9 million are excluded from the scope

(€ million)	Fair value as at 31 December 2021	Fair value change as at 31 December 2020
Financial assets managed on fair value basis and held for trading*	**2,858**	**184**
Investment fund units	158	5
Derivatives	77	-
Investments back to policies where the risk is borne by the policyholders and pension funds	2,615	179
Bonds	8	-
Available for sale financial assets (AFS), held to maturity and loans and receivables**	**7,195**	**(341)**
Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest	**6,041**	**(397)**
Bonds	5,824	(397)
Loans and other debt instruments	199	-
Receivables from banks and customers	18	-
Financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest	**1,154**	**56**
Equity instruments	848	27
Investment fund units	292	29
Bonds	14	-
Total	**10,053**	**(157)**

* fair value change consist of asset value change excluding foreign exchange impact
** 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:

(€ million)	2022		2021	
	Bonds	Other than bonds instruments	Bonds	Other than bonds instruments
AAA	114	-	102	-
AA	1,378	-	1,290	-
A	1,410	48	1,586	63
BBB	1,580	67	2,059	174
BB	615	73	731	1
B	22	-	34	-
CCC	10	-	-	-
Not rated	30	1	17	10
Total	**5,159**	**189**	**5,819**	**248**

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:

(€ million)	2022		2021	
	Fair value	Carying amount	Fair value	Carrying amount
Bonds	62	62	51	51
Loans and Other debt instruments	1	1	10	10
Total	**63**	**63**	**61**	**61**

D.7 Impact of the war in Ukraine

Prior to the war, GCEEH was managing activities of Generali Group in CEE and Russia. Related to the Russian activities its most significant asset was indirect investment in PJSIC Ingosstrakh. On top of this, the Group had financial assets located in the affected region.

As a reaction on the war the Group has withdrawn from active participation in management of Ingosstrakh during Q1 2022. Moreover, the Group had a representative office in Moscow which was closed with immediate effect.

As at 31 December 2022 the Group holds investments in the total amount of approximately €125 million which is significant reduction from the value of €548 million as at 31 December 2021. This value represents only 1.4% of total value of investments. Major part of the investments in Russia is represented by investment into PJSIC Ingosstrakh (€117 million). Remaining part consists of investments into corporate bonds, on which we are actively monitoring the evolution of single debtor and coupons due. As of today, impairment to deemed recoverable value was recognized on all corporate bond positions issued by Russian counterparties. Many positions have as well been disposed of in recent months, with current exposure in terms of nominal amount of €48 million which is significant reduction from the value of €548 million as at YE21.

Management considers the impact of the current situation, including possible non-compliance to sanction regulation, on the group's 2022 financial statements to be remote and consequently there is no impact on the group's 2022 financial statements and going concern.

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.

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.

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.

Financial instruments and other investments
With specific focus on financial instruments and other investments, Risk Management guidelines related to investment risk management, the system of investments risk 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.

All entities in CEE region act in line with Investment Risk Group Guideline. This guideline is cascaded by regional office to local entities via Guideline for the System of Investment Risk Limits and a Risk limit Annex specific for each entity, providing them with a set of definitions, limits, requirements and restrictions to manage credit and market risk. The Guideline illustrates also the treatment and the requirements related to specific asset classes or transactions, and, in addition, it describes the related monitoring activities.

Strategic asset allocation also follows standardized process described by Asset Liability management and Strategic asset allocation Group Guideline (ALM and SAA Group Guideline). All local units SAAs are subject to approval of Regional Investment Committee with Group head office (GHO) representative which is held twice a year.

There is also standardized framework for Liquidity, designed by the Liquidity Risk Management Policy and the Liquidity Risk Group Guideline, involving regular update and monitoring of key liquidity indicators.

In addition to that, there are also Investment Governance Group Policy, Risk Concentrations Management Group Policy and Treasury Group Policy which specify the roles and responsibilities, processes and reporting requirements in these areas.

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.

Risk appetite framework

As part of Generali Group, the Group operates under a sound Risk Management System in line with the processes and the strategy set by Generali Group. To ensure that the risks are managed according to the risk strategy, the Company follows the governance defined in the Group Risk Appetite Framework (RAF) and further specified in the local Risk Appetite Framework. RAF governance provides a framework for embedding risk management in day-to-day and extraordinary business operations, control mechanisms, and escalation and reporting processes.

The purpose of the RAF is to set the desired level of risk (in terms of Risk Appetite and Risk Preferences) and limit excessive risk-taking. Tolerance Levels are set accordingly on the basis of capital and liquidity metrics. Should an indicator approach or breach the defined Tolerance Levels, escalation mechanisms are activated. The Risk Appetite Framework is updated on an annual basis. It includes, as part of the overall strategy, a set of qualitative risk preferences orienting the Company in risky activities.

Risk tolerances on capital metrics are set with the purpose of maintaining a defined buffer over the Regulatory Solvency Ratio and to ensure that the Company can maintain a 100% Solvency Ratio under adverse circumstances.

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.

In relation to Market risks monitoring, Group focuses on Investments where market risks affect Group result of financial positions, hence excluding Unit linked investments.

At the year-end 2022, those investments with market risk affecting the Group were in total €6,171 million at market value (2021: €7,178 million).

(€ million)	31.12.2022		31.12.2021	
	Total fair value	weight (%)	Total fair value	weight (%)
Equities and funds	800	13.0%	1,182	16.5%
Bonds	5,265	85.3%	5,961	83.0%
Derivatives	106	1.7%	35	0.5%
Total	**6,171**	**100%**	**7,178**	**100.0%**

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 optimizing 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 management

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 established Local Investment 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 responsible for asset management, risk management and investment management (including ALM).

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 analyzed, 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.

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.

Taking as starting point the first table presented in E.4 Market risk chapter, detailing the asset classes, this chapter further focuses on the assets whose value is subject to interest rate risk. This group of assets is represented mainly by bonds, interest rate derivatives and bond investment fund units. The table below summarizes the breakdown of their carrying amount by company.

Interest rate risk exposure

(€ million)	31.12.2022		31.12.2021	
	Carrying amount	weight (%)	Carrying amount	weight (%)
Generali Česká pojišťovna, Czech Republic	1,728	32.5%	2,130	35.6%
GP Reinsurance EAD, Bulgaria	975	18.3%	847	14.2%
Generali Towarzystwo Ubezpieczeń, Poland	663	12.4%	746	12.5%
Generali Zavarovalnica d.d., Slovenia	449	8.4%	511	8.5%
Generali Osiguranje Srbija, Serbia	453	8.5%	513	8.6%
Generali Biztosító Rt, Hungary	205	3.8%	273	4.6%
Generali Osiguranje, Croatia	248	4.7%	273	4.6%
Generali Romania Asigurare Reasigurare S.A., Romania	226	4.2%	225	3.8%
Generali Zycie Towarzystwo Ubezpieczeń, Poland	94	1.8%	117	2.0%
Generali penzijní společnost, Czech Republic	39	0.7%	67	1.1%
Other companies	249	4.7%	272	4.5%
Total	**5,329**	**100.0%**	**5,974**	**100.0%**

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

(years)	31.12.2022	31.12.2021
Generali Česká pojišťovna, Czech Republic	5.4	6.2
Generali penzijní společnost, Czech Republic	2.8	3.0
Generali Romania Asigurare Reasigurare S.A., Romania	2.8	3.6
Generali Zycie Towarzystwo Ubezpieczeń, Poland	3.2	3.2
Generali Biztosító Rt, Hungary	4.1	4.9
Generali Towarzystwo Ubezpieczeń, Poland	3.0	2.8
GP Reinsurance EAD, Bulgaria	3.6	3.8
Generali Zavarovalnica, Slovenia	4.6	5.5
Generali Osiguranje, Croatia	3.6	4.7
Generali Osiguranje Srbija, Serbia	4.4	5.5

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 2022 and 31 December 2021.

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)		31.12.2022		31.12.2021	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
100 bp parallel increase	Gross impact on fair value	2	(201)	1	(209)
	Income tax charge / (credit)	-	26	-	36
	Total net impact	**2**	**(175)**	**1**	**(173)**
100 bp parallel decrease	Gross impact on fair value	(2)	217	(1)	216
	Income tax charge / (credit)	-	(28)	-	(37)
	Total net impact	**(2)**	**189**	**(1)**	**179**

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)		31.12.2022		31.12.2021	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
100 bp parallel increase	Gross impact on fair value	-	1	-	5
	Income tax charge / (credit)	-	-	-	(1)
	Total net impact	**-**	**1**	**-**	**4**
100 bp parallel decrease	Gross impact on fair value	-	(1)	-	(5)
	Income tax charge / (credit)	-	-	-	1
	Total net impact	**-**	**(1)**	**-**	**(4)**

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 summarizes the breakdown by equity and equity investment fund unit type:

(€ million)	31.12.2022	31.12.2021
Equities at fair value	607	848
Quoted	224	193
Unquoted	383	655
Investments in fund units	193	334
Total	**800**	**1,182**

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

(€ million)	31.12.2022		31.12.2021	
	Amount	weight (%)	Amount	weight (%)
Generali Russia and CIS, Russia*	117	14.6%	385	32.6%
Generali Česká pojišťovna, Czech Republic	137	17.1%	300	25.4%
Generali CEE Holding, The Netherlands	139	17.4%	158	13.4%
GP Reinsurance EAD, Bulgaria	87	10.9%	131	11.1%
Generali Zavarovalnica d.d., Slovenia	71	8.9%	75	6.3%
Generali Biztosító Rt, Hungary	29	3.6%	59	5.0%
Generali Towarzystwo Ubezpieczeń, Poland	56	7.0%	41	3.4%
Irish Funds (ICAV)**	144	18.0%	-	0.0%
Other companies	20	2.5%	33	2.8%
Total	**800**	**100.0%**	**1,182**	**100.0%**

* GRAC was in 2022 included within GW Beta, The Netherlands
**Newly established in 2022, detailed information can be found in chapter C.1.1 Changes to the Group

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 2022 and 2021.

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)		31.12.2022		31.12.2021	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
Equity price +10%	Gross impact on fair value	20	57	17	98
	Income tax credit	(2)	(4)	(2)	(8)
	Total net impact	**18**	**53**	**15**	**90**
Equity price -10%	Gross impact on fair value	(20)	(57)	(17)	(98)
	Income tax charge	2	4	2	8
	Total net impact	**(18)**	**(53)**	**(15)**	**(90)**

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 summarized as follows:

(€ million)		31.12.2022		31.12.2021	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
Equity price +10%	Gross impact on fair value	(9)	-	(6)	(2)
	Income tax charge / (credit)	2	-	1	-
	Total net impact	**(7)**	**-**	**(5)**	**(2)**
Equity price -10%	Gross impact on fair value	9	-	6	2
	Income tax charge / (credit)	(2)	-	(1)	-
	Total net impact	**7**	**-**	**5**	**2**

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.

General strategy of the Group is to fully hedge currency risk exposure in order to reduce solvency capital requirement generated by FX risk in Solvency II. 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 monitors 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.

A credit rating agency is an external rating provider assigning rating to the counterparty/financial instrument. Credit rating agencies may be also referred as: (1) External Credit Rating Agency (ECAI): a credit rating agency registered or certified by the European Securities and Markets Authority (ESMA); (2) Local Credit Rating Agency: a credit rating agency residing in a Country outside ESMA supervision.

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.

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 external 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.

Rating of bonds

(€ million)	31.12.2022		31.12.2021	
	Amount	weight (%)	Amount	weight (%)
AAA	111	2.1%	102	1.7%
AA	1,379	26.6%	1,290	22.1%
A	1,421	27.4%	1,592	27.2%
BBB	1,584	30.7%	2,072	35.5%
Non-investment grade	649	12.5%	765	13.1%
Not-rated	34	0.7%	25	0.4%
Total	**5,178**	**100.0%**	**5,846**	**100.0%**

The portfolio of fixed income investments of the Group has been prudently composed: 77.3% of the securities are government issued (2021: 73.4%).

The distribution by rating class shows that more than a half (56.1%) of fixed income investment is of a high rating standing 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)	31.12.2022		31.12.2021	
	Amount	weight (%)	Amount	weight (%)
AA	183	33.3%	170	28.7%
A	300	54.7%	350	59.1%
BBB	1	0.2%	6	1.0%
Not-rated	65	11.8%	66	11.2%
Total	**549**	**100.0%**	**592**	**100.0%**

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)	31.12.2022		31.12.2021	
	Amount	weight (%)	Amount	weight (%)
A	3	1.9%	-	-
BBB	125	76.1%	76	88.4%
Non-investment grade	36	21.5%	1	1.2%
Not-rated	1	0.5%	9	10.4%
Total	**165**	**100.0%**	**86**	**100.0%**

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)	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Neither past due nor impaired – carrying amount	**290**	**225**	**514**	**418**
Past due but not impaired – carrying amount	**-**	**-**	**98**	**70**
Collectively impaired – carrying amount	**-**	**-**	**74**	**108**
Gross amount	1	1	153	189
up to 90 days after maturity	-	-	78	96
91 days to 180 days after maturity	-	-	10	18
181 days to 1 year after maturity	-	-	10	12
over 1 year after maturity	1	1	55	63
Allowance for impairment	(1)	(1)	(79)	(81)
Total	**290**	**225**	**686**	**596**

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)	31.12.2022	31.12.2021
Against neither past due nor impaired	224	152
Debt securities	77	87
Other	147	65
Total	**224**	**152**

Significant change of item Other is represented by increase of fair value of collateral held for derivatives to €127 million compared to €47 million in 2021.

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 by country of risk of credit risk of bonds and reverse repurchase agreements.

Geographic concentration:

(€ million)	31.12.2022		31.12.2021	
	Total fair value	weight (%)	Total fair value	weight (%)
Czech Republic	1,521	29%	1,456	24.5%
Russia	8	0%	163	2.7%
Poland	984	19%	1,111	18.7%
Hungary	362	7%	437	7.3%
Serbia	482	9%	543	9.2%
Romania	294	6%	272	4.6%
Other CEE countries	631	12%	789	13.3%
Other European countries	700	13%	834	14.1%
The Netherlands	95	2%	126	2.1%
Germany	102	2%	109	1.8%
Austria	50	1%	68	1.2%
Other	453	8%	531	9.0%
USA	147	3%	153	2.6%
Other world countries	127	2%	177	3.0%
Total	**5,256**	**100%**	**5,935**	**100.0%**

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

31.12.2022 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 year	Unspecified	Total
Investments excluding investment properties	**1,041**	**2,927**	**2,540**	**2,292**	**8,800**
Loans	**258**	**28**	**4**	**-**	**290**
Held to maturity	**7**	**14**	**3**	**-**	**24**
Available for sale	**646**	**2,552**	**1,950**	**688**	**5,836**
Bonds	646	2,552	1,950	-	5,148
Equities	-	-	-	607	607
Investment fund units	-	-	-	81	81
Financial assets at fair value through profit or loss	**130**	**333**	**583**	**1,604**	**2,650**
Bonds	3	4	-	-	7
Investment fund units	-	-	-	199	199
Unit-linked investments	81	292	528	1,405	2,306
Derivatives	46	37	55	-	138
Receivables	**675**	**9**	**2**	**-**	**686**
Cash and cash equivalents	**419**	**-**	**-**	**-**	**419**
Total financial assets	**2,135**	**2,936**	**2,542**	**2,292**	**9,905**

31.12.2021 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 year	Unspecified	Total
Investments excluding investment properties	**962**	**3,110**	**2,621**	**3,365**	**10,058**
Loans	**194**	**28**	**3**	**-**	**225**
Held to maturity	**7**	**19**	**3**	**-**	**29**
Available for sale	**581**	**2,814**	**2,411**	**1,140**	**6,946**
Bonds	581	2,814	2,411		5,806
Equities	-	-	-	848	848
Investment fund units	-	-	-	292	292
Financial assets at fair value through profit or loss	**180**	**249**	**204**	**2,225**	**2,858**
Bonds	1	7	-	-	8
Investment fund units	-	-	-	158	158
Unit-linked investments	141	231	176	2,067	2,615
Derivatives	38	11	28	-	77
Receivables	**551**	**22**	**23**	**-**	**596**
Cash and cash equivalents	**322**	**-**	**-**	**-**	**322**
Total financial assets	**1,835**	**3,132**	**2,644**	**3,365**	**10,976**

Residual contractual maturities of financial liabilities excluding financial liabilities related to investment contracts (2022: €157 million, 2021: €173 million)

31.12.2022 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Financial liabilities	142	17	-	159
Financial liabilities at fair value through profit or loss	28	6	-	34
Derivatives	26	6	-	32
Other	2	-	-	2
Financial liabilities at amortised cost	114	11	-	125
Lease liability	18	11	-	29
Net assets attributable to unit holders	90	-	-	90
Other	6	-	-	6
Payables	708	81	72	861
Other liabilities	333	31	35	399
Total financial liabilities	1,183	129	107	1,419

31.12.2021 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Financial liabilities	115	34	2	151
Financial liabilities at fair value through profit or loss	29	14	1	44
Derivatives	27	14	1	42
Other	2	-	-	2
Financial liabilities at amortised cost	86	20	1	107
Lease liability	16	20	1	37
Net assets attributable to unit holders	61	-	-	61
Other	9	-	-	9
Payables	586	82	38	706
Other liabilities	317	55	46	418
Total financial liabilities	1,018	171	86	1,275

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 (including mathematical provisions, unit-linked provision, ageing provisions and provisions for investments contracts)

31.12.2022 (€ million)	Life insurance provisions - Gross direct insurance	Financial liabilities related to investment contracts	Total
Up to 1 year	302	30	332
Between 1 and 5 years	1,128	64	1,192
Between 6 and 10 years	691	34	725
Between 11 and 20 years	1,109	27	1,136
More than 20 years	938	2	940
Total	**4,168**	**157**	**4,325**

31.12.2021 (€ million)	Life insurance provisions - Gross direct insurance	Financial liabilities related to investment contracts	Total
Up to 1 year	346	41	387
Between 1 and 5 years	1,355	81	1,436
Between 6 and 10 years	770	32	802
Between 11 and 20 years	1,136	17	1,153
More than 20 years	951	1	952
Total	**4,558**	**172**	**4,730**

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	
	31.12.2022	31.12.2021
Up to 1 year	810	840
Between 1 and 5 years	578	580
Between 6 and 10 years	217	238
Between 11 and 20 years	200	229
More than 20 years	490	368
Total	**2,295**	**2,255**

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

2022 (€ million)	Saving & Pension	Protection	Unit Linked	Total
Czech Republic	82	246	113	441
Hungary	12	22	112	146
Slovakia	16	87	21	124
Poland	2	153	30	185
Serbia	48	13	-	61
Romania	7	15	1	23
Slovenia	10	31	50	91
Croatia	10	2	11	23
Total	**187**	**569**	**338**	**1,094**

2021 (€ million)	Saving & Pension	Protection	Unit Linked	Total
Czech Republic	89	221	101	411
Hungary	14	22	120	156
Slovakia	17	80	23	120
Poland	2	146	51	199
Serbia	47	13	-	60
Romania	7	21	1	29
Slovenia	11	29	47	87
Croatia	11	2	21	34
Total	**198**	**534**	**364**	**1,096**

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

2022 (€ million)	Motor	Non motor				Total
		Property	General liability	Accident, Health and Disability	Other	
Czech Republic	606	397	129	25	4	1,161
Hungary	179	172	35	33	9	428
Slovakia	129	49	11	19	-	208
Poland	223	229	33	44	27	556
Serbia	73	32	2	39	5	151
Romania	107	41	6	1	6	161
Slovenia	137	64	18	158	12	389
Bulgaria	57	21	2	18	2	100
Croatia	41	16	3	7	45	112
Other countries	8	3	-	1	-	12
Total	**1,560**	**1,024**	**239**	**345**	**110**	**3,278**

2021 (€ million)	Motor	Non motor				Total
		Property	General liability	Accident, Health and Disability	Other	
Czech Republic	574	359	119	23	2	1,077
Hungary	171	161	35	29	7	403
Slovakia	114	41	10	9	2	176
Poland	267	184	29	37	24	541
Serbia	73	32	2	29	4	140
Romania	86	34	5	1	2	128
Slovenia	127	60	17	148	10	362
Bulgaria	54	20	2	16	1	93
Croatia	38	15	3	7	36	99
Other countries	7	2	-	1	-	10
Total	**1,511**	**908**	**222**	**300**	**88**	**3,029**

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	
	31.12.2022	31.12.2021
Liabilities with guaranteed interest*	**1,691**	**1,817**
between 0% and 1%	132	120
between 1% and 3%	745	814
between 3% and 4%	441	454
between 4% and 5%	300	335
more than 5%	73	94
Provisions without guaranteed interest	**2,536**	**2,802**
Provisions matched by specific assets**	**83**	**93**
Total	**4,310**	**4,712**

* 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 €2,002 million (2021: €2,091 million), provisions for unit-linked policies €2,151 million (2021: €2,449 million), and financial liabilities related to investment contracts with DPF €157 million (2021: €172 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 2013 to 2022. 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)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Cumulative claim payments											
at the end of accident year	763	684	688	777	778	788	896	871	976	1,061	8,282
one year later	1,009	942	939	1,038	1,082	1,139	1,196	1,123	1,346		
two years later	1,057	1,013	991	1,094	1,145	1,234	1,244	1,166			
three years later	1,078	1,042	1,020	1,124	1,179	1,262	1,270				
four years later	1,088	1,056	1,038	1,142	1,206	1,278					
five years later	1,097	1,067	1,049	1,151	1,216						
six years later	1,102	1,072	1,055	1,158							
seven years later	1,105	1,078	1,062								
eight years later	1,107	1,079									
nine years later	1,108										
Cost of claims											
at the end of accident year	1,317	1,266	1,332	1,469	1,504	1,569	1,578	1,507	1,734	1,809	15,085
one year later	1,270	1,279	1,276	1,382	1,453	1,498	1,508	1,394	1,689		
two years later	1,262	1,256	1,245	1,349	1,425	1,478	1,471	1,359			
three years later	1,245	1,235	1,225	1,332	1,401	1,443	1,433				
four years later	1,209	1,211	1,204	1,307	1,369	1,403					
five years later	1,194	1,190	1,186	1,299	1,350						
six years later	1,183	1,176	1,169	1,277							
seven years later	1,179	1,168	1,169								
eight years later	1,172	1,157									
nine years later	1,166										
Estimate of cumulative claims	**1,166**	**1,157**	**1,169**	**1,277**	**1,350**	**1,403**	**1,433**	**1,359**	**1,689**	**1,809**	**13,812**
Cumulative payments	**(1,108)**	**(1,079)**	**(1,062)**	**(1,158)**	**(1,216)**	**(1,278)**	**(1,270)**	**(1,166)**	**(1,346)**	**(1,061)**	**(11,744)**
Provisions for outstanding claims not included in underwriting years											248
Provisions not included in the claims development table											(28)
Provisions for entities without data triangles (ME102)											7
Accepted reinsurance											107
Amount recognised in the Statement of financial position											**2,402**

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

The Group concludes a combination of proportional and non-proportional 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 of loss, stop-loss and surplus.

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. GP RE acts as an internal reinsurer and then places its retrocessions with Assicurazioni Generali S.p.A. who is its ultimate shareholder.

Most Life Treaties are placed directly by the Group Companies without any involvement of GP Re. Some niche treaties (for example Crops) are placed directly to the reinsurance market without any involvement of GP Re.

The overview of obligatory reinsurance treaty parameters for the main program and underwriting year 2022:

Line of business / Treaty	Form of reinsurance	Leader
Non-life contracts placed by GP Re		
Property		
Property + Engineering per Risk	Excess of Loss	Assicurazioni Generali S.p.A.
Property Catastrophe	Excess of Loss	Assicurazioni Generali S.p.A.
Liability		
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.
Marine		
Marine LoBs	Excess of Loss	Assicurazioni Generali S.p.A.
Agriculture		
Livestock & Crop	Stop Loss	Assicurazioni Generali S.p.A.
Bonds		
Bond	Quota Share	Assicurazioni Generali S.p.A.
Non-life contracts (placed directly by Business Units)		
Crop Poland	Quota Share	Hannover Re
Drought Poland	Quota Share	Swiss Re
Horses Poland	Quota Share	Munich Re
Livestock Poland	Quota Share	Swiss Re
GEB (fronting, accident + medical expenses) Poland	Quota Share	Assicurazioni Generali S.p.A.
FCA Mobility R/I (MTPL& MOD) Poland	Quota Share	Assicurazioni Generali S.p.A.
LPT (MTPL) Poland	Quota Share	Munich Re
Motor Third Party Liability Poland (ex-Concordia)	Quota Share	SCOR, run-off only
Motor Third Party Liability Poland (ex-Concordia)	Quota Share	Polskie Towarzystwo Reasekuracji S.A., run-off only
CAT Poland (ex-Concordia)	Excess of Loss	Swiss Re, run-off only
Aggregate Poland (ex-Concordia)	Excess of Loss	Deutsche Re, run-off only
Aggregate Poland (ex-Concordia)	Excess of Loss	DEVK Re, run-off only
GTPL Poland (ex-Concordia)	Quota Share	Hannover Re, run-off only
GTPL Poland (ex-Concordia)	Quota Share	Swiss Re, run-off only
Property Poland (ex-Concordia)	Quota Share	SCOR, run-off only
Property Poland (ex-Concordia)	Quota Share	Swiss Re, run-off only
Crop Poland (ex-Concordia)	Quota Share	E+S Re
Motor Third Party Liability Bulgaria	Excess of Loss	Swiss Re
PA, Illness and Health Bulgaria	Quota Share	Assicurazioni Generali S.p.A.
Accident and Health Romania	Quota Share	Assicurazioni Generali S.p.A.
Liability for former Victoria Plc Bulgaria	Quota Share	Partner Re, Assicurazioni Generali S.p.A.,run-off
Aviation Serbia	Quota Share	Assicurazioni Generali S.p.A. – UK branch
Aviation Slovenia	Quota Share	Triglav RE
Travel Insurance (PL, CZ, SK, BG, SL, SR, HR, RO, Genertel)	Quota Share	Europ Assistance*

Line of business / Treaty	Form of reinsurance	Leader
Life, pensions		
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	Munich Re
Death and other risks	Surplus	Swiss Re
Death and other risks	Quota Share	Swiss Re
Death and other risks	Quota Share	Hannover RE
Death and other risks	Quota Share	CACI
Death and other risks	Quota Share	Munich Reinsurance Company UK Branch
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	Quota Share	Assicurazioni Generali S.p.A
Individual life insurance	Quota Share	Hannover RE
Individual life insurance	Quota Share	Swiss Re
Individual life insurance	Surplus	Sava Re
Individual life insurance	Surplus	Munich Re
Individual life insurance	Quota Share	Sirius International Insurance Corporation Zurich Branch (through UWA Further Underwriting International SLU)
Individual life insurance	Quota Share	RGA
Individual life insurance	Quota Share	Axa
Group life insurance	Quota Share	Assicurazioni Generali S.p.A
Personal accident	Surplus	Assicurazioni Generali S.p.A

* Co-operation with Europ Assistance on Travel Insurance. A series of Quota Share is established ceding 70% of travel business to Europ Assistance Irish Branch, but 100% of any covid related exposure. Countries involved are Poland, Czech Republic, Slovakia, Serbia, Slovenia, Bulgaria, Croatia (since 1.2.2022), Romania (since 1.7.2022) and Hungary (since 1.7.2022).

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 risk

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 analyzing 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.

Specific focus on Fraud risk
Fraud risk is among risks that are regularly assessed through Operational Risk Assessment (ORA), which is performed on yearly bases. The fraud risk is further split to fraud risk from clients, intermediaries and suppliers and internal fraud risk (categories are defined withing Group Operational Risks catalogue). The risk assessment consider Potential Risk Exposure, which is assessed through financial impact and frequency of the risk occurrence, and adequacy of control system in place. Combination of two mentioned factors define residual risk area – from Very low up to Very High. The 2022 assessment for the region concluded there is low exposure related to fraud risk in vast majority of our entities, with some limited cases of medium exposure. Hence the self assessment concluded the controls put in place by single operating entities are efficient in mitigating such risks. The fraud risk is actively monitored and managed in all CEE countries.

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 an Long-Term Issuer Credit Rating „a+" with stable outlook, assigned by A.M. Best on 16 December 2022.

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 24 February 2016 IVASS authorised the Entities in Scope to use the Group Internal Model to calculate the Group SCR as well as the SCR of each Entity in Scope.

During 2022, 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 2022 and 2021. 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 2023.

E.12 Potential impact of climate changes

The Group is committed to promote the transition towards a low-carbon economy, disclosing the risks and opportunities associated with climate change.

The Group Strategy on Climate Change defines decisions and actions taken by the Group to promote a fair and socially just transition to a net-zero emission economy both as an Issuer, an Asset Owner and Underwriter.

Investments

As an Asset Owner, in order to reduce the environmental and climate impact of its investment portfolio, Generali has developed an integrated strategy based on three elements:

- increasing the weight of thematic investments (green assets);
- reducing exposure to carbon-intensive issuers (exclusion criteria); and
- methodically measuring and reducing its own carbon footprint (portfolio decarbonization) in line with the protocols developed by the Net-Zero Asset Owner Alliance.

The goals and strategy are summarized below:

- By 2025 €8.5 to €9.5 billion in new green and sustainable investments in addition to those already made by the end of 2020.
- Exclusion of new investments and gradual divestment from coal-related companies identified with progressively more restrictive criteria.
- Phase-out of investments in the coal sector by 2030 for OECD countries and by 2040 for the rest of the world.
- Exclusion of new investments and progressive divestment from companies active in the exploration and production of unconventional fossil fuels: tar sands, oil and gas extracted through fracking and upstream operations in the Arctic.
- Gradual decarbonization of the investment portfolio to reach carbon neutrality by 2050.

Insurance activities/Underwriting

- As part of the growth strategy for sustainable insurance solutions (CAGR from +5% to +7% over the 2022-2024 period).
- Creation of a center of competence for the development and sharing of best practices for underwriting renewable energy risks.
- Exclusion of new underwriting cover and gradual discontinuation of the existing cover for clients insured for activities strictly related to the coal industry identified with progressively more restrictive criteria.
- Phase-out of underwriting exposure to the coal sector by 2030 for OECD countries and by 2038 for the rest of the world.
- Forging ahead with the commitment to no longer insure clients operating in upstream oil and gas, both conventional and unconventional.
- Progressive decarbonization of the insurance portfolio to make it climate neutral by 2050.

Operations

- By the end of 2025, in line with climate science, reduction of greenhouse gas emissions from offices, data centers and company vehicle fleets by at least 25% compared to base year 2019.
- Purchasing energy from 100% renewable sources whenever possible and further commitment to improving energy efficiency.
- Ambition to reach net-zero GHG emissions by 2040 and subsequently to become climate negative.
- Development of an internal carbon price based on the voluntary offsetting of greenhouse gas emissions as of 2023.

F. Notes to the consolidated statement of financial position and consolidated income statement

F.1 Intangible assets

(€ million)	31.12.2022	31.12.2021
Goodwill	**1,687**	**1,657**
of which Generali Česká pojišťovna a.s.	1,446	1,415
of which Generali Towarzystwo Ubezpieczeń S.A.	11	11
of which Generali Osiguranje Srbija A.D.O.	18	18
of which Generali penzijní společnost, a.s.	18	18
of which Generali Investments TFI	54	55
of which Generali Zavarovalnica d.d.	118	118
of which Generali Investments, družba za upravljanje	9	9
of which Generali Zycie T.U.	6	6
of which Generali osiguranje	7	7
Other intangible assets	**522**	**551**
Software	152	136
Present value of future profits from portfolios acquired	360	404
of which Generali Česká pojišťovna a.s.	295	327
of which Generali penzijní společnost, a.s.	25	28
of which Generali Zycie T.U.	1	2
of which Generali Zavarovalnica d.d.	21	25
of which Generali Investments, družba za upravljanje	4	5
of which Generali Investments TFI	13	16
Others	-	1
Other intangible assets	10	11
Total	**2,209**	**2,208**

On 19 December 2021, Generali Česká pojišťovna a.s. acquired in an under common control transaction the insurance portfolios of Generali Poisťovňa, a.s. As a result, goodwill and VOBA previously recognized within the CGU of Generali Poisťovňa, were transferred to CGU of Generali Česká pojišťovna.

On 31 July 2021, Concordia Polska Towarzystwo Ubezpieczen Wzajemnych merged with Generali Towarzystwo Ubezpieczeń S.A., as the transferee company, and in accordance with the laws, became the universal successor of the company Concordia Polska TUW and acquired all its rights and obligations. On the same date Concordia Polska TUW ceased to exist and was deleted from the Court Register. As a result of the merger, goodwill previously recognized within the CGU of Concordia Polska TUW, was transferred to CGU of Generali TU.

The remaining amortization period of the Present value of future profits from the portfolios acquired listed above is between 4 and 19 years.

F.1.1 Goodwill

(€ million)	2022	2021
Gross book value as at beginning of reporting period	**1,803**	**1,742**
Accumulated impairment as at beginning of reporting period	**(146)**	**(146)**
Carrying amount as at beginning of reporting period	**1,657**	**1,596**
Foreign currency translation effects	30	61
Gross book value as at end of reporting period	**1,833**	**1,803**
Accumulated impairment as at end of reporting period	**(146)**	**(146)**
Carrying amount as at end of reporting period	**1,687**	**1,657**

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:

a) For forecasting the future cash flows of each cash-generating unit, the information available in the capital planning management process in relation to local profit after tax has been considered compared to prior year when information included in the last available Rolling Plan 2023 – 2025 has been taken into account. This one-off change has been done due to the unavailability of officially approved data by management in usual format resulting from ongoing change of the process to reflect new IFRS 9 and 17 requirements. The main economic-financial data has been calculated for two additional years (2026 and 2027) on the basis of the growth rate in the last year of the capital management plan (2025) to extend the forecast period. Concerning non-life cash-generating units, the combined ratios considered are included within the range 84.2% – 97.3%.
b) 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.
c) 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.
d) Regarding the terminal value, applying a growth rate of 2.0% on the cash flows of the latest Plan year.
e) The discount rate of the future cash flows (between 7.90% and 12.34%) has been derived from the return rate of risk-free investments (between 2.31% and 6.59%), annual cost of capital (5.00%), size premium (1.00%) and beta (0.95).

Assumptions used in the impairment test of goodwill for the year 2022

	Combined ratio	Long term growth rate	Discount rate
Generali Česká pojišťovna a.s. – Life	-	2.0%	10.55%
Generali Česká pojišťovna a.s. – Non-life	97.3%	2.0%	10.55%
Generali Towarzystwo Ubezpieczeń S.A.	95.1%	2.0%	11.92%
Generali Zycie Towarzystwo Ubezpieczeń S.A.	-	2.0%	11.92%
Generali Osiguranje Srbija A.D.O. – Non-life	84.2%	2.0%	12.34%
Generali Penzijní Společnost a.s.	-	2.0%	10.55%
Generali Zavarovalnica d.d. - Life	-	2.0%	8.06%
Generali Zavarovalnica d.d. – Non-life	89.9%	2.0%	8.06%
Generali Investments, družba za upravljanje	-	2.0%	7.90%
Generali Investments TFI	-	2.0%	11.24%

Assumptions used in the impairment test of goodwill for the year 2021

	Combined ratio	Long term growth rate	Discount rate
Generali Česká pojišťovna a.s. – Life	-	2.0%	9.65%
Generali Česká pojišťovna a.s. – Non-life	92.1%	2.0%	9.65%
Generali Towarzystwo Ubezpieczeń S.A.	85.3%	2.0%	10.52%
Generali Zycie Towarzystwo Ubezpieczeń S.A.	-	2.0%	10.52%
Generali Osiguranje Srbija A.D.O. – Non-life	71.8%	2.0%	10.59%
Generali Penzijní Společnost a.s.	-	2.0%	9.65%
Generali Zavarovalnica d.d. - Life	-	2.0%	7.21%
Generali Zavarovalnica d.d. – Non-life	88.7%	2.0%	7.21%
Generali Investments, družba za upravljanje	-	2.0%	7.10%
Generali Investments TFI	-	2.0%	10.52%

The increase of combined ratio for Generali Towarzystwo Ubezpieczeń S.A.and Generali Osiguranje Srbija A.D.O. is caused by increasing competition together with impact of high inflation. Increase of combined ratio in case of Generali Česká pojišťovna, a.s. is caused by the fact that plans used for the impairment test in 2022 are prepared already under IFRS 17 logic and more expenses are being attributed to insurance portfolios which resulted in increase of combined ratio.

During impairment test of goodwill as at year-end 2022 the group has not identified the need of impairment for any of cash-generating units.

In 2021 there was an acquisition under common control of insurance portfolio of Generali Poisťovňa by Generali Česká pojišťovna. As a result of this event, goodwill originally allocated to CGU of Generali Poisťovňa has been recognized at the CGU of Generali Česká pojišťovna proportionally split between life and non-life segment. Since 2021 goodwill is tested for impairment at the level of merged entity divided into life and non-life.

F.1.2 Other intangible assets

The tables below show the changes in the individual classes of other intangible assets:

(€ million) 2022	Software	Present value of future profits	Other	Total
Gross book value as at beginning of reporting period	539	1,453	21	2,013
Accumulated amortization and impairment as at beginning of reporting period	(403)	(1,050)	(9)	(1,462)
Carrying amount as at beginning of reporting period	136	403	12	551
Increases	72	-	-	72
Decreases	(9)	-	-	(9)
Disposal	(1)	-	-	(1)
Foreign currency translation effects	-	9	-	9
Amortisation and impairment of the period	(33)	(52)	(2)	(87)
Other	(13)	-	-	(13)
Gross book value as at end of reporting period	594	1,492	21	2,107
Accumulated amortization and impairment as at end of reporting period	(442)	(1,132)	(11)	(1,585)
Carrying amount as at end of reporting period	152	360	10	522

(€ million) 2021	Software	Present value of future profits	Other	Total
Gross book value as at beginning of reporting period	491	1,404	21	1,916
Accumulated amortization and impairment as at beginning of reporting period	(380)	(964)	(7)	(1,351)
Carrying amount as at beginning of reporting period	111	440	14	565
Increases	42	-	-	42
Decrease	11	-	-	11
Business combination	1	-	-	1
Foreign currency translation effects	3	20	-	23
Amortisation and impairment of the period	(34)	(56)	(2)	(91)
Gross book value as at end of reporting period	539	1,453	21	2,013
Accumulated amortization and impairment as at end of reporting period	(403)	(1,050)	(9)	(1,462)
Carrying amount as at end of reporting period	136	403	12	551

On 19 December 2021, Česká pojišťovna a.s. acquired in an under common control transaction the insurance portfolios Slovak insurance companies - Generali pojisťovna a.s. As a result, goodwill and VOBA previously recognized within the CGU of Generali Poisťovňa, were transferred to CGU of Generali Česká pojišťovna.

F.2 Tangible assets

(€ million)	31.12.2022	31.12.2021
Land and building (self-used)	262	260
Land and building subject to leasing	24	30
Other tangible assets	33	30
Other tangible assets subject to leasing	1	4
Total	**320**	**324**

F.2.1 Land and buildings (self-used)

(€ million)	31.12.2022	31.12.2021
Gross book value as at beginning of reporting period	**307**	**122**
Accumulated depreciation and impairment as at beginning of reporting period	**(47)**	**(41)**
Carrying amount as at beginning of reporting period	**260**	**81**
Foreign currency translation effects	-	4
Increases	20	112
Reclassifications	-	55
Decreases	(4)	1
Other changes	(7)	11
Depreciation of the period	(7)	(4)
Gross book value as at end of reporting period	**313**	**307**
Accumulated depreciation and impairment as at end of reporting period	**(51)**	**(47)**
Carrying amount as at end of reporting period	**262**	**260**
Fair value	**313**	**304**

In December 2021 the group acquired the two new subsidiaries Pankrác East and Pankrác West which owns the premises of Generali headquarters in Prague.

F.2.2 Land and buildings subject to leasing

(€ million)	31.12.2022	31.12.2021
Gross book value as at beginning of reporting period	**61**	**92**
Accumulated depreciation and impairment as at beginning of reporting period	**(31)**	**(37)**
Carrying amount as at beginning of reporting period	**30**	**55**
Increases	4	4
Renewals	2	2
Disposals	(1)	(1)
Depreciation of the period	(13)	(22)
Foreign currency translation effects	-	1
Other changes	1	(11)
Gross book value as at end of reporting period	**59**	**61**
Accumulated depreciation and impairment as at end of reporting period	**(35)**	**(31)**
Carrying amount as at end of reporting period	**24**	**30**

F.2.3 Other tangible assets

(€ million)	31.12.2022	31.12.2021
Gross book value as at the beginning of reporting period	91	96
Accumulated depreciation and impairment as at the beginning of reporting period	(61)	(67)
Carrying amount as at the beginning of reporting period	30	30
Increases	19	10
Decreases	(1)	-
Other changes	(10)	(2)
Depreciation of the period	(5)	(8)
Gross book value as at end of reporting period	91	91
Accumulated depreciation and impairment as at end of reporting period	(58)	(61)
Carrying amount as at end of reporting period	33	30
Fair value	35	31

F.2.4 Other tangible assets subject to leasing

(€ million)	31.12.2022	31.12.2021
Gross book value as at beginning of reporting period	8	5
Accumulated depreciation and impairment as at beginning of reporting period	(4)	(3)
Carrying amount as at beginning of reporting period	4	2
Increases	-	3
Depreciation of the period	(2)	(2)
Other changes	(1)	1
Gross book value as at end of reporting period	5	8
Accumulated depreciation and impairment as at end of reporting period	(4)	(4)
Carrying amount as at end of reporting period	1	4

F.3 Investments

F.3.1 Investment properties

(€ million)	31.12.2022	31.12.2021
Gross book value as at beginning of reporting period	439	502
Accumulated depreciation and impairment as at beginning of reporting period	(61)	(54)
Carrying amount as at beginning of reporting period	378	448
Foreign currency translation effects	6	15
Increases	2	3
Reclassifications	-	(55)
Decreases	-	(2)
Disposals	(5)	(21)
Depreciation of the period	(8)	(8)
Net impairment loss of the period	(3)	(2)
Gross book value as at end of reporting period	443	439
Accumulated Impairment and impairment as at end of reporting period	(73)	(61)
Carrying amount as at end of reporting period	370	378
Fair value	429	441

In December 2022, the group sold out the Ovocny Trh, a building with offices and retail premises located in the Old Town in Prague. The value of this transaction is presented in line Disposal of subsidiaries.

In November 2021, the group sold out the British Corner, a building with offices and retail premises located in Prague. The value of this transaction is presented in line Disposal of subsidiaries.

Generali group during the year 2021 reclassify one of his building in Poland from Investment portfolio to self-used property.

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 valuated 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)	31.12.2022	31.12.2021
Investments in associates and joint ventures consolidated at equity	**17**	**25**
VÚB Generali d.s.s., a.s.	10	18
Europ Assistance s.r.o.	1	1
Europ Assistance Magyarorszá Befektetésiés Tanácsa dó Kft .	1	1
Nama d.d. Ljubljana	5	5
Other investments	**11**	**14**
Total	**28**	**39**

In October 2022 the group sold 5.3% shares of VÚB Generali d.s.s., a.s. to VUB INTESA SANPAOLO group. Share of net equity sold is presented in line other changes together with dividends received and share on profit of the period.

Summarized financial information for significant associates consolidated at equity

Summarized statement of financial position

(€ million)	VÚB Generali d.s.s., a.s.	
	31.12.2022	31.12.2021
Total assets	**24**	**41**
Investments	15	30
Cash and cash equivalents	1	2
Other assets	8	**9**
Current assets	**24**	**41**
Total liabilities	**1**	**5**
Payables and other liabilities	1	5
Current liabilities	**1**	**5**
Net assets	**23**	**36**

(€ million)	Nama d.d.	
	31.12.2022	31.12.2021
Total assets	**14**	**16**
Investments	5	6
Cash and cash equivalents	2	3
Other assets	7	7
Current assets	**14**	**16**
Total liabilities	**2**	**5**
Payables and other liabilities	2	5
Current liabilities	**2**	**5**
Net assets	**12**	**11**

Summarised statement of comprehensive income

(€ million)	VÚB Generali d.s.s., a.s.	
	2022	2021
Net gains/(losses) from the fees and commission	9	27
Other operating expense	(3)	(2)
Earnings before tax	**6**	**25**
Tax	**(1)**	**(5)**
Net profit of the year	**5**	**20**

Summarized statement of comprehensive income for Nama d.d. is not presented due to immaterial figures.

F.3.3 Held to maturity investments

(€ million)	Book Value		Fair value	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Quoted bonds	24	29	23	32
Total	**24**	**29**	**23**	**32**
Current portion	**7**	**7**		
Non-current portion	**17**	**22**		

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)	31.12.2022			
	Level 1	Level 2	Level 3	Total
Quoted bonds	23	-	-	23
Total	**23**	**-**	**-**	**23**

(€ million)	31.12.2021			
	Level 1	Level 2	Level 3	Total
Quoted bonds	32	-	-	32
Total	**32**	**-**	**-**	**32**

Maturity of held to maturity investments – bonds

(€ million)	Book Value	
	31.12.2022	31.12.2021
Up to 1 year	7	7
Between 1 and 5 years	14	20
Between 5 and 10 years	1	-
More than 10 years	2	2
Total	**24**	**29**

F.3.4 Loans and receivables

(€ million)	Book Value		Fair value	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Other loans and receivables	**290**	**225**	**289**	**225**
Term deposit with credit institutions	165	86	165	86
Reverse repurchase agreement (Reverse REPO)	78	89	78	89
Other loans	47	50	46	50
Total	**290**	**225**	**289**	**225**
Current portion	**258**	**194**		
Non-current portion	**32**	**31**		

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)	31.12.2022			
	Level 1	Level 2	Level 3	Total
Other loans and receivables	**-**	**243**	**46**	**289**
Term deposit with credit institutions	-	165	-	165
Reverse repurchase agreement (Reverse REPO)	-	78	-	78
Other loans	-	-	46	46
Total	**-**	**243**	**46**	**289**

(€ million)	31.12.2021			
	Level 1	Level 2	Level 3	Total
Other loans and receivables	**-**	**175**	**50**	**225**
Term deposit with credit institutions	-	86	-	86
Reverse repurchase agreement (Reverse REPO)	-	89	-	89
Other loans	-	-	50	50
Total	**-**	**175**	**50**	**225**

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)	31.12.2022	31.12.2021
Equities at fair value	**607**	**848**
Quoted	224	193
Unquoted	383	655
Bonds	**5,148**	**5,806**
Quoted	5,097	5,750
Unquoted	51	56
Investments in fund units	**81**	**292**
Total	**5,836**	**6,946**
Current portion	**646**	**581**
Non-current portion	**5,190**	**6,365**

Maturity of available for sale financial assets – bonds

(€ million)	Fair value	
	31.12.2022	31.12.2021
Up to 1 year	646	581
Between 1 and 5 years	2,552	2,814
Between 5 and 10 years	1,506	1,722
More than 10 years	444	689
Total	**5,148**	**5,806**

Realised gains and losses and impairments on available for sale financial assets

(€ million)	Realised gains		Realised losses		Impairment losses	
	2022	2021	2022	2021	2022	2021
Equities	33	5	(8)	(2)	(371)	(3)
Bonds	12	32	(71)	(55)	(50)	(1)
Investments in fund units	35	13	(4)	-	(4)	(1)
Total	**80**	**50**	**(83)**	**(57)**	**(425)**	**(5)**

Fair value measurement at the end of the reporting period

(€ million)	31.12.2022			
	Level 1	Level 2	Level 3	Total
Equities at fair value	**224**	**1**	**382**	**607**
Quoted	224	-	-	224
Unquoted	-	1	382	383
Bonds	**4,088**	**724**	**336**	**5,148**
Quoted	4,083	710	304	5,097
Unquoted	5	14	32	51
Investments in fund units	**57**	**-**	**24**	**81**
Total	**4,369**	**725**	**742**	**5,836**

(€ million)	31.12.2021			
	Level 1	Level 2	Level 3	Total
Equities at fair value	**193**	**1**	**654**	**848**
Quoted	193	-	-	193
Unquoted	-	1	654	655
Bonds	**4,759**	**374**	**673**	**5,806**
Quoted	4,759	354	637	5,750
Unquoted	-	20	36	56
Investments in fund units	**274**	**-**	**18**	**292**
Total	**5,226**	**375**	**1,345**	**6,946**

The following table represents the transfers between fair value levels during reporting periods:

(€ million)	2022	2021
Transfers into Level 1 from Level 2	-	201
Transfers into Level 1 from Level 3	63	-
Transfers into Level 2 from Level 1	207	4
Transfers into Level 2 from Level 3	406	28
Transfers into Level 3 from Level 1	126	51
Transfers into Level 3 from Level 2	129	419

In 2022 bonds in the amount of €469 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).

The main driver for the reclassification from Level 2 to Level 3 in 2022 was the fact that level of credit spread used for valuation started to be classified as material non-observable market input (either materiality increases or less information on the market was available).

In 2022 corporate bonds in the amount of €126 million were reclassified from Level 1 to Level 3. The main driving force was a change of data source (Level 1 quotations are no longer available).

The main driving force for the reclassification from Level 1 to Level 2 in 2022 was a change of data source (Level 1 quotations are no longer available). In 2021 government bonds in the amount of €196 million and corporate bonds in the amount of €5 million were transferred from Level 2 to Level 1 because it was possible to use newly available relevant quotations from the market.

In 2021 government bonds in the amount of €10 million and corporate bonds in amount €18 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 2021 the reclassification of the instrument into level 3 in the amount of € 470 million was caused by a lower volume of observable market data within the process of 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)	2022	2021
Balance as at beginning of reporting period	**1,345**	**885**
Transfers from Level 3	(469)	(28)
Increases	100	112
Sales and disposals	(49)	(36)
Decreases and maturities	(104)	(21)
Transfers to Level 3	255	470
Net unrealised gains recognised in OCI	2	9
Net unrealised losses recognised in OCI	(325)	(73)
Amortization	-	2
Other changes	(13)	25
Balance as at end of reporting period	**742**	**1,345**
Realised gains/losses for the period recognised in profit and loss	**-**	**-**
Net impairment loss for the period recognised in profit and loss	**18**	**-**

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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Bonds	-	-	7	8	7	8
Quoted	-	-	7	8	7	8
Investments in fund units	-	-	199	158	199	158
Derivatives	138	77	-	-	138	77
Unit-linked investments	-	-	2,306	2,615	2,306	2,615
Total	**138**	**77**	**2,512**	**2,781**	**2,650**	**2,858**
Current portion					**130**	**181**
Non-current portion					**2,520**	**2,677**

Derivatives 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)	31.12.2022			
	Level 1	Level 2	Level 3	Total
Bonds	**6**	**-**	**1**	**7**
Quoted	6	-	1	7
Investments in fund units	**157**	**-**	**42**	**199**
Derivatives	**-**	**138**	**-**	**138**
Unit-linked investments	**2,142**	**156**	**8**	**2,306**
Total	**2,305**	**294**	**51**	**2,650**

(€ million)	31.12.2021			
	Level 1	Level 2	Level 3	Total
Bonds	**7**	**-**	**1**	**8**
Quoted	7	-	1	8
Investments in fund units	**122**	**-**	**36**	**158**
Derivatives	**-**	**77**	**-**	**77**
Unit-linked investments	**2,430**	**163**	**22**	**2,615**
Total	**2,559**	**240**	**59**	**2,858**

The following table represents the transfers between fair value levels during reporting periods:

(€ million)	2022	2021
Transfers into Level 1 from Level 2	-	2
Transfers into Level 1 from Level 3	-	66
Transfers into Level 2 from Level 1	4	12
Transfers into Level 2 from Level 3	16	18
Transfers into Level 3 from Level 1	5	39
Transfers into Level 3 from Level 2	-	5

In 2022 there was a reclassification from Level 3 to Level 2 in the amount of €16 million. The main driver was the fact that on the market there were more observable market inputs available.

In 2021 unit-linked investments in the amount of €66 million were transferred into Level 1 because it was possible to use newly available relevant quotations from the market.

In 2021 unit-linked investments in the amount of €16 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 2021 the reclassification of the instrument into Level 3 in the amount of €44 million was caused by a lower volume of observable market data within the process of expert valuation.

For some instruments in 2021 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 €12 million (€4 million of government bonds and €8 million of corporate bonds) as a result of this change.

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	
	2022	2021	2022	2021	2022	2021
Balance as at beginning of reporting period	**-**	**-**	**59**	**112**	**59**	**112**
Transfers from Level 3	-	-	(16)	(84)	(16)	(84)
Increases	-		2	14	2	14
Decreases and maturities	-	-	(2)	(31)	(2)	(31)
Transfers to Level 3	-	-	5	44	5	44
Net unrealized gains and losses recognized in P&L	-	-	(1)	(1)	(1)	(1)
Other changes	-	-	4	5	4	5
Balance as at end of reporting period	**-**	**-**	**51**	**59**	**51**	**59**
Realised gains/losses for the period recognised in P&L	**-**	**-**	**-**	**-**	**-**	**-**

F.4 Reinsurance assets

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Non-life insurance liabilities	**339**	**329**	**148**	**202**	**487**	**531**
Provisions for unearned premium	93	76	25	22	118	98
Provisions for outstanding claims	244	251	123	180	367	431
Other insurance liabilities	2	2	-	-	2	2
Life insurance liabilities	**62**	**61**	**-**	**-**	**62**	**61**
Provisions for outstanding claims	17	17	-	-	17	17
Mathematical provision	45	44	-	-	45	44
Total	**401**	**390**	**148**	**202**	**549**	**592**
Current portion	**213**	**296**	**78**	**102**	**291**	**398**
Non-current portion	**188**	**94**	**70**	**100**	**258**	**194**

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 (2021: €4 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)	31.12.2022	31.12.2021
Receivables arising out of direct insurance operations	**390**	**364**
Amounts owed by policyholders	353	322
Amount owed by intermediaries and others	37	42
Receivables arising out of reinsurance operations	**140**	**123**
Trade and other receivables	**75**	**79**
of which receivables from derivatives collateral	8	19
Current income tax receivables	**81**	**30**
Total receivables	**686**	**596**
Current portion	**675**	**551**
Non-current portion	**11**	**45**

F.6 Other assets

(€ million)	31.12.2022	31.12.2021
Deferred acquisition costs	326	308
Deferred tax assets	302	223
Other assets	72	59
Prepaid rent	1	1
Other accrued income	15	15
Other prepayments	44	27
Assets – other	12	16
Other assets total	700	590
Current portion	353	355
Non-current portion	347	235

For detailed information about the Deferred tax assets see the note F.26.1.

F.6.1 Deferred acquisition costs (DAC)

(€ million)	Gross amount		Reinsurance		Net amount	
	2022	2021	2022	2021	2022	2021
Carrying amount as at beginning of reporting period	331	284	(23)	(20)	308	264
Change of DAC	24	47	(6)	(3)	18	44
Carrying amount as at end of reporting period	355	331	(29)	(23)	326	308

F.7 Cash and cash equivalents

(€ million)	31.12.2022	31.12.2021
Cash at banks	419	322
Total	419	322

Short term deposits are included in line Cash at banks in the amount of €112 million (2021: €30 million).

F.8 Shareholder's equity

The following table provides details on the distribution restrictions of equity:

(€ million)	31.12.2022	31.12.2021
Shareholder's equity attributable to the Group	4,305	4,968
Not available for distribution to shareholders	(97)	402
Share capital	-	-
Revaluation – financial assets AFS	(329)	198
Currency translation reserve	146	61
Cash flow hedge reserve/(deficit)	3	-
Other capital reserves	83	143
Available for distribution to shareholders	4,402	4,566
Additional paid-in capital	3,602	3,602
Retained earnings	800	964
Shareholder's equity attributable to non-controlling interests	58	196
Total	4,363	5,164

Decrease of Other capital reserves in the amount of €60 million represents mainly capital injection in the amount of €55 million of Generali penzijní společnost, a.s. into Transformovaný fond Generali penzijní společnosti, a.s. (Transformed fund) to cover excess of liabilities over its assets in line with the law about supplementary pensions savings.

The following table provides details of reserves for revaluation – financial assets available for sale:

(€ million)	2022	2021
Beginning reporting period	**125**	**374**
– attributable to the Group	198	424
– attributable to non-controlling interests	(73)	(50)
Gross revaluation as at the beginning of the year	**142**	**432**
Tax on revaluation as at the beginning of the year	**(17)**	**(58)**
Revaluation gain/(loss) in equity – gross	(1,070)	(313)
Revaluation gain/loss on realisation reclassification in income statement – gross	4	9
Impairment losses	421	5
Change in deferred policyholder liabilities	31	24
Sales and disposals from consolidation group	-	(15)
Tax on revaluation	106	41
Gross revaluation as at the end of the year	**(472)**	**142**
Tax on revaluation as at the end of the year	**89**	**(17)**
End of reporting period	**(384)**	**125**
– attributable to the Group	(329)	198
– attributable to non-controlling interests	(55)	(73)

Movements in the reserve for cash-flow hedges were as follows:

(€ million)	2022	2021
Carrying amount as at the beginning of the reporting period	**-**	**(6)**
Fair value gains of the year	3	6
Carrying amount as at the end of the reporting period	**3**	**-**

The following table provides details of authorized and issued shares:

	31.12.2022	31.12.2021
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

There are no remaining restrictions imposed by local governments in relation to Covid-19 pandemic.

The total outgoing dividend to the shareholder during 2022 was €459 million (2021: €389 million).

F.9 Other provisions

(€ million)	31.12.2022	31.12.2021
Provisions for commitments	16	15
Provision for restructuring charges	2	2
Other provisions	45	48
Total	**63**	**65**
Current portion	**56**	**60**
Non-current portion	**7**	**5**

Other provisions mainly consist of the technical provision established for the mandatory pension fund and provision created for aviation investigation of Competition Council in Romania, and provision for court and other operating losses in Poland.

(€ million)	31.12.2022	31.12.2021
Carrying amount as at 1 January	**65**	**51**
Foreign currency translation effects	-	-
Variations	(2)	14
Carrying amount as at end of reporting period	**63**	**65**

Provisions for Commitments

(€ million)	2022	2021
Carrying amount as at the beginning of the reporting period	**15**	**6**
Variations	1	9
Carrying amount as at end of reporting period	**16**	**15**

Provision for commitments in 2022 mainly consist of provision for liabilities of Slovak Bureau of Insurers and provision for remuneration.

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 increase 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.

F.10 Insurance liabilities

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Non-life insurance liabilities	**3,562**	**3,424**	**121**	**167**	**3,683**	**3,591**
Provisions for unearned premium	1,231	1,136	12	10	1,243	1,146
Provisions for outstanding claims	2,295	2,255	107	155	2,402	2,410
Other insurance liabilities	36	33	2	2	38	35
Life insurance liabilities	**4,398**	**4,835**	**(2)**	**4**	**4,396**	**4,839**
Provisions for outstanding claims	229	222	-	-	229	222
Mathematical provision	2,002	2,091	(2)	4	2,000	2,095
Unit-linked provision	2,151	2,449	-	-	2,151	2,449
Other insurance liabilities	16	73	-	-	16	73
Provisions for liability adequacy test	4	10	-	-	4	10
Ageing provision	15	18	-	-	15	18
Deferred policyholder assets/liabilities	(26)	5	-	-	(26)	5
Other	23	40	-	-	23	40
Total	**7,960**	**8,259**	**119**	**171**	**8,079**	**8,430**
Current portion					**3,063**	**3,584**
Non-current portion					**5,016**	**4,846**

Item Mathematical provision also includes Provision for unearned premiums for life segment of €31 million (2021: €31 million).

In 2021 Other life insurance liabilities represented among other items stated above provision of €20 million for amounts expected to be paid by Generali Česká pojišťovna, a.s. on top of the value of basic life assurance liability. This provision was released during 2022.

Other non-life insurance liabilities primarily comprise provisions for profit sharing and premiums refunds.

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	
	2022	2021	2022	2021	2022	2021
Carrying amount as at beginning of reporting period	**1,146**	**1,008**	**(98)**	**(84)**	**1,048**	**924**
Movements of the year	105	124	(20)	(14)	85	110
Foreign currency translation effects	(6)	14	-	-	(6)	14
Portfolio transfer	(2)	-	-	-	(2)	-
Carrying amount as at end of reporting period	**1,243**	**1,146**	**(118)**	**(98)**	**1,125**	**1,048**

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	
	2022	2021	2022	2021	2022	2021
Carrying amount as at beginning of reporting period	**2,410**	**2,195**	**(431)**	**(276)**	**1,979**	**1,919**
Change related to claims incurred in current year	782	876	(50)	(207)	732	669
Change related to claims incurred in previous years	(795)	(701)	113	58	(684)	(643)
Foreign currency translation effects	1	39	1	(6)	2	33
Other changes	4	1	-	-	4	1
Carrying amount as at end of reporting period	**2,402**	**2,410**	**(367)**	**(431)**	**2,033**	**1,979**

The table below discloses information about gross insurance provisions for outstanding claims:

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Motor	**1,382**	**1,360**	**2**	**9**	**1,384**	**1,369**
Non Motor	**914**	**895**	**104**	**146**	**1,018**	**1,041**
General liability	352	346	22	20	374	366
Property	414	409	79	124	493	533
Accident, Health and Disability	76	70	1	1	77	71
Marine, Aviation and Transport	36	40	2	1	38	41
Other	36	30	-	-	36	30
Total	**2,296**	**2,255**	**106**	**155**	**2,402**	**2,410**

F.10.2 Life insurance liabilities

Provisions for outstanding claims

(€ million)	Direct insurance	
	2022	2021
Carrying amount as at beginning of reporting period	**222**	**198**
Foreign currency translation effects	3	7
Change of the period	4	17
Carrying amount as at end of reporting period	**229**	**222**

Mathematical provisions

(€ million)	Direct insurance	
	2022	2021
Carrying amount as at beginning of reporting period	**2,091**	**2,098**
Foreign currency translation effects	26	61
Premiums and payments	(164)	(119)
Interests and bonuses credited to policyholders	48	52
Other changes	1	(1)
Carrying amount as at end of reporting period	**2,002**	**2,091**

Unit-linked provisions

(€ million)	Direct insurance	
	2022	2021
Carrying amount as at beginning of reporting period	**2,449**	**2,211**
Foreign currency translation effects	(33)	38
Premiums and payments	(36)	(31)
Changes related to movements in the value of underlying assets	(229)	208
Other	-	23
Carrying amount as at end of reporting period	**2,151**	**2,449**

The development of the unit-linked provisions in 2022 is driven by the movements in the value of assets backing unit-linked policies and the net inflows of such provisions.

In 2021 other item refers to change in classification in case of Generali Zavarovalnica d.d. from financial liabilities related to policies of the life segment in the amount of €23 million.

Deferred policyholders' liabilities

(€ million)	Direct insurance	
	2022	2021
Carrying amount as at beginning of reporting period	**5**	**153**
Foreign currency translation effects	1	3
Premiums and payments	-	-
Change of the period without impact on income statement	(32)	(26)
Impacts of deconsolidation	-	(125)
Carrying amount as at end of reporting period	**(26)**	**5**

Variation of the period is explained mainly by change in the portfolio value which reflects the movement of unrealised gains and losses 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	
	31.12.2022	31.12.2021
Insurance contracts	4,023	4,410
Investment contracts with discretionary participation feature	100	104
Total insurance provisions	**4,123**	**4,514**
Investment contracts fair valued	156	171
Investment contracts at amortised cost	1	1
Total investment contracts	**157**	**172**

Total insurance liabilities include the following items – all net of reinsurance: mathematical provisions of €1,957 million (2021: €2,047 million), provisions for policies where the investment risk is born by the policyholders of €2,151 million (2021: €2,449 million) and ageing provisions for the life segment, which amounted to €15 million (2021: €18 million).

F.11 Financial liabilities

(€ million)	31.12.2022	31.12.2021
Financial liabilities at fair value through profit or loss	**190**	**216**
Financial liabilities at fair value through profit or loss related to investment contracts	156	172
Financial derivatives	32	42
Other liabilities at fair value through profit or loss	2	2
Financial liabilities at amortised cost	**126**	**108**
Financial liabilities at amortised cost related to investment contracts	1	1
Lease liability	29	37
Net asset value attributable to unit holders	90	61
Other liabilities at amortised cost	6	9
Total	**316**	**324**
Current portion	**172**	**154**
Non-current portion	**144**	**170**

Other liabilities at amortised cost are in 2022 represented by reinsurance deposits in the amount of €6 million (2021: €9 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)	31.12.2022			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	**153**	**37**	**-**	**190**
Financial liabilities at fair value through profit or loss related to investment contracts	151	5	-	156
Financial derivatives	-	32	-	32
Other liabilities at fair value through profit or loss	2	-	-	2

(€ million)	31.12.2021			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	**164**	**52**	**-**	**216**
Financial liabilities at fair value through profit or loss related to investment contracts	162	10	-	172
Financial derivatives	-	42	-	42
Other liabilities at fair value through profit or loss	2	-	-	2

There were no transfers between levels of fair value measurement categories in 2022 and 2021.

The following table presents the changes in Level 3 instruments:

(€ million)	Financial liabilities designated as at fair value through profit and loss		Total financial liabilities at fair value through profit and loss	
	2022	2021	2022	2021
Balance as at beginning of reporting period	**-**	**23**	**-**	**23**
Increases	-	-	-	-
Business combination	-	-	-	-
Decreases and maturities	-	-	-	-
Fair value gains/losses recorded in income statement	-	-	-	-
Other changes	-	(23)	-	(23)
Balance as at end of reporting period	**-**	**-**	**-**	**-**
Realised gains/losses for the period recognised in P&L	**-**	**-**	**-**	**-**

The fair value measurement of Financial liabilities at amortised costs as at the end of the reporting period:

(€ million)	31.12.2022			
	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised cost	**-**	**150**	**22**	**172**
Financial liabilities at amortised cost related to investment contracts	-	-	1	1
Lease liability	-	53	21	74
Net asset value attributable to unit holders	-	91	-	91
Other liabilities at amortised cost	-	6	-	6

(€ million)	31.12.2021			
	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised cost	**-**	**111**	**22**	**133**
Financial liabilities at amortised cost related to investment contracts	-	-	1	1
Lease liability	-	41	21	62
Net asset value attributable to unit holders	-	61	-	61
Other liabilities at amortised cost	-	9	-	9

There were no significant transfers between levels of fair value measurement categories in 2022 and 2021.

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.

F.12 Payables

(€ million)	31.12.2022	31.12.2021
Payable arising out of direct insurance operations	222	224
Payable arising out of reinsurance operations	307	226
Current income tax payables	20	31
Other payables	312	225
Payables to employees	35	38
Payables to clients and suppliers	43	36
Social security	8	7
Other payables	226	144
Total	**861**	**706**
Current portion	708	586
Non-current portion	153	120

F.13 Other liabilities

(€ million)	31.12.2022	31.12.2021
Deferred tax liabilities	87	128
Other liabilities	312	290
Other accrued expenses	236	200
Deferred expenses	4	5
Other liabilities	72	85
Total	**399**	**418**
Current portion	333	317
Non-current portion	66	101

The line Other accrued expenses consist of accruals for commissions, bonuses, salaries, investments and other sundry accruals.

For more information about deferred tax liabilities see the Note F.26.1.

F.14 Net earned premiums revenue

(€ million)	Gross amount		Reinsurers' share		Net amount	
	2022	2021	2022	2021	2022	2021
Non-life earned premium	3,276	3,009	(364)	(331)	2,912	2,678
Premiums written	3,382	3,133	(385)	(342)	2,997	2,791
Change in the provision for unearned premium	(106)	(124)	21	11	(85)	(113)
Life premium	1,103	1,100	(67)	(66)	1,036	1,034
Total	**4,379**	**4,109**	**(431)**	**(397)**	**3,948**	**3,712**

F.15 Fee and commission income and income from financial service activities

(€ million)	2022	2021
Fee and commission income from asset management activity	73	88
Fee and commission income related to investment contracts	4	4
Fee and commission income related to pension funds management	61	61
Total	**138**	**153**

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Financial assets	**8**	**3**	**(229)**	**224**	**50**	**30**	**(171)**	**257**
Interest income and other income	2	3	33	16	21	1	56	20
Realised gains	3	2	24	48	1	-	28	50
Realised losses	(1)	(2)	(69)	(20)	-	-	(70)	(22)
Unrealised gains	4	5	49	237	29	29	82	271
Unrealised losses	-	(5)	(266)	(57)	(1)	-	(267)	(62)
Financial liabilities	**(11)**	**(9)**	**7**	**(10)**	**5**	**8**	**1**	**(11)**
Interest expenses	(8)	(2)	-	-	(1)	(6)	(9)	(8)
Other income	3	3	-	-	1	-	4	3
Realised gains	1	3	6	1	-	-	7	4
Realised losses	(3)	(6)	(4)	(7)	(1)	(1)	(8)	(14)
Unrealised gains	1	3	7	8	6	16	14	27
Unrealised losses	(5)	(10)	(2)	(12)	-	(1)	(7)	(23)
Total	**(3)**	**(6)**	**(222)**	**214**	**55**	**38**	**(170)**	**246**

Global equity markets ended the year strongly in the red. Rising inflation to the highest levels since 1980 forced central banks to sharply raise interest rates. Russia's attack on Ukraine has shaken commodity and energy markets, added inflationary pressure and brought great uncertainty to business operations. All these lead to negative impacts on investment returns, leading increase in unrealised losses in comparison with 2021.

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 €2 million (2021: €10 million), results of Europ Assistance s.r.o. and Europ Assistance Magyarország Befektetésiés Tanácsa dó Kft amounting to €1 million (2021: €0 million).

F.18 Net income/(losses) related to associates and disposal of subsidiaries

(€ million)	2022	2021
Income	**8**	**2**
Dividends and other income	1	1
Realized gains	7	1
Expenses	**(2)**	**(2)**
Impairment	(2)	(2)
Net income	**6**	**-**

In 2022, realized gains includes gains from sale of Ovocný Trh which was sold out of group as at 16 December 2022 and gain from sold of 5% shares of VUB to Intesa Sanpaolo group.

In 2021, realized gains includes gains from sale of British Corner which was sold out of group as at 10 November 2021.

F.19 Income from other financial instruments and investment properties

(€ million)	2022	2021
Interest revenue calculated using the effective interest rate method	**181**	**134**
Interest revenue from held to maturity financial assets	1	1
Interest revenue from loans and receivables	10	2
Interest revenue from available for sale financial assets	159	129
Interest revenue from cash and cash equivalents	11	2
Income - other	**48**	**40**
Income from investment properties	21	21
Other income from available for sale financial assets	27	19
Realised gains	**80**	**50**
Realised gains on available for sale financial assets	80	50
Reversal of impairment losses	**5**	**4**
Reversal of impairment of loans and receivables	-	1
Reversal of impairment of other receivables	5	3
Total	**314**	**228**

F.20 Other income

(€ million)	2022	2021
Gains in foreign currencies	52	-
Income from sale of tangible assets	2	2
Income from service and assistance activities and recovery of charges	33	18
Recovery of charges	7	5
Income from service and assistance activities	26	13
Other technical income	39	37
Income - other	20	16
Total	**146**	**73**

Gains in foreign currencies caused by revaluation of monetary balances and hedging operations.

Income from recovery of charges includes service charge income from investment properties amounts to €4 million (2021: €5 million).

F.21 Net insurance benefits and claims

(€ million)	Gross amount		Reinsurers' share		Net amount	
	2022	2021	2022	2021	2022	2021
Non-life net insurance benefits and claims	**1,728**	**1,693**	**(113)**	**(303)**	**1,615**	**1,390**
Claims paid	1,735	1,515	(176)	(152)	1,559	1,363
Change in technical provisions	(7)	178	63	(151)	56	27
Life net insurance benefits and claims	**422**	**924**	**(33)**	**(38)**	**389**	**886**
Claims paid	814	794	(32)	(36)	782	758
Change in technical provisions	(392)	130	(1)	(2)	(393)	128
Total	**2,150**	**2,617**	**(146)**	**(341)**	**2,004**	**2,276**

F.22 Fee and commission expenses and expenses from financial service activities

(€ million)	2022	2021
Fee and commission expenses from asset management activity	17	25
Fee and commission expenses related to investment contracts	1	-
Total	**18**	**25**

F.23 Expenses from other financial instruments and investment properties

(€ million)	2022	2021
Interest expense	**1**	**7**
Interest expense on subordinated liabilities	-	2
Interest expense for lease payments	1	5
Other expenses	**11**	**11**
Depreciation of investment properties	8	8
Expenses from investment properties	3	3
Realized losses	**87**	**59**
Realized losses on available-for-sale financial assets	83	57
Realized losses on other receivables	4	2
Unrealized losses	**45**	**36**
Unrealized losses on hedged instruments available for sale	45	36
Impairment losses	**439**	**16**
Impairment of investment properties	3	2
Impairment of loans and receivables	11	8
Impairment of available-for-sale financial assets	424	5
Impairment of other receivables	1	1
Total	**583**	**129**

Significant increase of impairment in 2022 was caused by the impairment of Russian unquoted equities.

F.24 Acquisition and administration costs

(€ million)	Non-life segment		Life segment		Financial segment		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Commission and other acquisition costs	**657**	**603**	**201**	**179**	**-**	**-**	**858**	**782**
Gross acquisition costs and other commission	740	659	217	196	-	-	957	855
Reinsurance commission	(83)	(56)	(16)	(17)	-	-	(99)	(73)
Investment management expenses	**6**	**3**	**3**	**3**	**-**	**-**	**9**	**6**
Other administration costs	**212**	**188**	**85**	**80**	**33**	**33**	**330**	**301**
Total	**875**	**794**	**289**	**262**	**33**	**33**	**1,197**	**1,089**

Other administration costs consist mainly of wages and salaries, building and office rentals, and IT expenses.

F.25 Other expenses

(€ million)	2022	2021
Amortisation of intangible assets	91	91
Depreciation of tangible assets	14	11
Depreciation of tangible assets subject to leasing	15	23
Expenses from tangible assets	6	2
Expenses from tangible assets subject to leasing	1	1
Restructuring charges and allocation to other provisions	3	9
Change in provision for commitments	1	9
Expenses from service and assistance activities and charges incurred on behalf of third parties	23	6
Other technical expenses	113	99
Holding costs	38	34
Other charges	84	64
Total	**389**	**349**

The increase of Other technical expenses in 2022 relates to the new insurance premium tax imposed on insurers for the period from 1 July 2022 to 31 December 2023 in Hungary. The tax is calculated from premiums accounted for after 1 July 2022 and tax rates are different for individual tax bases. Tax rates for life business are lower compared to non-life one. The total amount of insurance premium tax imposed in 2022 is equal to €25 million.

Since insurance premium tax is a temporary tax levied on a specific sector and is not directly related to individual insurance contracts, it is not part of the income taxes section.

Rules for calculation of insurance premium tax have been further amended in December 2022 without impact on the value of expense for the year 2022.

In 2022 Other technical expenses includes among others the fire brigade charge amounting to €17 million (2021: €16 million), contributions paid to insurance regulators of €10 million (2021: €7 million), charges relating to government guaranteed funds of €4 million (2021: €3 million) used to cover MTPL injuries from unknown or uninsured drivers, and cancellation of premiums written in previous years amounting to €2 million (2021: €3 million).

F.26 Income taxes

The table below shows a breakdown of income taxes recognised in the income statement:

(€ million)	2022	2021
Current income taxes	**91**	**135**
Czech Republic	38	57
Bulgaria	12	18
Hungary	6	6
Poland	20	14
Slovakia	4	26
Other countries	10	14
Income taxes related to previous period	**8**	**(3)**
Czech Republic	7	(2)
Other countries	1	(1)
Deferred income taxes	**(11)**	**(86)**
Czech Republic	(17)	(88)
Bulgaria	11	4
Hungary	(2)	(1)
Poland	(7)	-
Slovakia	7	-
Other countries	(3)	(1)
Total	**88**	**46**

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 general 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.

In 2022 there is no one-off impact anymore in the Czech Republic compared to 2021 where deferred and current income taxes have been impacted by a one-off tax in amount of CZK 1,223 million resulting from the regulation Act No. 364/2019 Coll. According to the Act, the tax base of insurance liabilities has changed to a value calculated in accordance with the European Solvency II Directive and resulted in an additional tax payable due in 2020 and 2021. In 2021 the final part of the one-off tax liability, resulting from difference between the book value of insurance liabilities and the new tax base, became payable and increased the current income tax expense and consequently increased an income from the released deferred taxes.

Higher current income tax expense in Slovakia in 2021 is linked to tax paid as a result of transfer of portfolio to Generali Česká pojišťovna in the amount of €16 million. This is compensated on group level by deferred income tax movement in the Czech Republic in the amount of €13 million. Difference is present due to different tax rates in Slovakia compared to the Czech Republic (reflecting that the newly established Slovak branch is subject to the taxation in Slovakia and the Czech Republic).

For movement of deferred income taxes in the Czech Republic please check table F.26.1.

The table below shows tax rates in selected countries:

	2022	2021
Czech Republic	19%	19%
Bulgaria	10%	10%
Hungary	9%	9%
Poland	19%	19%
Slovakia	21%	21%
Romania	16%	16%
Serbia	15%	15%
Slovenia	19%	19%

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)	2022	2021
Expected income tax rate	**19.0%**	**19.0%**
Earnings before taxes	**194**	**554**
Expected income tax expense (benefit)	**37**	**105**
Effect of foreign tax rate differential	(27)	(5)
Effect of special (lower) tax rate	-	(3)
Tax exempt income and other tax decreasing items	(19)	(43)
Tax non-deductible expenses and other tax increasing items	94	4
Effect of tax losses	-	(1)
Foreign income tax	4	3
Income taxes for prior years	8	(2)
Other	(9)	(12)
Tax expense	**88**	**46**
Effective tax rate	**45.4%**	**8.3%**

In 2022 significant change of non-deductible expenses was caused by impairment of Ingosstrakh and divestment of GSK Financial a.s. This influenced also effective tax rate in 2022.

Effective tax rate in 2021 is affected by a one-off positive impact of the solvency amount of insurance liabilities related to Business combination and due to different tax rules in Slovakia compared to the Czech Republic which gives right to recognition of deferred tax asset based on different taxes to be paid in the future. This is included in row Tax exempt income and other tax decreasing items.

F.26.1 Deferred tax

(€ million)	Deferred tax assets		Deferred tax liabilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Intangible assets	56	59	(70)	(77)
Land and buildings	1	-	(11)	(11)
Financial assets available-for-sale	122	57	(47)	(71)
Financial assets at fair value through profit and loss	4	2	(2)	(9)
Receivables	7	5	(1)	-
Deferred acquisition costs	-	-	(17)	(16)
Insurance provisions	134	120	(3)	(5)
Payables	24	26	-	-
Fiscal losses carried forward	1	3	-	-
Accrued income and prepayments	1	1	(4)	(6)
Other	22	19	(2)	(2)
Total deferred tax asset/liability before set off	**372**	**292**	**157**	**197**
Set off of tax	(70)	(69)	70	69
Net deferred tax asset/liability	**302**	**223**	**(87)**	**(128)**
Current portion	**-**	**-**	**-**	**-**
Non-current portion	**302**	**223**	**(87)**	**(128)**

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.

Increase of deferred tax assets related to financial assets available-for-sale is linked to the market development and increasing amount of unrealized losses recognized within equity.

Changes in net deferred tax position are presented in the following table:

(€ million)	Net deferred tax asset/liability	
	2022	2021
Balance as at beginning of reporting period	**95**	**(28)**
Deferred income tax for the period	11	86
Deferred tax recognised directly in equity	106	41
Total deferred tax income for the period	**117**	**127**
Currency translation differences	3	(4)
Balance as at end of reporting period	**215**	**95**

The Group did not recognise deferred tax assets of €32 million (2021: €30 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	
	31.12.2022	31.12.2021
Expire in 1 year	2	2
Expire between 1 and 3 years	3	3
Expire between 3 and 5 years	19	11
Expire in more than 5 years	8	13
Expire in indefinite time	-	1
Total	**32**	**30**

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 2019 has completed the performance cycle at the end of 2021. The corresponding share allocation has been carried out starting from April 2022, depending on the target population.

The LTI plans 2020, 2021 and 2022, currently in progress, may result in shares' granting respectively in 2023, 2024 and 2025, 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.

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.

With reference to methods and time frame for granting the shares, they are differentiated by:
- the Managing Director/Group CEO and the members of the Group Management Committee:
  - at the end of the three-year performance period, 50% of the shares accrued on the basis of the targets met will be granted; 25% are immediately available (to allow the beneficiaries to bear the tax charges connected with the grant), while the remaining 25% are subject to a one-year lock-up period;
  - the remaining 50% of the accrued shares is subject to another two years of deferral, during which the accrued amount may become zero if the Regulatory Solvency Ratio threshold level established by the plan is not met, or if a malus provided for by the plan regulation should occur. After having check that the aforesaid threshold level has been reached and that there is no malus, and provided that on that date the beneficiary has a relationship with the Company (or with other Group companies), the remaining 50% of the shares accrued are granted; 25% are immediately available (to allow the beneficiaries to bear the tax charges connected with the grant), while the remaining 25% are subject to a one year lock-up period;
- the remaining key employees, GLG, Directors and talents: at the end of the three-year performance period, 100% of the shares accrued will be granted, 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 individual indicators achievement, which results are calculated using a linear interpolation approach.

During each year of the plan and at the end of the three-year performance period and, in any case, at the end of the additional two-year deferral period, an evaluation is carried out on 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 2022 Plan has a dividend equivalent mechanism on the basis of the dividends distributed during the performance period (dividend equivalent). In particular, should the shareholders' meeting resolve upon the distribution of dividends in favor of the shareholders during the reference period, at the expiry of such period, an additional number of shares determined in relation to the overall dividends distributed during the reference period will be assigned in favor of the beneficiaries. The additional number of shares thus determined shall be assigned simultaneously and in relation with the other shares assigned in favor 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 10,500,000, accounting for 0.66% of the current share capital.

In line with the previous plans, the 2022 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 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 panel 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 of the relative TSR. Such pay-out is determined as the average of the pay-outs resulting from the processing of a series of scenarios using a statistical model. The pay-out of the single simulation is zero in the case of the TSR of Generali's shares positioning below the median of the panel peer group, while it is positive in the case of the TSR of Generali's shares positioning above the median of the panel peer group. The maximum pay-out is recognized in the case of the relative TSR value of Generali shares positioning above the 90th percentile.

The estimated fair value of LTI 2022 plan at the grant date of the bonus right related to the performance level in terms of relative TSR is €11.91 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 payout, granted in case of level equal to or greater than €9.5 billion and a pay-out equal to 0 in case of a level equal or lower than €8 billion. Payment related to the achievement of ESG target is determined based on 1) the amount of investments classifiable as New Green & Bond Investments and 2) the percentages of women in strategic positions.

Finally, the cost related to the recognition of dividends paid during the 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.
For additional information related to incentive plans refer to the 2022 Remuneration Report.

At reporting date, the share plan for the benefit of the Managing Director/Group CEO and the share plan for Group employees (We Share) are fully concluded.

The overall cost of the LTI plans 2019, 2020, 2021 and 2022, the share plan for the benefit of the Managing Director/Group CEO and the share plan for Group employees (We SHARE) 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 (2021: €4 million) and the equity reserve for share based payments as at 31 December 2022 to €7 million (2021: €8 million).

F.28 Information on employees

The number of employees is presented in the following table:

	31.12.2022	31.12.2021
Managers	261	266
Employees	9,354	9,482
Sales attendants	2,508	2,618
Others	30	11
Total	**12,153**	**12,377**

The staff expenses are presented in the following table:

(€ million)	2022	2021
Wages and salaries	**291**	**281**
Compulsory social security contributions	**61**	**62**
of which State-defined contribution pension plan	23	22
Others	**22**	**25**
of which Contribution to private pension funds	2	2
Total	**374**	**368**

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 31.12.2022	FX gain/loss for the period from 1.1. to 31.12.2022
Hedged items		
Equities, bonds, investment funds units	839	14
Term deposits, current bank accounts and other	25	(1)
Insurance liabilities	(361)	(17)
Hedging instruments		
Derivatives	29	(11)
Financial liabilities (Sell-buy operations)	361	16

(€ million)	Fair value as at 31.12.2021	FX gain/loss for the period from 1.1. to 31.12.2021
Hedged items		
Equities, bonds, investment funds units	1,453	(10)
Term deposits, current bank accounts and other	60	(2)
Insurance liabilities	**(321)**	**(1)**
Hedging instruments		
Derivatives	19	15
Financial liabilities (Sell-buy operations)	321	(1)

Assessment of hedging effectiveness and possible adjustment of the dynamic hedging strategy is performed by subsidiaries on a monthly basis. In every month of 2022 and 2021, 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 31.12.2022	Change in fair value attributable to interest rate risk for the period from 1.1. to 31.12.2022
Fixed income instruments	384	(43)
Derivatives	64	47

(€ million)	Fair value as at 31.12.2021	Change in fair value attributable to interest rate risk for the period from 1.1. to 31.12.2021
Fixed income instruments	574	(37)
Derivatives	18	36

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 2022 and 2021, the Group's hedging was evaluated as effective in accordance with IFRS.

F.29.2 Cash-flow hedge

Foreign currency risk hedging

Subsidiaries of GCEEH invests 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 December 2058.

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 2022:

(€ million)	Hedged CF	Hedging instrument	Effectiveness
	105	105	Effective

Prospective hedge effectiveness test as at 31 December 2021:

(€ million)	Hedged CF	Hedging instrument	Effectiveness
	105	105	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)	31.12.2022	31.12.2021
Hedged rents	3	3
Actual rents received	4	5
Hedged rents =< Actual rents received	**Yes**	**Yes**
Change in spot component of hedging instrument	3	6
Change in spot component of hedged item	(3)	(6)
Ratio of change in hedging instrument to change in hedged item	**100%**	**100%**

During 2022, profit of €3 million (2021 profit: €6 million) was recognized in Other comprehensive income out of which €5 million loss (2021: €2 million loss) 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 2022, financial assets were as follows:

(€ million)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilites 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	464	(326)	138	(16)	(98)	24
Receivable from derivative collateral paid	8	-	8	(8)	-	-
Total	**472**	**(326)**	**146**	**(24)**	**(98)**	**24**

As at 31 December 2021, financial assets were as follows:

(€ million)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilites 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	362	(285)	77	(30)	(48)	(1)
Receivable from derivative collateral paid	19	-	19	(19)	-	-
Total	**381**	**(285)**	**96**	**(49)**	**(48)**	**(1)**

As at 31 December 2022, financial liabilities were as follows:

(€ million)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilites 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 liabilities	(358)	326	(32)	16	8	(8)
Total	**(358)**	**326**	**(32)**	**16**	**8**	**(8)**

As at 31 December 2021, financial liabilities were as follows:

(€ million)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilites 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 liabilities	(327)	285	(42)	30	19	7
Total	**(327)**	**285**	**(42)**	**30**	**19**	**7**

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 2022, the Group had a commitment under investment agreements of €59 million (2021: €112 million) to make an additional contribution into the private equity funds.

F.31.2 Pledged assets and collaterals

With reference to collateral for derivative transactions, it should be noted that over-the-counter derivatives are subject to Master Netting Agreements. In particular, the Group requires the so-called ISDA Master Agreement (or equivalent), including bilateral clearing agreements, and the ISDA Credit Support Annex (or equivalent) to be adopted for each derivative transaction in order to mitigate counterparty risk. Furthermore, the Group requires that such transactions shall be carried out only with counterparties admitted by internal risk management policies.

These agreements require that offsetting between derivatives is granted only in the event of bankruptcy or failure of the parties and, to mitigate the counterparty credit risk relating to such transactions, the parties sign a collateralization agreement.

As a result of these agreements, the net exposure in derivatives becomes close to zero as it is neutralized by the collateral given or received, both as cash or assets other than cash.

As at 31 December 2022, the Group had pledged €23 million (2021: €22 million) of assets as collateral.

Furthermore, as at 31 December 2022 the Group has received financial assets as collateral for €223 million (2021: €152 million). This amount mainly consists of collateral held in reverse repurchase agreement in the amount of €77 million (2021: €87 million) and collateral held in derivatives in the amount of €127 million (2021: €48 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.

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

The Generali entities as a member of the National Nuclear Pools have to sign solidarity agreement where they are jointly and severally liable for obligation to the National Nuclear Pool in case that other members will not be able to fulfill their obligations. The Generali entities 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.

The subscribed country net retention is as follows:

Czech Republic and Slovakia

(€ million)	31.12.2022	31.12.2021
Liability including transport liability	13	12
Property	32	32
Total	**45**	**44**

Hungary

(€ million)	31.12.2022	31.12.2021
Liability including transfer liability	1	1
Property	2	2
Total	**3**	**3**

Bulgaria

(€ million)	31.12.2022	31.12.2021
Liability including transfer liability	1	1
Total	**1**	**1**

Croatia

(€ million)	31.12.2022	31.12.2021
Liability including transfer liability	1	1
Total	**1**	**1**

Slovenia

(€ million)	31.12.2022	31.12.2021
Property	1	1
Liability including transport liability	1	1
Total	**1**	**1**

Romania

(€ million)	31.12.2022	31.12.2021
Property	1	1
Total	**1**	**1**

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	
	2022	2021	2022	2021
Short-term employee benefits	-	-	1,319	2,679
Long-term employee benefits	-	-	115	1,492
Contribution to State-defined contribution pension plans	-	-	218	432

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. Decrease of costs in 2022 is due to organization changes within the year.

Long-term employee benefits include income from share-based payments. For further detail please refer to C.6 and F.27.

There were no termination benefits paid to the key management personnel of the Group either in 2022 or in 2021.

F.32.3 Related party transactions

Transactions with the parent company

The transactions with the parent company Generali Assicurazioni were as follows:

(€ million)	31.12.2022	31.12.2021
Total assets	**344**	**351**
Investments	125	69
Reinsurance assets	177	228
Receivables	42	54
Total liabilities	**85**	**88**
Insurance liabilities	3	4
Financial liabilities	4	4
Payables	64	58
Other liabilities	14	22

(€ million)	2022	2021
Total income	**(188)**	**(189)**
Net earned premiums revenue	(175)	(178)
Other income	(13)	(11)
Total expenses	**72**	**257**
Net insurance benefits and claims	51	239
Acquisition and administration costs	21	18

Significant change of investments in 2022 was caused by the increase of term deposits related to direct cash pooling operations to €122 million (2021: €68 million).

Reinsurance assets are represented by technical provisions ceded to Assicurazioni Generali S.p.A. for €177 million (2021: €228 million) and item Net earned premiums revenue includes ceded premiums to Assicurazioni Generali S.p.A under reinsurance contracts for €184 million (2021: €192 million).

Decrease of Net insurance benefits and claims and Reinsurance assets is linked to large catastrophic event in Austria in year 2021. This was almost entirely retroceded to the ultimate parent company Assicuazioni Generali S.p.A.

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 Assicuazioni Generali S.p.A., are presented in the following tables:

(€ million)	31.12.2022	31.12.2021
Total assets	**463**	**471**
Investments	400	419
Reinsurance assets	27	23
Receivables	30	17
Other assets	6	12
Total liabilities	**217**	**155**
Insurance liabilities	63	112
Payables	78	31
Other liabilities	21	12
Equity	55	-

(€ million)	2022	2021
Total income	**17**	**73**
Net earned premiums revenue	14	38
Fee and commission income and income from financial service activities	1	2
Net income/(losses) from financial instruments at fair value through profit or loss	(22)	22
Share of results of joint ventures accounted for using the equity method	1	1
Income from other financial instruments and investment properties	15	8
Other income	8	2
Total expenses	**(31)**	**(149)**
Net insurance benefits and claims	(4)	(145)
Acquisition and administration costs	(14)	3
Other expenses	(13)	(7)

Item Investments comprises investment fund units of €140 million (2021: €168 million) mainly via unit-linked portfolio, equity AFS instruments of €236 million (2021: €228 million) and provided loans of €23 million (2021: €23 million).

Item equity represents capital injection of Generali penzijní společnost, a.s. into Transformovaný fond Generali penzijní společnosti, a.s. (Transformed fund) to cover excess of liabilities over its assets in line with the law about supplementary pensions savings.

Decrease of Net insurance benefits and claims is linked to large catastrophic event in Austria in year 2021. This was almost entirely retroceded to the ultimate parent company Assicuazioni Generali S.p.A.

G. Subsequent events

G.1 Change of functional currency in Croatia

On 1 January 2023 Croatia adopted the euro as its currency, becoming the 20th member state of the eurozone. As a result of this, functional currency of Generali Osiguranje d.d. was changed to Euro with no impact on group financial statements.

G.2 Sale of Solitaire Real Estate, a.s.

On 10 February 2023 Generali Real Estate Fund sold Solitaire Real Estate, a.s. outside the group for the preliminary purchase price of €21 million. Final purchase price will be determined later based on audited financial statements for year-end 2022.

G.3 Interim Dividend

On 26 January 2023 Generali CEE Holding B.V, adopted the resolution of the General meeting to distribute the interim dividend to Assicurazine Generali in the amount of €100 million.

III. COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

III. COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2022

COMPANY STATEMENT OF FINANCIAL POSITION:

(€ million)	Note	31.12.2022	31.12.2021
Non-current assets		**3,976**	**4,630**
Intangible assets		3	1
Financial fixed assets	D.1	3,973	4,629
Investments in group companies		3,973	4,629
Current assets	**D.2**	**369**	**359**
Receivables	D.2.1	6	5
Loans	D.2.2	202	174
Securities	D.2.3	151	166
Cash and cash equivalents	D.2.4	8	10
Other assets	D.2.5	2	4
Total assets		**4,345**	**4,989**
Shareholder's equity	**D.3**	**4,305**	**4,968**
Paid-up capital and share premiums reserve	D.3	3,875	3,935
Other reserves	D.3	430	1,033
Current liabilities	**D.4**	**40**	**21**
Financial liabilities	D.4.1	11	6
Other liabilities	D.4.2	29	15
Total equity and liabilities		**4,345**	**4,989**

COMPANY INCOME STATEMENT:

(€ million)	Note	2022	2021
Result from investments in Group companies after tax	E.1	342	543
Other income and expenses after tax	E.2	(51)	(34)
Result of the period		**291**	**509**

NOTES TO THE CONSOLIDATED 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 2022 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 2022 as follows:

Members: Manlio Lostuzzi
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.

The Chief Executive Director of the branch Luciano Cirinà was dismissed in April 2022 and Giovanni Liverani was appointed as a new member of The Board of Directors. His ad interim mandate terminated as of 1 September 2022 when Manlio Lostuzzi was appointed as a new Chief Executive Director.

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.

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 April 2023. 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.

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.

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.

D. Notes to the company statement of financial position

D.1 Financial fixed assets

Investments in Group companies comprise the following:

(€ million)	31.12.2022	31.12.2021
Investments in group companies	3,973	4,629
Total investments in subsidiaries and associates	**3,973**	**4,629**

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)	2022	2021
Carrying amount as at beginning of reporting period	**4,629**	**4,720**
Additional investments in group companies	17	-
Disposal of group companies	(122)	-
Dividend distribution	(508)	(546)
Other movements in group companies equity	(384)	(88)
Result of group companies	342	543
Carrying amount as at end of reporting period	**3,973**	**4,629**

In 2022 the Company increased its participation in Generali osiguranje d.d. and dispose the subsidiary GSK Financial.

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).

D.2 Current assets

D.2.1 Receivables

Receivables comprise the following:

(€ million)	31.12.2022	31.12.2021
Receivables from clients and suppliers	6	5
Total	**6**	**5**

All receivables are due within one year.

D.2.2 Loans

(€ million)	31.12.2022	31.12.2021
Loans	202	174
Total	**202**	**174**

Loans consist of cash-pooling operated by Assicurazioni Generali S.p.A. of €122 million (2021: €68 million), reverse repurchase agreement of €5 million (2021: €8 million) and loan provided to Generali Real Estate Fund CEE, a.s. of €52 million (2021: €88.5 million), Generali Biztosító Zrt. of €12 million (2021: €0 million) and GW Beta B.V. of €11 million (2021: €8.5 million).

Changes in company loans provided were as follows:

(€ million)	2022	2021
Balance as at beginning of reporting period	**174**	**49**
Redemptions	(291)	(532)
Increases	315	653
Exchange differences	4	4
Balance as at end of reporting period	**202**	**174**

In 2022 there was a redemption of €244 million (2021: €529 million) related to reverse repurchase agreement.

D.2.3 Securities

Securities as at 31 December comprise:

(€ million)	31.12.2022	31.12.2021
Quoted securities	**58**	**67**
Equities	58	67
Unquoted securities	**85**	**91**
Equities	85	91
Derivatives	**8**	**8**
Total	**151**	**166**

Changes in company securities were as follows:

(€ million)	2022	2021
Balance as at beginning of reporting period	**166**	**119**
Investments	11	27
Revaluation in equity	-	4
Revaluation in income statement	(20)	26
Exchange differences	(4)	8
Sales	(2)	(18)
Balance as at end of reporting period	**151**	**166**

The investments in 2021 were represented by acquisition of equities.

D.2.4 Cash and cash equivalents

Cash and cash equivalents are as follows:

(€ million)	2022	2021
Balance as at beginning of reporting period	**10**	**8**
Increase in cash at bank and in hand	-	2
Decrease in cash at bank and in hand	(2)	-
Balance as at end of reporting period	**8**	**10**

No restrictions are applicable to cash balances.

D.2.5 Other assets

Other assets comprise the following:

(€ million)	31.12.2022	31.12.2021
Tax receivables	2	4
Total	**2**	**4**

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
Balance as at 31.12.2020	**-**	**3,935**	**375**	**(123)**	**(6)**	**253**	**460**	**4,894**
Transfer of net gain 2020						460	(460)	-
Balance after transfer	**-**	**3,935**	**375**	**(123)**	**(6)**	**713**	**-**	**4,894**
Revaluation - financial assets AFS			28					28
Currency translation differences				(17)				(17)
Changes in cash flow hedge reserve					6			6
Other movements in subsidiaries equity			(254)	187				(67)
Other comprehensive income	**-**	**-**	**(226)**	**170**	**6**	**-**	**-**	**(50)**
Net gain 2021							509	509
Total comprehensive income for the period	**-**	**-**	**(226)**	**170**	**6**	**-**	**509**	**459**
Allocation to reserve for share-based payments						4		4
Dividends to shareholders						(389)		(389)
Balance as at 31.12.2021	**-**	**3,935**	**149**	**47**	**-**	**328**	**509**	**4,968**
Transfer of net gain 2021						509	(509)	-
Balance after transfer	**-**	**3,935**	**149**	**47**	**-**	**837**	**-**	**4,968**
Revaluation - financial assets AFS			(16)					(16)
Currency translation differences				7				7
Changes in cash flow hedge reserve					3			3
Other movements in subsidiaries equity		(60)	(511)	78				(493)
Other comprehensive income	**-**	**(60)**	**(527)**	**85**	**3**	**-**	**-**	**(499)**
Net gain 2022							291	291
Total comprehensive income for the period	**-**	**(60)**	**(527)**	**85**	**3**	**-**	**291**	**(208)**
Allocation to reserve for share-based payments						4		4
Dividends to shareholders						(459)		(459)
Balance as at 31.12.2022	**-**	**3,875**	**(378)**	**132**	**3**	**382**	**291**	**4,305**

Row other movements in subsidiaries equity represents mainly movement of equity of subsidiaries mainly in terms of revaluation reserve, currency translation reserve and retained earnings. Decrease of share premium reserve is caused by the capital injection into Transformed fund. For additional details please see note F.8 of notes to the consolidated statement of financial position.

The following table provides details of the distribution restrictions of equity:

(€ million)	31.12.2022	31.12.2021
Not available for distribution to shareholders	**372**	**455**
Share premium reserve - portion not available for distribution	157	157
Revaluation reserves	80	251
Currency translation reserve	132	47
Cash flow hedge reserve	3	-
Available for distribution to shareholders	**3,933**	**4,513**
Share premium reserve - portion available for distribution	3,718	3,778
Revaluation reserves	(458)	(102)
Retained earnings	673	837
Total shareholder's equity	**4,305**	**4,968**

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 €80 million (2021: €251 million) which is not available for distribution.

D.3.3 Profit distribution
Overall dividend payment in year 2022 amounted to €459 million (2021: €389 million).

D.4 Current liabilities

D.4.1 Financial liabilities
Other Financial liabilities consist of the following:

(€ million)	31.12.2022	31.12.2021
Other hedging derivatives	11	6
Total	**11**	**6**

D.4.2 Other liabilities

Other liabilities consist of the following:

(€ million)	31.12.2022	31.12.2021
Payables to clients and suppliers	4	3
Payables related to taxation	2	1
Accrued charges	23	11
Total	**29**	**15**

E. Notes to the company income statement

E.1 Result from investments in Group companies after tax

Below table shows result from investments in Group companies which represents Company's share of the net income of Group. The item is presented after tax.

(€ million)	2022	2021
Result from investments in Group companies after tax	342	543

Significant decrease in 2022 is caused mainly by impairment expense recognized on Available for sale financial assets.

E.2 Other income and expenses

Other income and expenses can be analyzed as follows:

(€ million)	2022	2021
Interests and other investment income	8	3
Currency gains	-	3
Other income	-	1
Total income	**8**	**7**
Personnel expenses	(22)	(16)
Expenses for share-based payments	(2)	(1)
Audit and consulting services	(6)	(8)
Currency losses	(19)	-
Other expenses	(6)	(12)
Total expenses	**(55)**	**(37)**
Income taxes	**(4)**	**(4)**
Other income and expenses after tax	**(51)**	**(34)**

E.3 Off-balance sheet items

E.3.1 Commitments
As at 31 December 2022, the Company had a commitment under investment agreements of €4 million (2021: €19 million) to make an additional contribution into the private equity funds.

E.3.2 Pledged assets and collaterals
The Company has received financial assets as collateral for approximately €5 million (2021: €9 million), in particular for repo operations.

E.4 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.27 in the consolidated financial statements).

As at 31 December 2022, an expense recognised in relation to this plan amounted to €2 million (2021: €1 million).

E.5 Employees

Number of employees:

	31.12.2022	31.12.2021
Managers	52	47
Employees	109	103
Total	**161**	**150**

Employee expenses were €22 million (2021: €16 million) (Note E.2). 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.6 Company directors

Further information about the remuneration of Company directors is provided in Note F.32.2 of the consolidated financial statements.

E.7 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.8 Audit fees

Audit fees related to the audit of the financial statements for the Company and its subsidiaries for 2022 amounted to €4.4 million, net of VAT and are due to the KPMG network of firms (2021: €2.3 million, net of VAT and are due to the KPMG network of firms). The other services provided by the audit firm have been immaterial.

E.9 Subsequent events

Information on subsequent events is provided in Note G. of the consolidated financial statements.

24 April 2023
Signed by the Board of Directors:

Giovanni Liverani
(Managing Director)

Jaime Anchústegui Melgarejo
(Managing Director)

Cristiano Borean
(Managing Director)

Heike Ottemann-Toyza
(Managing Director)

Carlo Schiavetto
(Managing Director)

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.

Independent auditor's report

To: The shareholder and Board of Directors Generali CEE Holding B.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2022 of Generali CEE Holding B.V., ("the Company" 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 2022 and of its result and its cash flows for the year 2022 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 2022 and of its result for the year 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2022;

2 the following consolidated statements for the year 2022: the income statement, the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company statement of financial position as at 31 December 2022;

2 the company income statement for the year 2022; and

3 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), '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.

Report on the 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:

- Letter from the Chairman and CEO;
- Economic and Insurance Market Development;
- The Holding's Management;
- Board of Directors Report;
- Other information pursuant to 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 regarding the management report and the other information.

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 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 management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the 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 errors or fraud.

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.

KPMG

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 have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the 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.

We have exercised professional judgement and have maintained professional scepticism 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 errors or fraud, 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 errors, 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 the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

KPMG

We communicate with the 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.

Utrecht, 24 April 2023

KPMG Accountants N.V.

A.J.H. Reijns RA

Annual Report 2022

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