Generali CEE Holding B.V.

Annual Report 2019

GENERALI

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Letter from the Chairman and CEO

Dear ladies and gentlemen,
Before we look back and evaluate the past year 2019, allow us to use this opportunity to spend few lines on the current situation occurring in the whole world due the outbreak of the Coronavirus (Covid-19).

Being Lifetime Partner to our people and customers is for us of the utmost importance and, today more than ever, it means building trust and joining forces to overcome the emergency. With the spread of the Covid-19 epidemic, we have immediately taken action to protect the health of our people, be it employees, agents or business partners, and to preserve services continuity. We have done this with a sense of urgency whilst making sure we can guarantee the continuity of all our operations to support our customers in this difficult moment.

Even in the upcoming days, weeks or months we will be working to develop initiatives to protect our stakeholders and face the coronavirus emergency.

The ambition to become Lifetime Partner to our people and customers was introduced to the financial world in autumn 2018 within the Generali 2021 Strategy. In order to prove that this is a serious commitment, also in our region, we got fully aligned with the strategic goals with series of actions and initiatives.

We further reinforced our position in the region through selective acquisitions of important insurance and investment players on the Slovene and Polish market – you remember Adriatic Slovenica in Slovenia, Concordia and Union Investment in Poland. From an organic growth perspective, we believe that accelerated deployment of modular products and the potential of SMEs segment will be important drivers of growth. Our strategic focus is to improve the value proposition towards our SME clients.

Asset management is an integral part of our Group's positioning and is becoming more and more relevant to complement the life insurance offer for the retail clients with standalone investments products.

Last but not least, we will continue to drive the digital transformation across the region in order to deliver to our customers on the Lifetime Partner promise. We have already launched several transformational programs in order to equip our own strong sales network with digital tools, to increase efficiency through automation and paperless processing, and deliver modern, integrated and flexible IT environments. The digital transformation program, together with our IT target architecture and core processes target models, will drive force towards and will go hand in hand to support and accompany each of our business units on that individual journey to a highly digitalized insurance company.

We assess positively the year 2019 in terms of financial results – Generali CEE Holding business showed a very solid performance and in the region we are a leader in terms of technical profitability thanks to a medium-long term net combined ratio lower than 90%. In the P&C business, our region marked the year 2019 with a combined ratio of 85.8%, supported mainly by the positive technical performance.

Luciano Cirinà

Our region contributed significantly also to the successful performance of the Group. Supported also by the newly successfully integrated entities in Poland and Slovenia, premium income reached €3,851 million and we reported a net result of €275 million representing 9,4% of the Group's net result. Life gross written premiums reached €1,070 million and in the P&C segment the growth was 23% to €2,781 million. We are the market leader in the Czech Republic, belonging to the top three players in Austria, Hungary, Serbia, Slovakia and Slovenia, further strengthening our positions in all countries where we operate. The contribution of the other markets has improved during the last year, resulting in an increase of the premium income on the total volume of the area.

Our people are the biggest asset – having them engaged and empowered is the key process we put emphasis on. Their voice is indispensable tool which helps us to understand our strengths as well as to address specific areas for improvement. This is why it has been important to receive the feedback from our people within the Generali Global Engagement Survey 2019. Also thanks to so called We Share Plan established last year – providing our Group employees with the opportunity to purchase Generali shares – we shape the future together to execute our business strategy successfully.

As part of the Generali Group, we put our focus on society around us and we pay attention to act in environmentally responsible manners. All companies of Generali CEE Holding are committed to implementing the objectives included in the Charter of Sustainability Commitments of the Generali Group, which consist of a wide range of environmental, social and governance topics (ESG) to be addressed and monitored through specific KPIs and to integrate these commitments into our daily business. In April 2019, the Executive Committee of Generali CEE Holding approved the Group Sustainability Policy which outlines the system for identifying, assessing and managing the risks connected with ESG factors. As the first in the region, Austria, Hungary and Poland adopted this policy.

Insurance companies of Generali CEE Holding are also active in The Human Safety Net initiative – a global humanitarian movement aiming to empower disadvantaged members of our society. It was activated in ten countries of our region. Two out of three The Human Safety Net's programs were launched in various companies in the region. For Families, creating equal life opportunities for children from disadvantaged backgrounds and For Newborns, saving them from the debilitating and potentially fatal consequences of asphyxia.

Dear readers, we successfully closed the first year of our journey towards the targets set within Generali 2021 Strategy and we have a very solid base to build on for the years to come. Adhered to and driven by the common purpose, every day we work with discipline, integrity and diligence to make a difference.

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

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

Economic and Insurance Market Development

GENERAL ECONOMIC SITUATION IN 2019

Global economic growth decelerated quite notably in 2019. The slowdown was recorded in both the Eurozone and U.S., and also in many Emerging Markets economies, including China. Uncertainties related to trade wars and Brexit, as well as other geopolitical risks, had negative impact on international trade and on investment expenditure of corporate sector. The Eurozone full-year 2019 GDP growth decelerated from 1.9% to 1.2% with manufacturing sector falling into recession.

The CEE region kept solid growth performance in 2019 despite worse external conditions and GDP growth was actually robust in some cases (e.g. Hungary and Poland). Domestic demand was key driver of GDP growth in CEE region. Particularly household consumption contributed to overall growth, backed by positive developments in labour market (strong wage growth, declining unemployment). Exports and investment expenditure were rather mixed across the region. Outlook for 2020 is clouded by Coronavirus pandemic and by restrictions implemented in effort to fight the disease. This will lead to full-year GDP contraction in many cases in 2020 or to a sharp slowdown in growth at least even if, as we assume for now, restrictions are gradually removed with first steps being taken already in April.

The strong GDP growth kept prices pressures alive in many regional economies. However, monetary policy response was muted due to existing external risks that were seen as disinflationary. The Czech CNB was the only central bank in CEE region making a bolder steps towards tighter monetary conditions with a rate hike in May 2019 and then also in early February 2020. Coronavirus pandemic and resulting downside risk to economic outlook led the CEE central banks to ease their policies in March 2020 via both interest rate cuts and other measures (liquidity supply, purchases of government bonds). Monetary policy easing is accompanied by fiscal relaxation in effort to soften Coronavirus' impact on economy.

The Czech GDP growth decelerated from 2.8% to 2.4% in 2019. The slowdown was caused by weaker growth of exports and investment expenditure, while household consumption was still robust. The Czech economy however still operated above its potential, which led to increase in underlying price pressures and the CNB tightened its monetary policy in 2019 and early 2020, as annual inflation exceeded 3%. While the economy had relatively solid start into 2020, GDP is going to contract in full-year terms due to impact of Coronavirus-related restrictions. The full-year GDP contraction is likely to be sharper than in 2009 when it reached -4.7%. Still, economic activity should recover in 2H 2020 and in 2021 if the virus-spread becomes contained and restrictions are gradually lifted.

The Polish full-year 2019 GDP growth slowed from 5.2% to 4.1% due to slower growth dynamics of both domestic demand (consumption, investment expenditure) and exports. Coronavirus will lead to further slowdown in 2020: the government came with forecast at 1.5%-2.0% if V-shaped rebound starts since 2Q 2020 or recession (GDP contraction as much as -1% for whole 2020) if curbs in consumption and trade remain in place also in May or June.

The Hungarian economy kept strong GDP growth close to 5% in 2019, driven by both domestic demand (investment and household consumption) and exports. Consumption was backed by a double-digit wage growth, while investment expenditures were boosted by inflow from EU funds. The economy will not escape impact of Coronavirus in 2020: the MNB expects GDP growth at 2.5% if related crisis lasts 2 or 3 months but admits possibility of full-year contraction (ca. -0.5%) if impact of virus becomes persistent.

Slovak economic growth disappointed expectations in 2019 with automotive industry and sluggish exports being the key sources of weakness. 2020 will be even more challenging due to economic consequences of Coronavirus spread and harsh containment measures that were adopted in Slovakia despite a relatively low number of infected. Assuming that these measures will be gradually eased starting in Mid-April, economic recession could be deep but brief followed by a „V-shaped" recovery.

In Romania, 2019 was a year of political turbulences and rising fiscal difficulties. While the economy was losing competitiveness due to a mismatch between rapid rising labour cost and stagnant productivity growth, GDP still posted solid growth at 4.1% thanks to prevailing strong consumption and recovery of investments. The new rightist government admitted budget difficulties as the deficit jumped to 4.6% of GDP which put investment grade at risk, with the S&P already cutting the outlook to BBB-/Negative. It also implies that a space for fiscal impulse amid the recent virus spread is much more limited in comparison to other countries in the region and recession in 2020 looks inevitable.

In Bulgaria, GDP growth remained strong & stable for a fifth year in a row (3.4% in 2019). The growth is consumption driven, coupled with decent fixed investment growth. So far, there are no signs of overheating of the economy and the spike of inflation toward 7-year high was driven mainly by external factors. Due to capital shortages in several banks and lack of public consensus, limited progress toward the EMU membership has been made. Fiscal policy is traditionally prudent even as military purchases pushed the budget to a modest deficit in 2019. However, fiscal stimulus is needed to tackle the virus related economic downturn expected for 2020 but very low public debt level makes the costs affordable.

Serbia continues to enjoy strong growth (4.2% in 2019) despite weaker start of the year. The surge of fixed investments is the main pillar of growth which also contributed to solid performance of dinar currency. Private consumption was also solid thanks to double digit wages growth and gradual monetary policy easing. Prudent fiscal policy contributed to further decline of the public debt. Outlook for 2020 is clouded by high level of uncertainties as the key primary and secondary sectors will be severely hit by supply disruptions and production halts.

Croatian GDP managed to firm a bit to 2.9% in 2019 mainly thanks to domestic demand which received support from series of tax cuts and profited also on sizable improvement of labour market. VAT cuts compressed inflation below 1% despite external supply side shocks. Rating profile improved significantly as the country received two investment grades after six years. However, outlook for 2020 is deeply negative given high exposure on tourism (ca. 25% of GDP) and the sector will extremely suffer due to travel restrictions related to the virus spread.

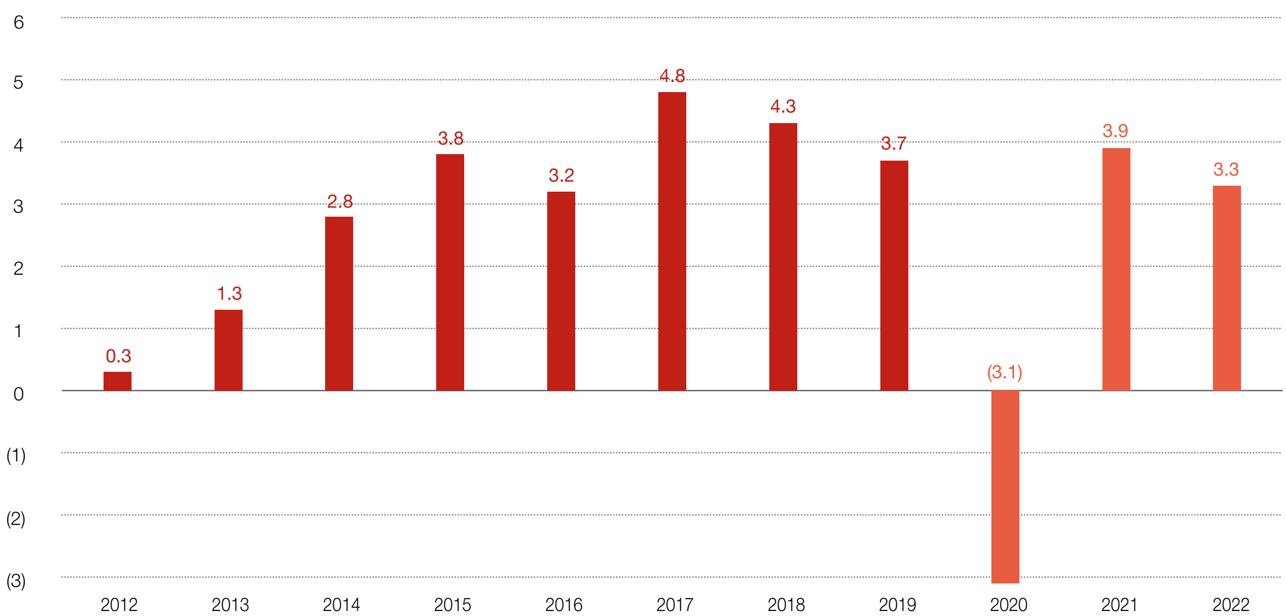
In Montenegro, economic growth slowed to still solid level of 3.1% in 2019 as the boost coming from investments is evaporating after key infrastructure projects are gradually finalized. Such trend should continue. However, the country is vulnerable to the recent market turmoil given massive current account deficit and high public debt.

GDP in Slovenia slowed to 2.4% in 2019, the lowest growth over the past four years. External weaknesses are to be blamed as foreign demand was negatively influenced by uncertainties around the global trade environment. However, domestic demand was solid. Outlook for 2020 is negative given economic collapse in the key trading partners amid the virus spread. Public debt will remain above the 60% of GDP threshold as the economy requires fiscal stimulus.

ECONOMIC CONDITIONS

All in all, GDP growth in the CEE region (in that area where Generali CEE Holding is present) remained solid in 2019 despite the fact that it decelerated in most cases. For 2020 we expect GDP to contract in full-year terms. We at the same time expect recovery to follow in 2021 (and actually already in 2H 2020). However, the outlook is clouded by significant uncertainty, related to Coronavirus pandemic.

Real GDP growth in CEE region (%)

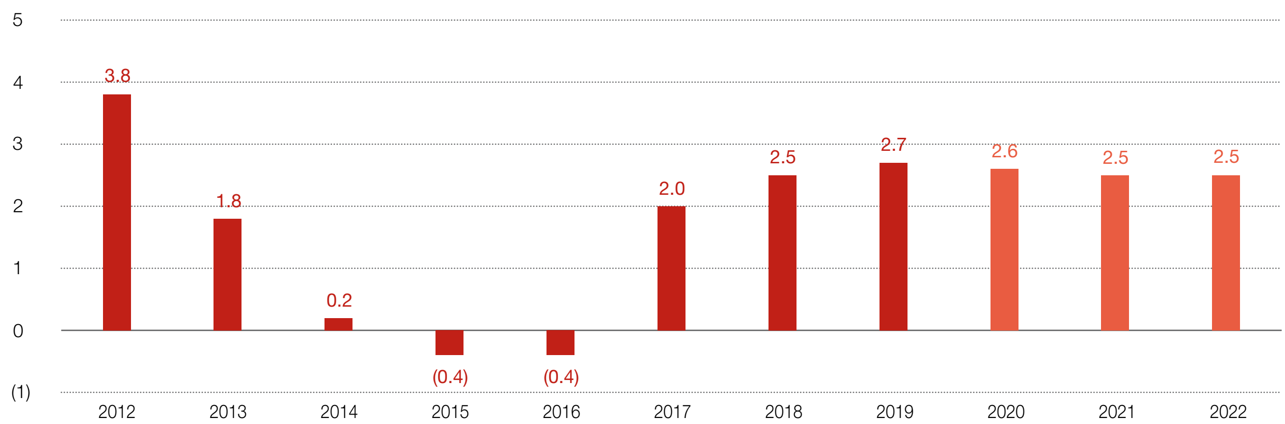


Note: Countries included are Bulgaria, Croatia, Czech republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovak republic, Slovenia

Real GDP growth (%)	2017	2018	2019	2020f	2021f	2022f
CEE	4.8	4.4	3.7	(3.1)	4.0	2.9
Bulgaria	3.5	3.1	3.4	(4.0)	3.5	3.0
Croatia	3.1	2.7	2.9	(5.0)	3.0	2.2
Czech Republic	4.5	2.8	2.4	(7.0)	5.0	2.7
Hungary	4.5	5.1	4.9	(1.6)	4.5	3.0
Montenegro	4.7	5.1	3.1	(6.0)	3.5	2.5
Poland	5.0	5.2	4.1	(1.0)	4.3	3.2
Romania	7.1	4.4	4.1	(3.5)	3.5	3.0
Serbia	2.0	4.4	4.2	(2.0)	3.5	3.0
Slovakia	3.0	4.1	2.4	(4.5)	2.5	2.0
Slovenia	4.8	4.1	2.4	(4.0)	3.0	2.2

Recession or economic slowdown related to Coronavirus pandemic implies moderation of inflationary pressures during 2020. Central bankers are focusing on downside risks to both GDP growth and inflation, which leads them to ease monetary conditions despite the fact that inflation currently stands above target level in many cases.

Inflation in CEE region (%)



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

Inflation (%)	2017	2018	2019	2020f	2021f	2022f
CEE	2.0	2.4	2.7	2.6	2.5	2.5
Bulgaria	2.1	2.8	3.1	2.2	3.0	2.7
Croatia	1.1	1.5	0.8	0.7	1.6	1.9
Czech Republic	2.5	2.1	2.8	3.0	2.0	2.0
Hungary	2.4	2.8	3.4	3.2	3.0	3.0
Montenegro	2.4	2.6	1.1	1.9	1.6	1.7
Poland	2.0	1.7	2.3	3.0	2.5	2.5
Romania	1.3	4.6	3.8	2.3	3.2	3.0
Serbia	3.0	2.0	1.7	1.2	2.0	2.6
Slovakia	1.4	2.5	2.8	2.4	1.3	1.5
Slovenia	1.6	1.9	1.5	1.0	2.0	1.8

Public finance developments (the fiscal balance) remained quite favourable in most countries of the region with budget in a slight deficit or even a surplus and public debt to GDP ratio declining. Romania was an exception with further worsening of the public finance position. Coronavirus will have negative impact on public finance performance in 2020 via weaker economic growth and also via loosening of fiscal position actively adopted by government. That said, space for fiscal relaxation exists in many cases and situation may be supported also by central banks via purchases of government debt.

The CEE currencies were hit by global uncertainties but situation improved in final months of the year thanks to diminishing worries related to trade wars and Brexit. The Czech crown (the main operating currency of Generali CEE Holding) managed to firm below 25.50 against the euro in late 2019 and further below 25.00 in early 2020. However, it has weakened since then, as sentiment was hit by Coronavirus fears, which created negative sentiment against the CEE currencies. The response was more visible in case of the Czech crown, Hungarian forint and Polish zloty, while central banks in Croatia, Romania and Serbia stepped-in the foreign exchange markets via interventions in order to protect their currencies. Solid fundament of Czech economy and readiness of the CNB to act against excessive volatility should protect the Czech crown and lead it to strengthen once fears start to abate. We would expect also the Polish zloty to recover from its current levels and most likely also the Hungarian forint. The Croatian kuna and Serbian dinar have rather limited room for recovery, as their recent moves were curbed by FX interventions, while in case of the Romanian lei we would expect tendency towards weakening to last because of existing macroeconomic imbalances.

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 is keeping slightly volatile, but positive trend.

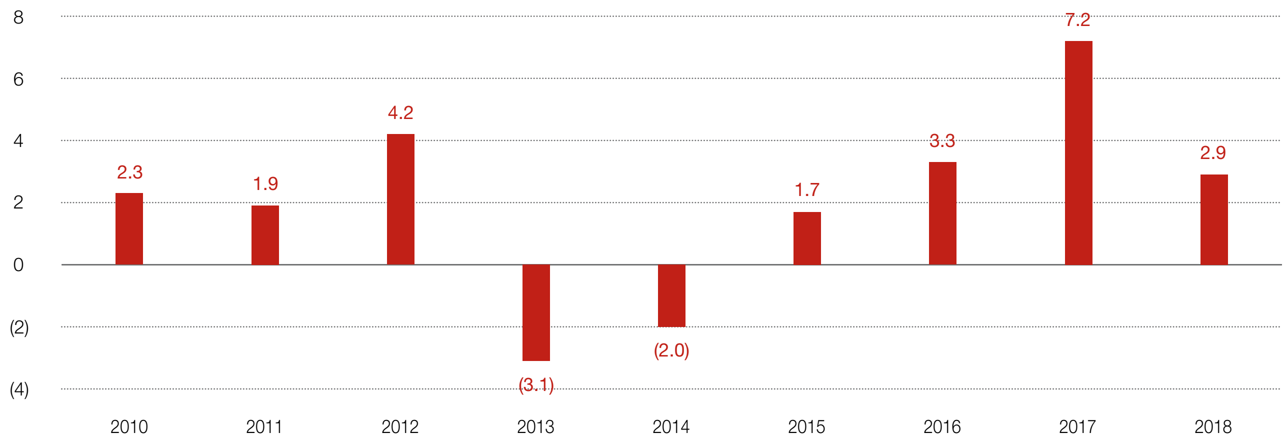
In 2019 CEE market gained solid overall growth with positive contribution of almost all CEE markets thanks to fair macroeconomic conditions. Accordingly Non-Life segment sustained lasting positive development. In contrary, Life segment tends to be rather volatile over the last four years. Currently, Life segment is going through the recovery with the drops of Single Life sales being diminished or overturned to positive trend on some markets.

Non-life market is on long term positive track thanks to both, Non-Life Motor and Non-Motor, which have been developing fairly with all countries reporting growth. Regulatory changes and consequent trend of increasing average premium proved to be the main driver of growth in several countries. Currently, Bulgaria is representing the market with the highest reported growth, mainly thanks to Motor Third Party Liability insurance (MTPL) and the ongoing increase in average price, which has been initiated in 2018 by regulatory changes, in particular additional contribution to the National bureau of Bulgarian motor insurers.

The general market trend of increasing tariffs has been after all lasting until the first half of 2019, having impact on overall year to year growth. Regulatory environment is affecting Non-life growth also in Hungary, where the extraordinary increase of MTPL is caused by insurance tax, which has been extended to the MTPL business. Slovakia continues to face negative conditions in terms of new levy on insurance premium, which resulted in tariffs' re-pricing. Growth in average premium has positively affected also development of Non-Life premiums on Croatian (in particular Motor Own Damage insurance), Czech and Romanian market.

Recovery in Life segment is mainly attributable to the development of Life Single premiums in the Czech Republic, which started to grow sharply after four years of continuous decline. In Poland, on the other hand, heavy drops reported in Life Single during 2018 have persisted on the market. Despite of that, fair growth in CEE region during 2019 is the result of the growth of total premiums across all countries.

CEE insurance market growth (%)



All in all the entire CEE insurance market reached 35.2 billion EUR in 2019 (considering the countries with the presence of Generali CEE Holding) of which Non-Life segment represents 66% and Life segment represents 34%.

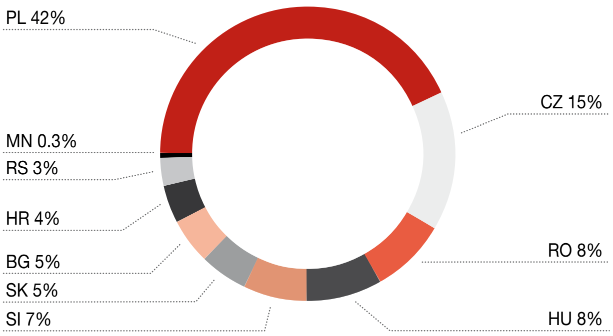
Insurance market growth in 2019 (%)

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

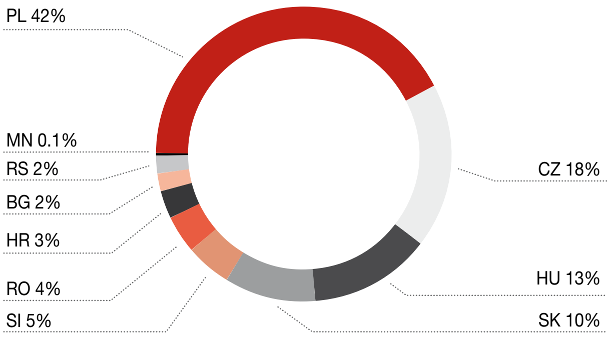
CEE INSURANCE MARKET DEVELOPMENT BY SEGMENT

CEE insurance market is economically dominated by Central European countries. The biggest market is Poland which represents 42% of Non-Life premium volume and 42% of the Life premium volume.

CEE Non-life market structure (2019)



CEE Life market structure (2019)



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

Non-Life market is keeping solid growth (+7.7%) which is reflecting stable positive evolution related to all countries. In general, Motor insurance is on positive rebound trend since 2014 when five years lasting continuous decrease in premiums stopped. Motor premiums have been keeping growth ever since, mostly as a result of increasing prices in several countries together with positive trend in new car sales. Trend of MTPL average premium is connected to regulatory changes, currently most significantly in Bulgaria, Hungary and Slovakia. However, the revision of tariffs can be observed also on other markets. In Poland, MTPL profitability had grown notably over the previous two years and the emerging pressure on prices caused average premium to decrease. Non-Motor segment (Property, Commercial, Accident, Health and other insurance) grew fairly in all of the CEE countries.

Life premiums recovered from drop, which was reported in 2018 and then started to grow (+1.7%), mainly due to overturned trend of Life Single in the Czech Republic. This effect on regional growth level is accompanied by continuously heavy decline of Life Single premium on Polish market, where the development continued to be impacted by volatile financial market and tightened regulatory environment. Other markets with negative rates in Life segment reported across the year were Croatia and Slovakia (Life Single). All other markets experienced solid growth in Life premiums over 2019 with Life Regular showing stable moderate growth for past three years across all countries where Regular premiums are reported separately from total Life premiums.

In general, the situation in CEE region has been positively stabilized in terms of improved economic indicators, favourable trend in car sales and other factors with beneficiary effect on growing total premiums on all CEE markets. The region is keeping long term positive trend in Non-life. Nevertheless, 2019 eventually reflected also recovery of Life segment after recent years of unstable development. Looking ahead, given the currently uncertain economic conditions due to Covid-19 pandemic, the sustainability of overall positive trend with favourable growth rates will be challenged.

The Holding's Management

BOARD OF DIRECTORS

Jaime Anchústegui Melgarejo

Cristiano Borean

Heike Ottemann-Toyza

Luciano Cirinà

Gregor Pilgram

EXECUTIVE COMMITTEE

Luciano Cirinà
Chief Executive Officer

Josef Beneš
Chief Investment Officer

Andrej Bukovčan
Human Resources & Organization
(appointed on 10 December 2019)

Gianluca Colocci
Mergers & Acquisitions

László Ilics
Chief Distribution Officer (CDO)
(until 11 March 2020)

Walter Kupec
Chief Insurance Officer P&C
(appointed as CInsO for P&C on 10 December 2019)

Antonella Maier
Chief Insurance Officer Life&Health
(appointed on 10 December 2019)

Gregor Pilgram
Chief Financial Officer
(appointed as CDO on 11 March 2020)

Thomas Plank
Chief Operations Officer

Miroslav Singer
Institutional Affairs & Economics

Marcela Středová
Chief Risk Officer

Carlo Schiavetto
Chief Financial Officer
(appointed as of 1 May 2020)

Luciano Cirinà

Chief Executive Officer

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

Josef Beneš

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

Andrej Bukovčan

Andrej Bukovčan was appointed in December 2019 as Member of the Executive Committee of Generali CEE Holding B.V. responsible for Human Resources & Organization in the Austria, CEE & Russia Region. Andrej Bukovčan has joined Generali CEE Holding in May 2016 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, including Russia. Andrej Bukovčan has studied psychology and English language and literature at the Comenius University in Bratislava.

Gianluca Colocci

Gianluca Colocci is a member of the Executive Committee of Generali CEE Holding with responsibility for Mergers & Acquisitions. He has been appointed as Group Head of Mergers & Acquisitions in June, 2014. He started his professional career as Management Consultant in the financial services industry within a worldwide consultancy firm. He joined Generali Group in 1995 as analyst within the Treasury Dept. and since then has held a growing range of responsibilities over his tenure becoming Head of Investor Relations (1998), Head of Corporate Finance (2003), Head of Group Mergers & Acquisitions (2007). In 2008 following the establishment of Generali PPF Holding, Joint venture for the insurance activities in CEE based in Prague, he was appointed member of the Executive Committee with responsibility for Mergers & Acquisitions and Country Manager for Insurance Operations. He returned to the Group Head Office in Italy, in 2013 he was Head of the Business Coordination Unit Growth Options and International Business coordinating operations in CEE, Asia, Generali Employee Benefits and Corporate & Commercial.

László
Ilics

László Ilics was appointed as Chief Distribution Officer for the Austria, CEE & Russia Region in January 2018 keeping his roles in Hungary. He is an internationally experienced manager especially with technical expertise in non-life insurance but also in marketing and distribution. As Chief Distribution Officer he is responsible for coordinating all the distribution issues. He is Board Member of Generali Hungary and Chief Insurance and Distribution Officer. A few years ago he supported the Group in the Czech Republic as Chief Non-life Insurance Officer. As of 11 March 2020, László Ilics ceased the ExCo with focusing on his role in the Management Board in Generali Biztosító in Hungary. He remains as senior advisor to the Executive Committee.

Walter
Kupec

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

Antonella
Maier

Antonella Maier was appointed as Chief Insurance Officer for Life and Health Business for the Austria, CEE & Russia Region in December 2019. Antonella 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.

Gregor
Pilgram

Gregor Pilgram has been based in Prague since July 2013, and is as Chief Financial Officer responsible for Consolidation, Controlling, Actuarial, Bancassurance and Reinsurance. He started his career as expert in the Controlling Department of the Slovenian Generali company in 1999 and worked as Head of Internal Audit and CFO during the following years. In 2008 he was appointed CEO of the company. During his work in Slovenia Gregor Pilgram was a member of numerous associations including the Executive Board of the Slovene Managers Association. Gregor Pilgram was appointed Chief Financial Officer and member of the Executive Committee of Generali CEE Holding as of July 2013. He is also Chairman of the Supervisory Board of the Croatian and Serbian Generali company as well as Supervisory Board member in number of the companies in the region. As of 1 May 2020, Gregor Pilgram will become new Chairman of the Board of Directors and Chief Executive Officer of Generali Versicherung as well as Generali Group's Country Manager in Austria. Additional to Gregor Pilgram s responsibilities in Austria, as of 11 March 2020 he took the position of Chief Distribution Officer for the Austria, CEE & Russia Region. Consequently, Carlo Schiavetto became new Chief Financial Officer for the Austria, CEE & Russia Region.

Thomas
Plank

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

Miroslav
Singer

Miroslav Singer was appointed as new member the Executive Committee of Generali CEE Holding B.V. as of 1 January 2018. Miroslav Singer joined Generali CEE Holding in January 2017 as Director for Institutional Affairs and Chief Economist of Generali CEE Holding. He became also 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 at University of Economics, he completed his postgraduate thesis at the University of Pittsburgh and was awarded a PhD in 1995.

Marcela
Středová

Marcela Středová was appointed Chief Risk Officer of Generali CEE Holding and member of the Executive Committee in 2017. Prior to this appointment, she had worked as Chief Actuary of Generali CEE Holding as well as of Česká pojišťovna and Generali Pojišťovna since 2013. She started her career in the insurance industry in 2000 and joined our Group company Česká pojišťovna as actuary in 2002. Marcela Středová studied at the Faculty of Mathematics and Physics at Charles University in Prague (doctorate exam: Specialization: Econometrics, Insurance) and holds an Executive MBA degree of the US Business School Prague.

Financial Section

Contents

I. Board of Directors Report

A. PROFILE

Generali CEE Holding is the parent company of a group of leading insurance companies in Central and Eastern Europe. It provides know-how and a professional and operational base for its insurance companies in 13 countries – Austria1, Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro, North Macedonia[1], Poland, Romania, Russia[1], Serbia, Slovakia and Slovenia.

The Group's companies in these countries take care of more than 13 million clients and hold total assets of €23 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 more than €69.7 billion in 2019. With nearly 72,000 employees serving 61 million customers, the Group has a leading position in Europe and a growing presence in Asia and Latin America. Generali's ambition is to be the "Life-time Partner" to its customers, offering innovative and personalized solutions thanks to an unmatched distribution network.

In 2019 the Generali Group's operating result reached €5.2 billion, up 6.9%. Operating result increased thanks to contributions of all Group business segments.

Generali CEE Holding business has shown a very solid performance in 2019 and in the region is a leader in terms of technical profitability thanks to a medium-long term net combined ratio lower than 90%.

In 2019 our region contributed significantly also to the successful performance of the Group. Supported also by the newly successfully integrated entities in Poland and Slovenia, premium income reached €3.9 million and we reported a net result of €275 million.

In the P&C business, our region marked the year with a combined ratio of 87.2%, supported mainly by the positive technical performance. Life gross written premiums reached €1,070 million and in the P&C segment the growth was 23% to €2,781 million. We are the market leader in the Czech Republic, belonging to the top three players in Austria, Hungary, Serbia, Slovakia and Slovenia, further strengthening our positions in all countries where we operate.

The organizational unit of Generali CEE Holding is based in Prague with 126 employees from 14 nationalities. The companies of Generali CEE Holding offer insurance and financial products ranging from savings and family protection policies to unit-linked policies and complex plans for multinationals. In the P&C segment its portfolio ranges from mass market coverage such as motor, home, accident & health, to sophisticated commercial and industrial risk coverage. The ambition of the Group is to become a life-time partner to its customers, offering innovative, personalized solutions thanks to its unmatched distribution network.

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

Generali CEE Holding and its companies employ nearly 13,000 (of which more than 2,100 salaried sales professionals) and cooperate with more than 8,000 tied agents.

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

GROUP HIGHLIGHTS

Gross Written Premium

€3,851 million

28% Life segment

72% P&C segment

Operating result

€622 million

of which is

12%

of the Generali Group's operating result

Net profit

€275 million

representing

9.4%

of the Group's net result

Combined ratio

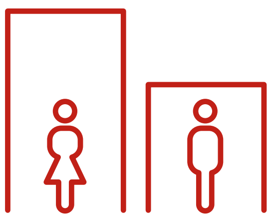
85.8%

Our people

13,000

women 63%

men 37%



Our clients

13 million

B. FINANCIAL PERFORMANCE

In 2019, Generali CEE Holding maintained its financial position and further improved its profitability. At the end of 2019, the consolidated shareholder's equity attributable to Generali CEE Holding amounted to €5 billion (2018: €4.8 billion) and total assets amounted to €19.8 billion.

The consolidated profit of the Group attributable to the equity holders of the parent amounted to €275 million. Operating result grew by €82 million to €622 million in 2019 which is above planned targets.

P&C gross written premiums went up by 23% in 2019 (an increase by €519 million) and reached €2,781 million. The growth is attributable mainly to Motor insurance lines in the Slovenia (+€81 million), Hungary (+€33 million) and Poland (+€39 million) and Property insurance lines in Poland (+€67 million).

Generali CEE Holding further enhanced its technical profitability succeeding to decrease combined ratio to 85.8% in 2019.

Life insurance premiums amounted to €1,070 million. Operating result of life insurance segment amounted to €260 million, increasing by €18 million compared to 2018.

C. RISK MANAGEMENT

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

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

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

a) The risk management system is based on three main pillars:
b) Risk measurement process: Assessing the solvency of the Group and all individual units.
c) Risk governance process: Defining and controlling managerial decisions in relation to relevant risks.
d) 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.

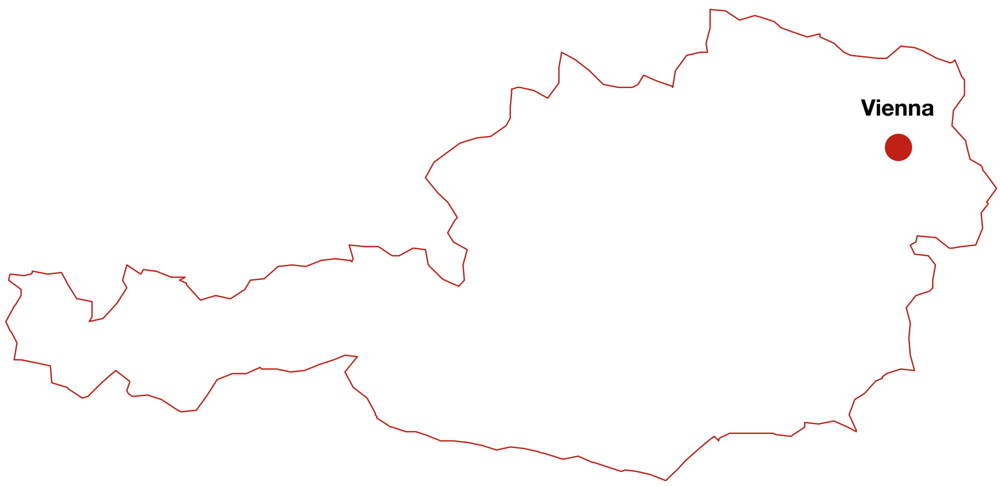
From the point of view of liquidity and solvency, the Group is well-positioned with its plentiful capital surplus. Attesting to the Group's standing is the high rating of its biggest subsidiary (Generali Česká pojišťovna a.s.). See Section E of the consolidated financial statements for more details on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

D. OVERVIEW OF OPERATIONS, BY COUNTRY AND SUBSIDIARY

AUSTRIA[1]

Generali Austria
Generali is the third-largest insurance group in Austria. The three insurance companies – Generali Versicherung, BAWAG P.S.K. Versicherung and Europäische Reiseversicherung – offer a full range of products and services. Generali in Austria focuses consistently on customers and their expectations – with smarter and simpler insurance solutions, committed employees and one of the largest distribution and service networks in the local insurance market. In 2019, gross written premium reached €2.7 billion. Austria is the largest market in the Austria, CEE & Russia Region.

[1] Austria is not included into the numbers shown in the Annual Report.



BULGARIA

Generali Bulgaria
With more than 430 employees in Bulgaria (including Generali Insurance AD, Generali Zakrila Medical and Dental Centre and GP Reinsurance) and the 7.4% P&C market share Generali Bulgaria is one of the major international insurers in Bulgaria.

Its operations include Generali Insurance AD (P&C insurance) and Generali Zakrila Medical and Dental Centre – an outpatient medical facility.

The company has 138 offices and client desks throughout the country. For better service of the liquidation process and convenience for the clients, the company has 16 specialized claims centres in the bigger cities of the country.

The insurance products of Generali Bulgaria are offered by 586 agents, two intermediaries offering insurance products as an additional activity and 266 brokers. In 2019, Generali Bulgaria is taking 7th position on the insurance market with gross written premium €90.7 million. The company is taking leading position in Accident insurance with 21% market share. Also 22% market share on Health insurance, Property insurance with 13% market share and Agriculture insurance with 27% market share, Travel insurance with 11% market share and Technical insurance with 13% market share.

GP Reinsurance
GP Reinsurance EAD is a captive reinsurer based in Sofia, fully owned by Generali CEE Holding B.V. It provides P&C reinsurance solutions within the Group. In October 2017 the company acquired a license also for life reinsurance. The activity of GP Reinsurance EAD in 2019 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 €961 million and profit after tax amounted to €177 million in 2019.

more than
430
employees

P&C market share
7.4%

gross written premium
€ 90.7 million

138
offices and client desks,
16 claims centers

617
employees

market share of
7.6%

gross written premium
€ 109 million

80
offices

CROATIA

Generali osiguranje
Since its establishment in Croatia, Generali osiguranje has continuously been among the insurance companies with the highest growth rates on the market. Moreover, Generali osiguranje is the only insurance company on the market that records a premium growth for 11th consecutive year, despite the challenging economic environment. By creating a new market perspectives on its own, Generali osiguranje gives a special importance to the innovation and a competitiveness of its products, as well as to the development of the distribution network – from its own and exclusive network as a vital sales functions, to the successful multi-channel partnerships with banks, brokers and agencies – of which all are conditions for a further market step up.

Dedicated to the continuity of the trend of a constant development and a growth, Generali osiguranje in 2019 has signed an agreement to acquire the business of Izvor osiguranje d.d., thus starting the new promising chapter. Further to it, 617 employees gathered in the network of more than 80 offices throughout the country are taking care of the company's clients. Generali gained a market share of 7.6% which is result of growth in P&C segment. Due to this, gross written premiums recorded a total increase by 12.4% to €108,5 million.

CZECH REPUBLIC

Generali Česka pojišťovna
On 21 December 2019, Česká pojišťovna and Generali Pojišťovna created the biggest and number one insurance company on the Czech market – Generali Česká pojišťovna. As a composite insurance company with a wide range of both Life and P&C insurance products the company's insurance portfolio includes more than 8.5 million policies. In 2019, the total market share of Generali Česka pojišťovna measured the methodology of the Czech Insurers Association (ČAP) reached 27.5%, in Life insurance it was 22.6% and in P&C insurance 30.0%. 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 €1.5 billion. Gross written premiums in P&C insurance amounted to €1162 million in 2019. Premiums written in Life insurance reached €417 million.

Penzijní společnost České pojišťovny
Česká pojišťovna's pension company is the leading provider of pension insurance in the Czech Republic. Penzijní společnost České pojišťovny will be renamed "Generali penzijní společnost" in the middle of 2020.

Generali Investments CEE
Generali Investments CEE offers comprehensive products and services to individual investors and institutions in the area of collective investment and investment management. The company manages Czech mutual funds denominated in the Czech koruna and an Irish umbrella of investment funds offered in CZK, EUR and PLN. The major institutional clients include insurance, reinsurance companies, and pension funds within the Generali CEE Holding Group. Generali Investments CEE is one of the largest asset manager player in the CEE Region, with assets under management amounting to €18 billion and assets under advisory of €5 billion, representing a market share of 8.2% in the CEE Region.

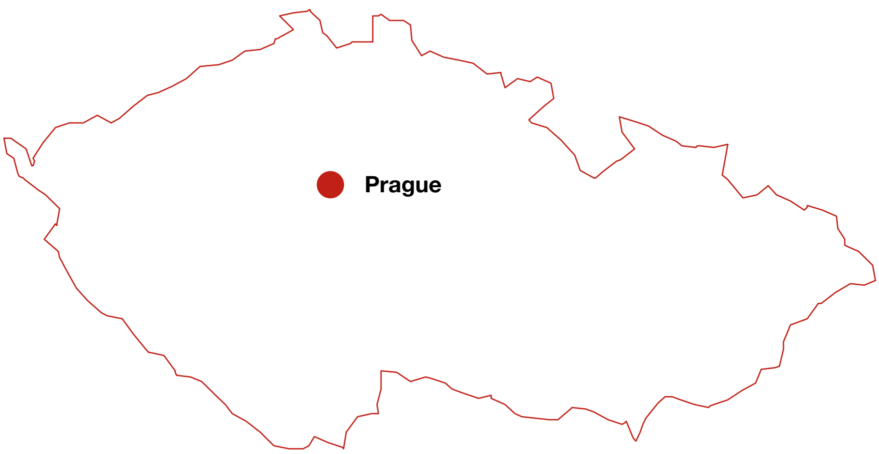
Generali Česka pojišťovna – the biggest and number one insurance company on the Czech market

more than
8.5 million
policies

total market share
27.5%

life insurance
€ 417 billion

premium written
€ 1.5 billion



HUNGARY

Generali Biztosító
With a market share of 14,9% in 2019 based on total direct GWP from the Hungarian National Bank (MNB) statistics, the Hungarian Generali Group – including Generali Biztosító, Genertel and Europian Travel Insurer – is one of the biggest player of the Hungarian insurance market. Due to its innovative business attitude and responsible financial management, the company boasts the trust of more than 950.000 clients. Generali operates with more than 1500 employees and around 1500 tied agents. The Hungarian Generali Group confirmed its stability while achieving growth in Life and in the P&C insurance segments.

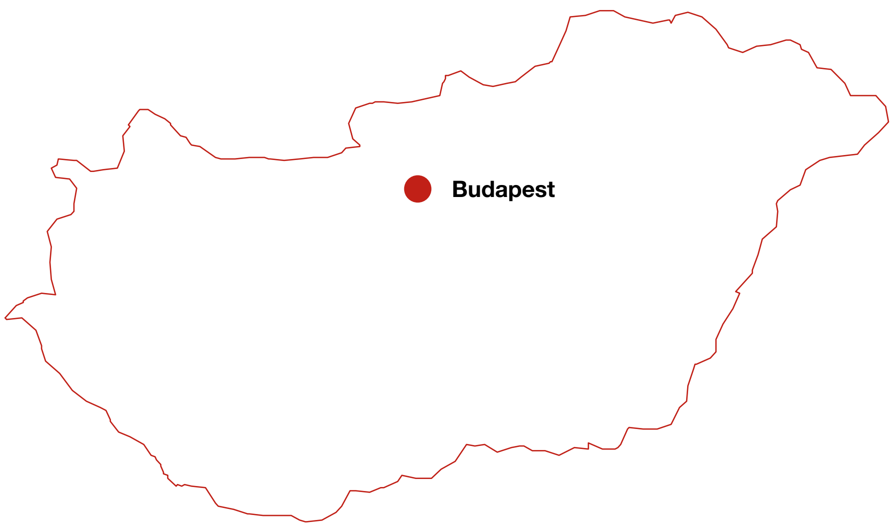
The Group recorded 13,2% growth of gross written premiums amounting to 520,9 million EUR in total. In the P&C segment GWP amounted to 374,8 million EUR (+16,7%) and in Life to 146,1 million EUR with 5,2% growth (+6%, regular premium, -0,7% single premium).

more than
1,500
employees

written premiums growth
13.2%

950 thousand
clients

gross written premium
€ 521 million



126
employees

P&C market share
15.22%

gross written premium
€ 11.8 million

MONTENEGRO

Generali Osiguranje Montenegro
Generali Osiguranje Montenegro is the 4th largest insurance company among P&C companies operating in Montenegro, with a full range of P&C insurance products including motor insurance, property, accident, travel, health and aviation. The company is offering its services with 126 employees of which 62 agents at more than 80 points of sale throughout the country. In 2019, Generali's market share in P&C was 15.22% and the gross premiums written reached €11.8 million.

Generali Group is the 5th largest insurance group in Poland

1,600
employees

gross written premium
€ 638 million

life insurance
€ 207 million

P&C
€ 461 million

POLAND

Generali Non-Life and Generali Life
Generali Group has been present in Poland since 1998. It provides insurance life, non-life, pension and investment products to individuals and commercial entities. At the end of 2018 Generali acquired Concordia Polska (specialising in agriculture insurance) and Concordia Capital (life protection), which joined the group of existing 4 companies: Generali Towarzystwo Ubezpieczeń S.A., Generali Życie Towarzystwo Ubezpieczeń S.A., Generali Powszechne Towarzystwo Emerytalne S.A. Generali Finance Sp. z o.o. In October 2019 Generali Życie Towarzystwo Ubezpieczeń S.A. merged with Concordia Capital.

The acquisition of an asset management company Union Investment was completed in July 2019 and rebranded to Generali Investments.

In 2019, Generali Group remained strong 5th position on the Polish market.

Generali Poland aims at long-term cooperation with clients by providing comprehensive protection of their assets at every stage of their lives. Generali Poland reported €638 million of GWP in 2019 and was a working place for 1,600 employees. P&C Gross Written Premiums totaled €461 million, while Life insurance premiums amounted to €207million. In 2019 Generali Investment reported €33million sales revenue. Generali Poland has successfully implemented the strategy of profitable growth and expansion in non-motor segments. Year 2019 Generali Poland reported record year both in premium and profitability since its foundation.

1. 2. 3.

Leadership position in terms of underwriting efficiency

443
employees

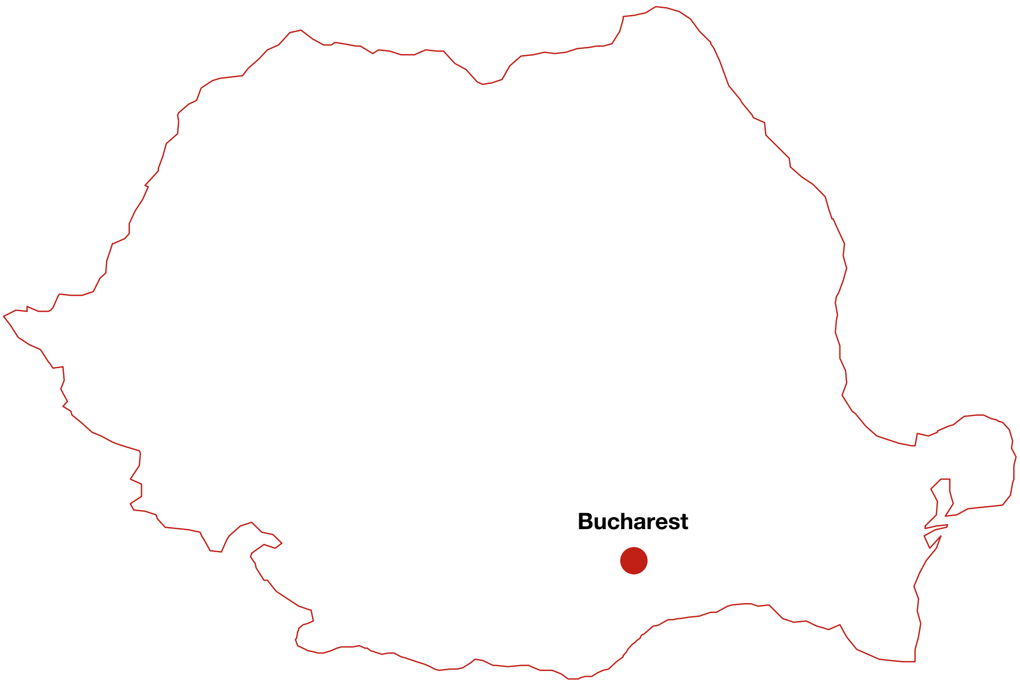
gross written premium
€ 149 million

ROMANIA

Generali Romania Asigurare Reasigurare
Generali has been connected for almost 190 years with Romania, playing an important part in the tradition end evolution of insurance throughout the country. Its history began in 1835, in the port city of Braila, with services consisting mainly of cargo insurance. Having become over time the market leader, in 1948 the company ceased its activity due to the political context, only to return with a greenfield operation in 1993.

Currently, Generali Romania is one of the top 10 insurers in the country in terms of GWP, with EUR 149 million in 2019 and holds a leadership position in terms underwriting efficiency. The team of Generali Romania consists of 443 employees and approximately 1200 agents that support the ambition to become LifeTime partner to our clients with services of the highest quality.

The company's portfolio is a balanced mix of life and non-life products that are designed to efficiently respond to the protection needs of individuals or companies. The awards received over the years for the quality of the services provided outlines the strong commitment to evolve and deliver outstanding results for clients, employees and shareholders.



Representative
office
in Russia

RUSSIA

Generali Russia & CIS
Generali Russia & CIS is an affiliate of Generali CEE Holding, registered in February 2018 to represent Generali in the area. This vehicle is also set to carry the participation of 38,46% in Ingosstrakh, the fourth largest insurer in the Russian market. Generali has also established an operating entity – Generali Insurance Brokers Russia & CIS – an insurance and reinsurance intermediary that will sustain financially the development of the operations in the area gaining direct experience and know-how on the Russian insurance market and bringing international standard practices and innovative solutions to the market.
In October 2018, Representative Office in Moscow was opened by Generali.

more than
1,500
employees

52
branches

gross written premium
€ 196 million

SERBIA

Generali Osiguranje Srbija
Generali Osiguranje Srbija is the largest privately-owned insurance company in Serbia. The company is the market leader in life and health insurance and one of the foremost Serbian insurance companies in terms of P&C, agriculture, travel and motor vehicle insurance. Headquartered in Belgrade, the company network consists of 52 branches spread in 3 regional centres across Serbia, with 1,200 points of sale and over 1,500 employees. In 2019 Generali Osiguranje Srbija continued its growth in P&C and in life regular business achieving record results in terms profitability.

In 2019, gross written premiums amounted to €196 million. Life insurance premiums reached €62 million, P&C premiums increased by +12.4% to €134 million.

612
employees

110
points of sale

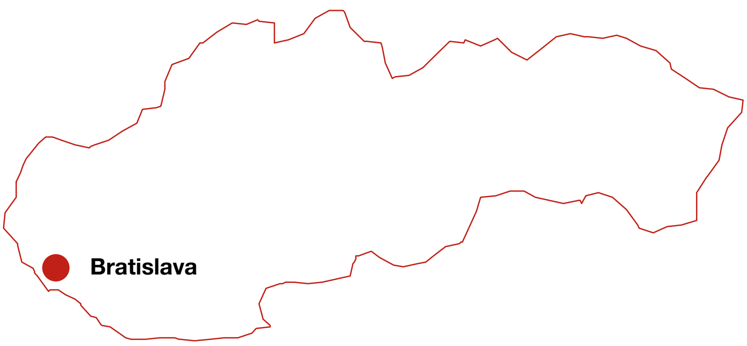
gross written premium
€ 261 million

third position
on the market with
10.4%
market share

SLOVAKIA

Generali Poisťovňa, a.s.
Generali Poisťovňa, a. s. the third biggest insurance company in Slovakia, provides prompt and professional services thanks to its 612 employees and almost 600 internal sales representatives. There are more than 110 points of sale all over Slovakia.

Gross written premiums experienced an increase in both main insurance segments. In P&C it grew by remarkable 6.5% to €153 million and in Life insurance by 5,3% to €108 million. Total GWP then amounted to €261 million. Generali kept the third position on the market with a share of 10.4% (excluding investment contracts).



over
400
employees

more than
200 thousand
clients

gross written premium
€ 104.8 million

market share
4.6%

SLOVENIA

GENERALI zavarovalnica d.d.
Generali is one of the largest insurance companies in Slovenia, with a broad range of products in P&C as well as in life insurance, and the biggest international insurance company in the country. At the end of 2019 had more than 200,000 clients and over 400 employees with a sales network throughout the entire country. Generali products are also available through significant Slovenian banks and numerous partners. Total volume of gross written premiums recorded €104.8 million which means a 3.2% increase with growth in both P&C (2.3%) and life segment (5.6%). Market share reached 4.6% at the end of 2019.
Adriatic Slovenica d.d.

Adriatic Slovenica operated till the end of December 2019, after that was merged with Generali zavarovalnica. Adriatic Slovenica portfolio included all insurance types, i.e. health, property, life and pension. It had around 500,000 clients and 1000 employees with a sales network throughout the entire country. Total volume of gross written premiums recorded €315.2 million and 13.4% market share at the end of 2019.

Generali Investments
Founded in 1994, Generali Investments is the oldest and the third biggest management company in Slovenia, with a 18 % market share among Slovenian mutual fund managers. Outside of Slovenia, it has two subsidiary companies in Croatia and Macedonia. Generali Investments manages Generali Umbrella Fund with 16 subfunds and two alternative investment funds, with assets under management amounting to €967 million (as at 31 December 2019).

E. SUSTAINABILITY

Generali CEE Holding and its subsidiaries are fully aware of the importance of sustainability and therefore we strive to integrate it into our daily business.

The importance of implementing sustainability in our core business is clear: the integration of policies and commitments concerning sustainability issues contributes to positive long-term financial and economic growth. Sustainability includes a number of social, environmental, and corporate governance issues that Generali has identified and prioritized in its materiality matrix: for example, they range from Quality of the customer experience, Business innovation for the digital customer, Employee engagement and promotion of a common culture, to Diversity, inclusion and equal opportunities, Demographic and social change, Climate Change and natural disasters. Among the environmental aspects, one of the company's aim is to raise employee awareness of the necessity of conserving energy, reducing paper promoting recycling and sorting waste for recycling or disposal.

Environmental-related policies are continuously updated in line with new developments which offer possibilities for improving these policies. Protecting the environment as a primary asset is one of the Group's guiding values, as stated also in the Group Policy for the Environment and Climate.

In February 2018 Generali approved the climate change strategy which is available on generali.com website. The Generali Group has a clear climate change strategy which is in line with the principles of the Paris Pledge for Action defined under COP 21. The strategy includes actions in investments and underwriting, which represent the Group's core activities. With regard to investments, Generali, as asset owner will increase its exposure to green businesses and will gradually divest from coal related companies. In the case of underwriting, the range of offered products with environmental value will increase, keeping only the minimum level of exposure to the coal sector. The share in the portfolio of products related to the renewable energy sector will be increased and the offer of products with environmental value for the retail client and the SME sector will be expanded. Generali's current involvement in coal-related activities is minimal in relation to the total value of GWP.

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

In April 2019, the Executive Committee of Generali CEE Holding approved the Group Sustainability Policy which outlines the system for identifying, assessing and managing the risks connected with environmental, social and corporate governance (ESG) factors. It particularly defines the rules for identifying, assessing and managing ESG factors that might present risks and opportunities for achieving corporate objectives and identifying, assessing and managing the positive and negative impacts that the decisions and corporate activities might have on the outside environment and on the legitimate interests of the stakeholders. As the first in the region, Austria, Hungary and Poland implemented the policy.

The same year Generali also became the first European insurance company to issue a green bond. It was confirmed in the Dow Jones Sustainability World index and included for the first time in the Dow Jones Sustainability Europe index. At the beginning of 2020, Generali ranked among the Corporate Knights' "2020 Global 100 Most Sustainable Corporations", the ranking of the world's 100 most sustainable corporations.

Insurance companies of Generali CEE Holding are also active in helping communities. The Human Safety Net initiative – a global humanitarian movement aiming to empower disadvantaged members of our society – was activated in ten countries of our region. Two out of three The Human Safety Net's programmes were launched in various companies in the region. They target key social issues affecting communities including: creating equal life opportunities for children from disadvantaged backgrounds and saving newborns from the debilitating and potentially fatal consequences of asphyxia.

The Human Safety Net, powered by Generali, is based on the idea that communities of 'people helping people' can bring about sustainable change, creating a positive ripple effect. It reflects Generali's commitment to contribute towards a healthy, resilient and sustainable society where people can develop and flourish to their full potential.

All companies of Generali CEE Holding are committed to implementing the objectives included in the Charter of Sustainability Commitments of the Generali Group, which consist of a wide range of environmental, social and governance topics to be addressed and monitored through specific KPIs. The Annual Integrated Report 2019 and the Charter of Sustainability Commitments are available on www.generali.com website. In accordance with EU Directive 95/2014/EU Article 19a par. 3 the Group does not disclose nonfinancial information in its consolidated financial statements as it is included in the consolidated financial sta tements of its ultimate parent company Assicurazioni Generali S.p.A.

F. OUTLOOK FOR OPERATIONS

During 2019 a certain slowdown in global economic growth was recorded both in the Eurozone and in the U.S., as well as in many Emerging market economies; this was mainly due to the renewed trade tensions between USA and China and to complex management of Brexit. The Eurozone full-year 2019 GDP growth decelerated from 1.9% to 1.2%. The CEE region on the other side kept a more solid growth performance with a GDP growth of 3.7%, supported by a strong domestic demand.

The outlook for 2020 is significantly impacted by the spread of the pandemic generated by the Covid-19 Coronavirus, initially developed in China but then rapidly spread to all over the world starting from the end of February. The pandemic generated disruption in economic activities as a result of the restriction measures imposed by state authorities, interrupted supply chains and slumps in several sectors more heavily affected, like tourism, transport and retail business.

This situation will lead to a GDP contraction in full year terms for 2020, both on global level and also in the CEE region. To mitigate the impact of Coronavirus on the economy, the CEE central banks eased their monetary policies in March through interest rate cuts and other measures (liquidity supply and purchases of government bonds), and also governments started to support the economies through a relaxation of the fiscal policies. These actions shall favor an economic recovery which is expected to follow in 2021, and possibly already in the second half of 2020 in case the spreading of the virus will be slowed down and the restrictions measures will be gradually lifted during April and May.

The overall macro-economic outlook is however clouded by the significant uncertainty related to effectiveness of the containment measures against the spreading of the virus in the coming months.

CEE insurance markets showed a solid growth in 2019, with positive contribution in all countries in the region; the growth was driven mainly by P&C segment, with strong contribution of both Motor business and Non-Motor business, but the Life segment also showed a recovery, mostly due to the development of Life single premiums in the Czech Republic which grew significantly after four years of decline. Development in 2020 will be influenced by the uncertain economic conditions due to Covid-19 pandemic and therefore the sustainability of overall positive growth trend of the previous years will be challenged, especially in the Life business.

Concerning Group results, the overall premium volume shall present a stable evolution compared to 2019; such development will be driven by moderate growth in the Non Life segment, whereas Life premiums will likely decline due to the Covid-19 impact on the new production.

With regards to the expected development of the results of the Group, the profit after taxes is expected to be lower compared to 2019, mainly as a consequence of lower financial result connected to the development in the financial markets; also the weakening of the CEE currencies which was experienced since the beginning of March will have a negative impact on the Group final result. Considering the high uncertainty related to the spreading of the virus and of its impact on the CEE economies, a precise profit outlook for 2020 is however not possible at the moment.

Prague, 4 May 2020
The Board of Directors

II. Consolidated Financial Statements for the Year Ended 31 December 2019

ACRONYMS

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

(€ million)	Note	2019	2018
Total assets		**19,810**	**19,104**
Intangible assets	**F.1**	**2,271**	**2,245**
Goodwill	F.1.1	1,631	1,431
Other intangible assets	F.1.3	640	814
Tangible Assets	**F.2**	**204**	**83**
Land and buildings	F.2.1	173	64
Other tangible assets	F.2.4	31	19
Investments	**F.3**	**15,617**	**15,302**
Investment properties	F.3.1	534	463
Investments in associates and joint ventures	F.3.2	33	15
Held to maturity investments	F.3.3	27	36
Loans and receivables	F.3.4	1,346	2,069
Available for sale financial assets	F.3.5	10,886	10,589
Financial assets at fair value through profit or loss	F.3.6	2,791	2,130
of which financial assets relating to unit-linked policies	F.3.6	2,551	1,978
Reinsurance assets	**F.4**	**473**	**460**
Receivables	**F.5**	**538**	**432**
Receivables arising out of direct insurance operations		322	284
Receivables arising out of reinsurance operations		96	55
Trade and other receivables		107	82
Current income tax receivables		13	11
Other assets	**F.6**	**369**	**271**
Deferred acquisition costs	F.6.1	248	207
Deferred tax assets	F.25.1	65	42
Other assets – other		56	22
Cash and cash equivalents	**F.7**	**338**	**311**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

(€ million)	Note	2019	2018
Total shareholder's equity and liabilities		**19,810**	**19,104**
Shareholder's equity	**F.8**	**5,269**	**5,052**
Shareholder's equity attributable to the Group		**5,010**	**4,814**
Share capital		–	–
Other reserves		5,010	4,814
Shareholder's equity attributable to non-controlling interests		**259**	**238**
Other provisions	**F.9**	**42**	**48**
Insurance liabilities	**F.10**	**8,219**	**7,258**
Financial liabilities	**F.11**	**5,268**	**5,877**
Financial liabilities at fair value through profit or loss		344	296
Financial liabilities at amortized cost		4,924	5,581
Payables	**F.12**	**673**	**534**
Payables arising out of direct insurance operations		229	230
Payables arising out of reinsurance operations		181	127
Current income tax payables		65	16
Other payables		198	161
Other liabilities	**F.13**	**339**	**335**
Deferred tax liabilities	F.25.1	126	149
Other liabilities – other		213	186

The notes on pages 47 to 159 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

(€ million)	Note	2019	2018
Total income		**4,325**	**3,428**
Net earned premiums revenue	**F.14**	**3,491**	**3,034**
Insurance premium revenue		3,899	3,347
Insurance premium ceded to reinsurers		(408)	(313)
Fee and commission income and income from financial service activities	**F.15**	**73**	**44**
Net income/(losses) from financial instruments at fair value through profit or loss	**F.16**	**220**	**(131)**
of which net income/(losses) from financial investments relating to unit-linked policies		220	(105)
Share of results of associates and joint ventures accounted for using the equity method	**F.17**	**5**	**3**
Income from other financial instruments and investment properties	**F.18**	**402**	**402**
Interest revenue calculated using the effective interest method		289	284
Income – other		48	38
Realized gains		40	46
Unrealized gains		20	24
Reversal of impairment losses		5	10
Other income	**F.19**	**134**	**80**
Total expenses		**(4,003)**	**(2,993)**
Net insurance benefits and claims	**F.20**	**(2,281)**	**(1,696)**
Claims paid and change in insurance provisions		(2,444)	(1,890)
Reinsurers' share		163	194
Fee and commission expenses and expenses from financial service activities	**F.21**	**(13)**	**(7)**
Expenses from other financial instruments and investment properties	**F.22**	**(139)**	**(127)**
Interest expense		(89)	(55)
Expense – other		(13)	(13)
Realized losses		(13)	(31)
Unrealized losses		(9)	(11)
Impairment losses		(15)	(17)
Acquisition and administration costs	**F.23**	**(1,024)**	**(881)**
Commission and other acquisition costs		(718)	(649)
Investment management expenses		(5)	(4)
Other administration costs		(301)	(228)
Other expenses	**F.24**	**(546)**	**(286)**
EARNINGS BEFORE TAXES		**322**	**435**
Income taxes	F.25	(48)	(77)
NET PROFIT OF THE YEAR		**274**	**358**
Result of the period attributable to the equity holders of the parent		275	358
Result of the period attributable to non-controlling interests		(1)	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

(€ million)	Note	2019	2018
Net profit of the year		**274**	**358**
Other comprehensive income items that may be reclassified to profit or loss in future periods			
Available for sale financial assets' revaluation in equity	F.8	316	(252)
Available for sale financial assets' revaluation reclassified to profit or loss	F.8, F.18, F.22	(29)	(16)
Available for sale impairment losses reclassified to income statement	F.8, F.22	3	7
Available for sale change in deferred policyholders liabilities/assets	F.8	(93)	122
Currency translation differences	F.8	94	(44)
Changes in cash flow hedge reserve	F.8	1	–
Total gains and losses recognised directly in equity		**292**	**(183)**
Tax on items taken directly to or transferred into equity	F.8	(26)	22
Other comprehensive income, net of tax		**266**	**(161)**
Total comprehensive income		**540**	**197**
Attributable to:			
– equity holders of Parent Company		519	195
– non-controlling interests		21	2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(€ 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**	**308**	**143**	**76**	**(2)**	**795**	**4,922**	**236**	**5,158**
Net profit for the year							358	358	–	358
Available-for-sale financial assets revaluation in equity	F.8		(254)					(254)	2	(252)
Available-for-sale financial asset realised revaluation reclassified to income statement	F.8		(16)					(16)		(16)
Available-for-sale impairment losses reclassified to income statement	F.8		7					7		7
Available for sale change in deferred policyholders' liabilities	F.8		122					122		122
Currency translation differences	F.8				(44)			(44)		(44)
Changes in cash flow hedge reserve	F.8							–		–
Tax on items of other compehensive income	F.8		22					22		22
Total comprehensive income		**–**	**(119)**	**–**	**(44)**	**–**	**358**	**195**	**2**	**197**
Allocation to reserve for share-based payments							5	5		5
Other changes							2	2		2
Dividends to shareholders	F.8.1						(310)	(310)		(310)
Balance as at end of reporting period		**3,602**	**189**	**143**	**32**	**(2)**	**850**	**4,814**	**238**	**5,052**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

For the period from 1 January to 31 December

(€ million)	Note	2019	2018
Cash flow from operating activities			
Earnings before taxes		**322**	**435**
Adjustments for:			
Depreciation and amortisation	F.22, F.24	119	49
Impairment losses on goodwill and PVFP	F.24	213	58
Impairment and reversal of impairment of current and non-current assets	F.18, F.22	10	7
Gain/loss from revaluation of financial securities, investment property and financial liabilities at FVTPL	F.16, F.18, F.22	(229)	115
Interest expense	F.22	89	55
Interest income	F.18	289	(284)
Dividend income	F.18	(17)	(14)
Net Interest income from financial instruments at FVTPL	F.16	(28)	(12)
Income/expenses not involving movements of cash		(16)	(16)
Share based payments reserve		(1)	–
Change in loans and receivables		747	146
Change in receivables		(79)	(25)
Change in reinsurance assets		2	(161)
Change in other assets, prepayments and accrued income		(40)	(16)
Change in payables		118	108
Change in financial liabilities for investment contract with DPF		294	147
Change in financial liabilities at FVTPL		36	(125)
Change in liabilities to banks		(1,162)	(241)
Change in deposits received from reinsurer		8	(10)
Change in insurance liabilities		305	56
Change in other liabilities, accruals and deferred income		2	(6)
Change in other provisions	F.10	(6)	(5)
Interest received		328	229
Dividends received	F.18	17	14
Purchase of financial assets at FVTPL		(6,734)	(5,790)
Purchase of financial assets available for sale		(1,613)	(1,524)
Proceeds from financial assets at FVTPL		6,569	5,942
Proceeds from financial assets available for sale		1,988	1,307
Proceeds from financial assets held to maturity		18	–
Cash flows arising from taxes on income		(89)	(63)
Net cash flow from operating activities		**879**	**376**

(€ million)	Note	2019	2018
Cash flow from investing activities			
Purchase of tangible assets and intangible assets		(66)	(72)
Purchase of investment property		(60)	(61)
Net cash flow from acquisition of subsidiaries, associates and joint ventures, net of cash acquired	B.1	(314)	(26)
Proceeds from disposals of tangible and intangible assets		–	4
Net cash flow from investing activities		**(440)**	**(155)**

Cash flow from financing activities			
Interest paid		(89)	(1)
Dividends paid to shareholders	F.8.1	(326)	(310)
Net cash flow from financing activities		**(414)**	**(311)**

Net increase (decrease) in cash and cash equivalents		**25**	**(90)**
Cash and cash equivalents as at beginning of reporting period	**F.7**	**311**	**404**
Effect of exchange rate changes on cash and cash equivalents		2	(3)
Cash and cash equivalents as at end of reporting period	**F.7**	**338**	**311**

Notes to the Consolidated Financial Statements

A. GENERAL INFORMATION

A.1. Description of the Group

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

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

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 2019 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 4 May 2020.

A.2. Statutory body

The Board of Directors as at the end of the reporting period consists of:
Members: Luciano Cirinà
Jaime Anchustegui Melgarejo
Gregor Pilgram
Cristiano Borean
Heike Otteman-Toyza

B. BASIS OF PREPARATION

B.1. Statement of compliance

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

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

B.2. Basis of preparation

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

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

These financial statements have been prepared on a historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss and financial instruments classified as available for sale, held-for-sale assets that are stated at the lower of FVLCS and historical cost, items subject to fair value hedging that are remeasured to fair value to the 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 Company 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. 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 2019

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
Generali Insurance AD	Bulgaria	BGN	99.78	99.78
Generali Zakrila Medical and Dental Centre EOOD	Bulgaria	BGN	99.78	99.78
GP Reinsurance EAD	Bulgaria	CZK	100.00	100.00
Generali Osiguranje d.d.	Croatia	HRK	100.00	100.00
Pojišťovna Patricie a.s.	Czech Republic	CZK	100.00	100.00
ČP Distribuce s.r.o.	Czech Republic	CZK	100.00	100.00
Pařížská 26, s.r.o.	Czech Republic	CZK	100.00	100.00
Direct Care s.r.o.	Czech Republic	CZK	100.00	100.00
Palác 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
Penzijní společnost CP, a.s. (including Transformed Fund)	Czech Republic	CZK	100.00	100.00
Česká pojišťovna ZDRAVI a.s.	Czech Republic	CZK	100.00	100.00
Generali Investments CEE, Investiční Společnost, a.s.	Czech Republic	CZK	100.00	100.00
Generali Distribuce a.s.	Czech Republic	CZK	100.00	100.00
Acredité s.r.o.	Czech Republic	CZK	100.00	100.00
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	CZK	100.00	100.00
City Empiria, a.s.	Czech Republic	CZK	100.00	100.00
Solitaire Real Estate, a.s.	Czech Republic	CZK	100.00	100.00
BRISTIH CORNER s.r.o.	Czech Republic	CZK	100.00	100.00
OVOCNÝ TRH 2 s.r.o.	Czech Republic	CZK	100.00	100.00
Palác Špork a.s.*	Czech Republic	CZK	100.00	100.00
Generali Biztosító Zrt.	Hungary	HUF	100.00	100.00
Europai 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
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

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
Generali Finance Sp. z o.o.	Poland	PLN	100.00	100.00
Generali PTE S.A.	Poland	PLN	100.00	100.00
Concordia Polska Towarzystwo Ubezpieczen Wzajemnych	Poland	PLN	98.76	98.76
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
Cleha Invest Sp. z o.o.	Poland	PLN	100.00	100.00
SIBSEN Invest sp. z o.o.	Poland	PLN	100.00	100.00
Generali SAF Pensii Private S.A.	Romania	RON	100.00	100.00
SC Generali Romania Asigurare Reasigurare S.A.	Romania	RON	99.99	99.99
Generali Russia and CIS	Russia	RUB	49.00	100.00
LLC Generali Insurance Brokers – Russia and CIS	Russia	RUB	49.00	100.00
Generali Osiguranje Srbija A.D.O	Sebia	RSD	100.00	100.00
Generali Reosiguranje Srbija A.D.O.	Sebia	RSD	100.00	100.00
Voluntary Pension Fund Manag – Generali Drustvo za upravljanje dobrovoljnim penzijskim fondom A.D.	Sebia	RSD	100.00	100.00
Generali Poisťovňa, a.s.	Slovakia	EUR	100.00	100.00
Green Point Offices a.s.	Slovakia	EUR	100.00	100.00
VÚB Generali d.s.s., a.s.**	Slovakia	EUR	50.00	50.00
Generali Zavarovalnica d.d.	Slovenia	EUR	100.00	100.00
Adriatic Slovenica Zavarovalna družba d.d.*	Slovenia	EUR	100.00	100.00
Generali Investments (KD Skladi d.o.o)*	Slovenia	EUR	100.00	100.00
Generali CEE Holding B.V.	The Netherlands	CZK	100.00	100.00
GW Beta Limited	The Netherlands	EUR	49.00	100.00
CZI Holdings N.V.	The Netherlands	CZK	100.00	100.00
CP Strategic Investments N.V.	The Netherlands	EUR	100.00	100.00

* Entity acquired in 2019

** Joint-venture

For the year ended 31 December 2018

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 Pojišťovna a.s.	Czech Republic	CZK	100.00	100.00
ČP Distribuce s.r.o.	Czech Republic	CZK	100.00	100.00
Pařížská 26, s.r.o.	Czech Republic	CZK	100.00	100.00
Direct Care s.r.o.	Czech Republic	CZK	100.00	100.00

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
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
Česká pojišťovna, a.s.	Czech Republic	CZK	100.00	100.00
Penzijní společnost CP, a.s. (including Transformed Fund)	Czech Republic	CZK	100.00	100.00
Česká pojišťovna ZDRAVI a.s.	Czech Republic	CZK	100.00	100.00
Generali Investments CEE, Investiční Společnost, a.s.	Czech Republic	CZK	100.00	100.00
Generali Distribuce a.s.	Czech Republic	CZK	100.00	100.00
Acredité s.r.o.	Czech Republic	CZK	100.00	100.00
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	CZK	100.00	100.00
City Empiria, a.s.	Czech Republic	CZK	100.00	100.00
Solitaire Real Estate, a.s.	Czech Republic	CZK	100.00	100.00
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
Generali CEE Oil & Energy Industry Fund	Ireland	EUR	91.00	91.00
Generali CEE New Economies Fund	Ireland	EUR	86.00	86.00
Generali CEE Emerging Europe Fund	Ireland	EUR	70.00	70.00
Generali CEE Emerging Europe Bond Fund	Ireland	EUR	100.00	100.00
GW Beta B.V. (previously GW Beta Limited)	The Netherlands	EUR	49.00	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
Concordia Capital SA*	Poland	PLN	96.30	96.30
Concordia Polska Towarzystwo Ubezpieczen Wzajemnych*	Poland	PLN	98.76	98.76
PL Investment Jerozolimskie I SP. Z o.o.	Poland	PLN	100.00	100.00
Cleha Invest Sp. z o.o.	Poland	PLN	100.00	100.00
SIBSEN Invest sp. z o.o.*	Poland	PLN	100.00	100.00
Generali SAF Pensii Private S.A.	Romania	RON	100.00	100.00
SC Generali Romania Asigurare Reasigurare S.A.	Romania	RON	99.97	99.97
Generali Russia and CIS*	Russia	RUB	49.00	100.00
LLC Generali Insurance Brokers – Russia and CIS*	Russia	RUB	49.00	100.00
Generali Osiguranje Srbija A.D.O	Serbia	RSD	100.00	100.00
Generali Reosiguranje Srbija A.D.O.	Serbia	RSD	100.00	100.00

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
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
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
CZI Holdings N.V.	The Netherlands	CZK	100.00	100.00
CP Strategic Investments N.V.	The Netherlands	EUR	100.00	100.00

* Entity acquired in 2018
** Joint-venture

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:	50%
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 2019 is provided below.

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

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

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

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

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

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

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

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

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

Acquisition of Union Investment (Poland)

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

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

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

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

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

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

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

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

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

Acquisition of Palác Špork a.s.
On 11 March 2019, the Group has completed the acquisition of Palac Spork, a prestigious mixed-use asset located in Prague, from SEBRE. Built in 1925 and fully renovated in 2017, with the addition of a modern component, the property represents a combination of history and modernity and offers around 10,000m² of office and retail spaces. The asset is currently fully let, with law firm Dentons as the main tenant. The asset is located in one of the most sought-after office and high street retail areas of the Czech capital, right next to the Namesti Republiky square and Na Prikope street, within a walking distance from the Old Town square.

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

Detailed information about significant transactions with subsidiaries of the Group for the year ended 31 December 2018 is provided below.

Acquisition of Concordia Capital SA and Concordia Polska TUW (Poland)
In November 2018, the Group acquired full control of the Polish life insurance company Concordia Capital SA and the non-life insurance company Concordia Polska TUW. Concordia has been providing insurance services in Poland for 20 years and it is one of the leading players in the agricultural insurance segment. The Group has acquired these companies as an important step to strengthen its position in the Region.

In accordance with IFRS 3, the Group performed a purchase price allocation exercise ("PPA") based on which the acquired assets and assumed liabilities of the acquired business were restated to their respective fair values. The difference between the fair value of the insurance liabilities and the value of the insurance liabilities measured using the Group's existing accounting policies was recognised as a VOBA asset. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill.

The fair value of the identifiable assets and liabilities of Concordia Capital SA and Concordia Polska TUW as at the date of acquisition were:

(€ million)	Concordia Capital SA	Concordia Polska TUW
Fair value of assets	**34**	**180**
Intangible assets	8	2
Tangible Assets	–	1
Investments	25	104
Reinsurance assets	–	40
Receivables	–	25
Other assets	–	4
Cash and cash equivalents	1	4
Fair value of liabilities	**18**	**151**
Insurance liabilities*	14	102
Financial liabilities	–	3
Payables	1	41
Other liabilities	3	5
Fair value of identifiable net assets	**16**	**29**

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

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

(€ million)	Concordia Capital SA	Concordia Polska TUW
Consideration	22	31
Total effective ownership acquired	96.30%	98.76%
Fair value of identifiable net assets	16	29
Goodwill (according to full goodwill method)	**6**	**2**

The Group has measured the NCIs at its proportionate share of the net assets acquired.

Opening of Generali office in Russia
Generali Russia & CIS is an affiliate of Generali CEE Holding, registered in February 2018 to represent Generali in the area. Generali has also established an operating entity – Generali Insurance Brokers Russia & CIS – an insurance and reinsurance intermediary that will sustain financially the development of the operations in the area gaining direct experience and know-how on the Russian insurance market and bringing international standard practices and innovative solutions to the market. In October 2018, Representative Office in Moscow was opened by Generali.

Acquisition of real estate project in Warsaw (PL)
In October 2018, the Group acquired from S+B Gruppe AG, Vienna, an investment vehicle SIBSEN Invest sp. z o.o. owning office building in central Warsaw at Senatorska street, also known as Jabłonowski Palace. The acquisition price amounted to €30 million.

The palace was originally built in 1773 and for a time served as Warsaw City Hall. It was destroyed in World War II and rebuilt in the late 90s. It now comprises 17,700 sqm of office space on five above-ground floors, all of which is currently occupied by mBank.

This operation is in line with Generali Real Estate's strategy of investing in the main European cities.

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

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

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

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

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

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

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

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

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

C.2.1. Consolidation procedures

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

The standard IFRS 10 defines a single control model for all entities. Under the guidance, control is the sole basis for consolidation. The structure of the investee is not relevant. An investor is required to consolidate an investee if it has all of the following:
- Power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power to affect the amount of the investor's returns.

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

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

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

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

C.2.2. Using the equity method

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

If the investment of the Group in an entity exceeds 20% but the Group has no significant influence over the entity, the investment cannot be classified as associate. In assessment about classification of any investments as associates, the Group considered mainly their participation in policy-making processes, including participation in decisions about dividends or other distributions of the investee. Additionally, the group assessed also the following additional criteria:
a) representation on the board of directors or equivalent governing body of the investee;
b) material transactions between the entity and its investee;
c) interchange of managerial personnel; or
d) provision of essential technical information.

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

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

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

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

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

C.2.3. Consolidation of investment and pension funds

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

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

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

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

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

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

D. SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

D.1. Significant accounting policies

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

D.1.1. Intangible assets

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

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

The Group owns no software with indefinite useful life.

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

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

After initial recognition, goodwill is measured at cost less any impairment losses and it is not amortised. Goodwill is tested at least annually in order to identify any impairment losses.

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 any, the impairment losses are recognised in the consolidated income statement.

The amortisation and the potential impairment of present value of future profits are recognised in the consolidated income statement under the item "Other expenses". For further details, see 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 where amortization period is equal to contractual period which is 5 or 15 years depanding on particular contract. The amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material additional investment is made to an asset during the year, its useful life and residual value are reassessed at the time the cost of the investment is added to the carrying amount of the asset.

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

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

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

D.1.2. Investment property

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

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

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

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

D.1.3. Property and equipment

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

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

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

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

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

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

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

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

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

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

D.1.4. Financial assets

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

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

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

Loans and receivables

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

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

Financial assets held to maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that are quoted in an active market and the Group has the positive intent and ability to hold to maturity, other than those:
a) that the Group upon initial recognition designates as at fair value through profit or loss;
b) that the Group designates as available for sale;
c) that meet the definition of loans and receivables.

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

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

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

Financial assets available for sale

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

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

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

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

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

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

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

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

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

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

D.1.10. Equity

Share capital

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

Additional paid-in capital

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

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

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

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

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

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

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

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

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

D.1.11. Insurance classification

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

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

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

Investment contracts with a discretionary participation feature (DPF)

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

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

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

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

Investment contracts with DPF issued by the Group relate primarily to pension insurance policies written by its Czech subsidiary Penzijní společnost České pojišťovny including the Transformed fund. Under these investment contracts, the policyholders are entitled to receive gains generated by the Transformed fund based on Czech GAAP decreased by asset management and performance fees.

The DPF for these contracts is represented by the possibility of giving up a portion of fees under Czech GAAP and increasing the profit to be distributed to policyholders. This is subject to the decision of the Board of Directors.

These pension insurance contracts are classified as investment contracts with DPF but – in contrast to the general rule described in paragraph "Investment contracts with a discretionary participation feature (DPF)" – no premiums, payments and change in liabilities are recognised in the consolidated income statement. Such products are accounted for under the deposit accounting, which 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 that are carried at amortised cost, shadow accounting is applied to insurance contracts and investments contracts with DPF. This accounting practice is to attribute to the policyholders part of the temporary difference between IFRS measurement of the basis on which the profit sharing is determined and valuation which is used to determine the profit sharing actually paid.

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

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

Investment contracts without DPF

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

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

D.1.12. Insurance liabilities

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

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

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

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 Czech Republic under Act No. 229/2002 Coll. as amended by subsequent changes.

D.1.14. Bonds issued
Bonds issued are recognised initially at fair value, net of transaction costs incurred and subsequently carried at amortised cost. Amortisation of a discount or premium and interest are recognised in interest expense using the effective interest method.

D.1.15. Financial liabilities to banks and non-banks
Financial liabilities to banks and non-banks are recognised initially at fair value, net of transaction costs incurred and subsequently measured at their amortised cost. The amortised cost of a financial liability is the amount at which the financial liability was measured upon initial recognition, minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

D.1.16. Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are liabilities classified as held-for-trading, including derivative liabilities, and designated as fair value through profit or loss. Related transaction costs are immediately expensed. Financial liabilities at fair value through profit or loss are measured at fair value and the relevant gains and losses from this revaluation are included in the consolidated income statement. Financial liabilities are removed from the consolidated statement of financial position when, and only when, they are extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expires.

D.1.17. Payables
Accounts payable are when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which will normally equal their nominal or repayment value.

D.1.18. Net insurance premiums revenue
Net insurance premiums revenue includes gross earned premiums from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers, which arise on insurance contracts and investment contracts with DPF with the exception of those issued by Czech pension fund subsidiaries (see below).

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

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

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

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

D.1.19. Net insurance claims and benefits
Insurance technical charges include claims (benefit) expenses, the change in technical provisions and rebates and profit sharing.

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

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 analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in the carrying amount are recognised in other comprehensive income.

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

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

Impairment

Impairment of tangible and intangible assets

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

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

The impairment loss is charged to the consolidated income statement.

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

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

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

Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

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

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

REPO/reverse REPO transactions

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

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

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

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

Offsetting financial instruments

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

Share-based payments

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

Equity-settled transactions

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

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

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

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

Fair value measurements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description	Fair value as at 31 December 2018	Valuation technique(s)	Non-market observable input(s)	Range
Equities	614	discounted cash flow technique	discount rate	5.0 – 15.0%
			growth rate	1.0 – 4.0%
Bonds Government	67	discounted cash flow technique	level of yield	66 – 156 bps
Bonds Corporate	118	discounted cash flow technique	level of credit spread	63 – 425 bps
Unit-linked investments	30	net asset value	value of underlying instruments	n/a
Investment property	514	external valuation expert	similar transactions	94 – 1,800 €/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 €199 million (2018: €185 million) of the Group's Level 3 investments. For these Level 3 investments, changing unobservable valuation inputs to a reasonable alternative would result in a change in fair value by €-31 to €+31 million (2018: €-21 to €+27 million).

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

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

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

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

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

Cash-flow hedge
The Group designates certain derivatives as hedges of the cash flow of future rental payments from contracts concluded in EUR. As these contracts are usually shorter than useful life of the buildings and the Company 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.28.2 in notes.

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

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

D.2. Non-uniform accounting policies of subsidiaries
The Group has taken advantage of the exemption available under IFRS 4.25(c) to continue using non-uniform accounting policies for insurance contracts (and investment contracts with DPF) of its subsidiaries.

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

D.3. Principal assumptions

D.3.1. Life insurance liabilities

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

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

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

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

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

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

D.3.2. Non-life insurance liabilities

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

Claims provisions

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

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

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
The liability adequacy test envisaged by IFRS 4 is applied to verify that the insurance provisions – adjusted by the amount of deferred policyholder's liabilities and related intangible assets – are adequate to cover future cash flows coming from the aforementioned insurance contracts, based on the current best estimates. Each inadequacy is charged to the consolidated income statement, initially reducing deferred acquisition costs and the value of business acquired and subsequently accounting for a provision.

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 2019 and as at 31 December 2018 according to the LAT were not sensitive to a change in any variable.

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

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

Non-life insurance

In non-life insurance, variables that would have the greatest impact on insurance liabilities relate to MTPL annuities. The table below presents sensitivity analysis information for Česká pojišťovna and Czech Generali, which represents the majority of the Group's annuities provisions. Due to the transfer of insurance portfolio from Czech Generali to Česká pojišťovna, there is no effect of such changes in the case of Czech Generali in 2019.

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

Sensitivity of MTPL annuities for Česká pojišťovna

(€ million)		31. 12. 2019		31. 12. 2018	
	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	14	9	11	7
Pension growth rate	100 bp	14	9	10	7

Sensitivity of MTPL annuities for Generali

(€ million)		31. 12. 2019		31. 12. 2018	
	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	–	–	3	2
Pension growth rate	100 bp	–	–	3	2

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

D.4.1. Non-life insurance contracts

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

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

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

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

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

Motor insurance

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

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

For claims relating to bodily injury and related losses of personal earnings, the amount of the related claim payments is derived from governmental decree. This requirement may have a retrospective effect on claims incurred before the effective date of this requirement.

Policyholders may be entitled to a no-claims-bonus on renewal of their policy where the relevant conditions are fulfilled.

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

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

Property insurance

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

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

Liability insurance

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

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

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

D.4.2. Life insurance contracts

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

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

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

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

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

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

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

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

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

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

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

D.4.3. Investment contracts with DPF

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

D.5. Critical accounting estimates and judgements

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

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

D.5.1. Assumptions used to calculate insurance liabilities

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

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

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

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

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

D.6. Changes in accounting policies and prior year period restatement

D.6.1. Standards, interpretations and amendments to existing standards relevant for the Group and applied in the reporting period

IFRS 16 – Leases (effective for annual periods beginning on or after 1 January 2019)
From 1 January 2019, the accounting standard IFRS 16 "Leases" has come into force. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27.

The new standard was published on 13 January 2016 and introduces new requirements for recognition, presentation in the financial statements and disclosures of the leases.

In particular, the distinction between operating and financial leases is eliminated for what concerns the lessee accounting: all leases require the recognition of a lease asset, which represents the right-of-use of the leased asset for the leased term, and a lease liability, which represents the obligation to pay rent payments.

The accounting treatment of leases is unchanged for lessor.

Group opts to apply IFRS 16 using the modified retrospective approach. Therefore the lessee shall not restate comparative information, but shall recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

Group has decided to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

On adoption of IFRS 16, the Group recognised lease liabilities related to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured using incremental borrowing rate at the present value of the remaining lease payments throughout the enforceable period, excluded short term leases and leases of low value assets where no liability was recognized.

Group adopted simplified accounting treatment for short-term leases (within 12 months) and leases of low value assets (less than $5,000) which allows lessees not to recognise any amount of assets and liabilities in the financial statements, but only to recognise expense for lease payments.

Regarding extension and termination options of lease contracts existing within the Group, according to the Standard statement that if the lessee cannot enforce the extension of the lease without the agreement of the lessor, then the lessee does not have the right to use the asset beyond the non-cancellable period, in evaluating the duration of lease terms the Group considered that if the lessor and the lessee both have an option to terminate the lease in the lease contract, the lessee cannot consider that the lease term is enforceable beyond the notice period, unless any consideration in respect of non-contractual conditions such as economic assessment of incentives or compulsion not to cancel or to prolong a lease contract would indicate different lease terms.

Accordingly, the maximum term of the lease would be the non-cancellable period (if any) plus any notice period for leases for which both the lessee and the lessor must agree to extend the lease beyond any non-cancellable period. The same conclusion would be considered valid also for tacit renewal contracts.

On adoption of IFRS 16, the Group recognised right-of-use assets for leases previously classified as an operating lease applying IAS 17. At initial application, right of use assets were measured at amounts equal to related lease liabilities and, where applicable, adjusted by any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application.

Balance sheet items “Land and buildings” and “Other tangible assets” are the ones impacted by new IFRS 16 requirements.

In details, below the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset can be found.

Right of use assets by class of underlying assets subject to leasing

(€ million)	31. 12. 2019
Land and buildings subject to leasing	89
Properties used for own activities subject to leasing	89
Company cars subject to leasing	2
Other tangible assets subject to leasing	1
Total right of use assets	**92**

As indication of borrowing rate used, lessee´s incremental borrowing rate, considering a range of 8 years as average ramining duration of lease contracts, applied to the lease liabilities on 1 January 2019 was in the range of 3.08 – 4.44%.

Lease liabilities as at 31. 12. 2019 amounted to €95 million. Lease liabilities are included in item “Other financial liabilities” on the Balance sheet.

Reconciliation of IAS 17 operating lease commitments disclosed amounts as at 31 December 2018 and initial lease liability IFRS 16:

Reconciliation of lease liability as at transition date

(€ million)	2019
Operating lease commitments as at 31 December 2018	104
Different assessment of lease term	9
Other changes	2
Discounting effects	(5)
Lease liabilities as at 1 January 2019	**110**

The difference with Group undiscounted future minimum lease payments under operating leases pursuant to IAS 17 relates mainly to the discounting effect and to a fine-tuning of approach regarding the evaluatin of extension and termination options of some contracts existing within the Group.

Here below a maturity analysis of undiscounted lease payments can be found.

(€ million)	31. 12. 2019
Maturity less than one year	22
Maturity between 1 and 2 years	18
Maturity between 2 and 3 years	16
Maturity between 3 and 4 years	14
Maturity between 4 and 5 years	6
Maturity more than 5 years	22
Total undiscounted lease liabilities	**98**

Main impacts on expenses for lessees are reported below.

(€ million)	31. 12. 2019
Interest expenses on lease liabilities	2
Depreciation of properties used for own activities subject to leasing	20
Depreciation of company cars subject to leasing	1
Expenses for short term leases and leases of low value assets	1
Total	**24**

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

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

IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Amendments to IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018)
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed.

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

Annual Improvements 2014 – 2016
In the 2014 – 2016 annual improvements cycle, the IASB issued, in December 2016, amendments to three standards (IFRS 12, IFRS 1 and IAS 28). The changes are effective 1 January 2017 for IFRS 12 and 1 January 2018 for the amendments to the other two standards. Earlier application is permitted for the amendments to IAS 28 and must be disclosed.

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018)
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

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

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

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Group has not early adopted.

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018, unless overlay or deferral approach is adopted – see D.6.4)
IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

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

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

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

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

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

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

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

Amendments to IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

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

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

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

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

D.6.5. Amendment to current IFRS 4 Insurance contracts and new IFRS 17 Insurance contracts
On 12 September 2016, the IASB issued amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:
a) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
b) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

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

In May 2017 the Board issued the new Standard for insurance contracts, IFRS 17 Insurance Contracts (not yet endorsed by the EU), replacing IFRS 4 Insurance Contracts. IFRS 17 has an effective date of 1 January 2022 but companies can apply it earlier.

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

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

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

D.6.6. 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), is higher than 90% of the carrying amount of the total liabilities (€11,203 million) as at 31 December 2015.

In particular, liabilities linked to insurance business as at 31 December 2015 are listed below:
- Insurance liabilities (€6,693 million)
- Financial liabilities at amortized cost related to investment contracts with DPF (€3,244 million)
- Financial liabilities at fair value through profit or loss related to investment contracts (€306 million)
- Other (€199 million)

Please find below, in accordance to the amendment to IFRS 4, the disclosures related to financial instruments at 31 December 2019.

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 2019	Fair value change from 31 December 2018
Financial assets managed on fair value basis and held for trading*	**2,780**	**199**
Investment fund units	173	8
Derivatives	16	(1)
Investments back to policies where the risk is borne by the policyholders and pension funds**	2,551	192
Other	40	–
Available for sale financial assets (AFS), held to maturity and loans and receivables* **	**12,127**	**348**
Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest	10,976	282
Bonds	9,662	249
Loans and other debt instruments	1,299	33
Receivables from banks and customers	15	–
Other***	–	–
Financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest	1,151	66
Equity instruments	860	11
Bonds	–	–
Investment fund units	291	55
Total	**14,907**	**547**

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

*** policy loans in the amount of €7 million are excluded from the scope

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

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

As at 31 December 2019 (€ million)	Bonds	Other than bonds instruments
AAA	135	–
AA	4,357	15
A	1,832	279
BBB	2,470	168
BB	591	5
B	90	3
Not rated	41	841
Total	**9,516**	**1,311**

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

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

As at 31 December 2019 (€ million)	Fair value	Carrying amount
Bonds	149	131
Loans and other debt instruments	803	844
Total	**952**	**975**

E. RISK REPORT

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

E.1. Risk management system

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

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

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

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

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

The Company mainly uses following instruments to mitigate individual risks:

Swaps

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

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

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

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

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

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

E.2. Roles and responsibility

The system is based on three levels of responsibility:

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

E.3. Risk measurement and control

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

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

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

The Economic Capital is a risk measure that corresponds to the amount of capital to be held so that the market value of assets is greater than the market value of liabilities in twelve months' time, with a confidence level consistent with the target rating.

The internal models of risk measurement are constantly being improved, in particular those relating to the calculation of the Economic Capital and Asset Liability Management (ALM) approaches have been harmonised at all different organisational levels within the Generali Group.

E.4. Market risk

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

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

At the year-end 2019, those investments with market risk affecting the Group were totaled €11,121 million at market value.

(€ million)	31. 12. 2019		31. 12. 2018	
	Total fair value	Weight (%)	Total fair value	Weight (%)
Equities	1,258	11.3%	1,101	10.2%
Bonds	9,847	88.5%	9,710	89.9%
Derivatives	18	0.2%	(7)	(0.1)%
Total	**11,123**	**100.0%**	**10,804**	**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 optimising the risk and return characteristics of portfolios.

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

E.4.1. Asset liability matching

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

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

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

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

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

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

E.4.2. Interest rate risk

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

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

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

Interest rate risk exposure

(€ million)	31. 12. 2019		31. 12. 2018	
	Amount	Weight (%)	Amount	Weight (%)
Penzijní společnost ČP including Transformed fund, Czech Republic	3,854	39.2%	3,774	38.9%
Generali Česká pojišťovna, Czech Republic	1,709	17.4%	1,953	20.1%
GP Reinsurance EAD, Bulgaria	896	9.1%	834	8.6%
Generali Towarzystwo Ubezpieczeń, Poland	620	6.3%	575	5.9%
Generali Osiguranje Srbija, Serbia	488	5.0%	434	4.5%
Generali Biztosító Rt, Hungary	374	3.8%	384	4.0%
Generali Poisťovňa, Slovakia	291	3.0%	274	2.8%
Generali Osiguranje, Croatia	262	2.7%	235	2.4%
Adriatic Slovenica d.d., Slovenia	252	2.6%	–	–
Patricie Pojišťovna, Czech Republic	210	2.1%	430	4.4%
Generali Romania Asigurare Reasigurare S.A., Romania	205	2.1%	202	2.1%
Generali Zavarovalnica d.d., Slovenia	187	1.9%	180	1.9%
Generali Zycie Towarzystwo Ubezpieczeń, Poland	129	1.3%	97	1.0%
Concordia Polska, Poland	109	1.1%	75	0.8%
Generali CEE Holding B.V., The Netherlands	2	0.0%	19	0.2%
Other companies	243	2.4%	237	2.4%
Total	**9,831**	**100.0%**	**9,703**	**100.0%**

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

(Years)	31. 12. 2019	31. 12. 2018
Generali Poisťovňa, Slovakia	3.6	3.7
Generali Česká pojišťovna, Czech Republic	7.8	6.1
Penzijní společnost ČP including Transfermed fund, Czech Republic	5.6	5.2
Generali Romania Asigurare Reasigurare S.A., Romania	3.5	3.6
Patricie Pojišťovna, Czech Republic	6.8	5.3
Generali Zycie Towarzystwo Ubezpieczeń, Poland	3.6	3.9
Concordia Polska, Poland	1.0	–
Generali Biztosító Rt, Hungary	3.7	3.7
Generali Towarzystwo Ubezpieczeń, Poland	3.3	3.4
GP Reinsurance EAD, Bulgaria	4.0	4.1
Generali Zavarovalnica, Slovenia	3.9	4.0
Adriatic Slovenica d.d., Slovenia	6.3	–
Generali Osiguranje, Croatia	5.5	5.5
Generali Osiguranje Srbija, Serbia	4.7	4.6

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 2019 and 31 December 2018.

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. 2019		31. 12. 2018	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
100 bp parallel increase	Gross impact on fair value	–	(235)	(10)	(373)
	Income tax charge / (credit)	–	38	2	33
	Total net impact	**–**	**(197)**	**(8)**	**(340)**
100 bp parallel decrease	Gross impact on fair value	–	249	15	392
	Income tax charge / (credit)	–	(41)	(2)	(37)
	Total net impact	**–**	**(208)**	**13**	**355**

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. 2019		31. 12. 2018	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
100 bp parallel increase	Gross impact on fair value	–	131	–	148
	Income tax charge / (credit)	–	–	–	–
	Total net impact	**–**	**131**	**–**	**148**
100 bp parallel decrease	Gross impact on fair value	–	(138)	–	(144)
	Income tax charge / (credit)	–	–	–	–
	Total net impact	**–**	**(138)**	**–**	**(144)**

E.4.3. Equity price risk

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

The Group manages its use of equity investments in response to changing market conditions using the following risk management tools:
- The limits for investments are set and carefully monitored for each business unit in its investment policy.
- The portfolio is diversified (limits are set per single counterparty exposure).

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

(€ million)	31. 12. 2019	31. 12. 2018
Equities at fair value	859	718
Quoted	152	104
Unquoted	707	614
Investments in fund units	400	383
Total	**1,259**	**1,101**

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

(€ million)	31. 12. 2019		31. 12. 2018	
	Amount	Weight (%)	Amount	Weight (%)
Generali Russia and CIS, Russia	497	39.5%	459	41.7%
Generali Česká pojišťovna, Czech Republic	256	20.3%	205	18.6%
Penzijní společnost ČP including Transformed fund, Czech Republic	105	8.3%	110	10.0%
Generali CEE Holding, The Netherlands	104	8.3%	63	5.7%
GP Reinsurance EAD, Bulgaria	98	7.8%	85	7.7%
Adriatic Slovenica Zavarovalna družba d.d., Slovenia	60	4.8%	–	–
Generali Biztosító Rt, Hungary	56	4.5%	50	4.5%
Generali Poisťovňa, Slovakia	22	1.7%	14	1.3%
Generali Towarzystwo Ubezpieczeń, Poland	18	1.4%	14	1.3%
Patricie Pojišťovna, Czech Republic	–	–	40	3.6%
Other companies	42	3.4%	61	5.6%
Total	**1,258**	**100.0%**	**1,101**	**100.0%**

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 2019 and 2018.

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. 2019		31. 12. 2018	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
Equity price +10%	Gross impact on fair value	11	42	11	99
	Income tax credit	(2)	(2)	(2)	(21)
	Total net impact	**9**	**40**	**9**	**78**
Equity price -10%	Gross impact on fair value	(11)	(39)	(11)	(99)
	Income tax charge	2	2	2	21
	Total net impact	**(9)**	**(37)**	**(9)**	**(78)**

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

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

(€ million)		31. 12. 2019		31. 12. 2018	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
Equity price +10%	Gross impact on fair value	–	(9)	–	(10)
	Income tax charge / (credit)	–	–	–	–
	Total net impact	**–**	**(9)**	**–**	**(10)**
Equity price -10%	Gross impact on fair value	–	9	–	10
	Income tax charge / (credit)	–	–	–	–
	Total net impact	**–**	**9**	**–**	**10**

E.4.4. Currency risk

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

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

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

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

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

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

E.5. Credit risk

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

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

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

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

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

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

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

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

Rating of bonds

(€ million)	31. 12. 2019		31. 12. 2018	
	Amount	Weight (%)	Amount	Weight (%)
AAA	137	1.4%	124	1.3%
AA	4,342	44.4%	4,282	44.4%
A	1,930	19.7%	1,933	20.1%
BBB	2,565	26.2%	2,404	24.9%
Non-investment grade	758	7.7%	870	9.0%
Not-rated	50	0.6%	32	0.3%
Total	**9,782**	**100.0%**	**9,645**	**100.0%**

The portfolio of fixed income investments of the Group has been prudently composed: 79.5% of the securities are government issued (2018: 78.6%).

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

Securities without a rating are shown as non-rated, eventhough 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. 2019		31. 12. 2018	
	Amount	Weight (%)	Amount	Weight (%)
AA	148	31.3%	108	23.5%
A	239	50.5%	260	56.5%
BBB	1	0.2%	1	0.2%
Not-rated	85	18.0%	91	19.8%
Total	**473**	**100.0%**	**460**	**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. 2019		31. 12. 2018	
	Amount	Weight (%)	Amount	Weight (%)
A	81	61.3%	23	59.0%
BBB	24	18.2%	12	30.7%
Non-investment grade	15	11.4%	3	7.7%
Not-rated	12	9.1%	1	2.6%
Total	**132**	**100.0%**	**39**	**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. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Neither past due nor impaired – carrying amount	**1,346**	**2,069**	**397**	**303**
Past due but not impaired – carrying amount	**–**	**–**	**59**	**41**
Individually impaired – carrying amount	**–**	**–**	**82**	**88**
Gross amount	1	1	185	188
up to 90 days after maturity	–	–	87	77
91 days to 180 days after maturity	–	–	14	13
181 days to 1 year after maturity	–	–	13	19
over 1 year after maturity	1	1	71	79
Allowance for impairment	(1)	(1)	(103)	(100)
Total	**1,346**	**2,069**	**538**	**432**

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. 2019	31. 12. 2018
Against individually impaired	–	1
Property	–	1
Against neither past due nor impaired	1,179	1,923
Debt securities	1,159	1,905
Other	20	18
Total	**1,179**	**1,924**

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

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

Geographic concentration

(€ million)	31. 12. 2019		31. 12. 2018	
	Total fair value	Weight (%)	Total fair value	Weight (%)
Czech Republic	5,711	52.2%	6,609	57.1%
Russia	195	1.8%	209	1.8%
Poland	1,368	12.5%	1,307	11.3%
Hungary	576	5.3%	566	4.9%
Serbia	512	4.7%	428	3.7%
Romania	310	2.8%	394	3.4%
Other CEE countries	875	8.0%	882	7.6%
Other EU countries	889	8.1%	756	6.6%
The Netherlands	84	0.8%	128	1.1%
Germany	78	0.7%	92	0.8%
Austria	121	1.1%	135	1.2%
Other	606	5.5%	401	3.5%
USA	171	1.6%	120	1.0%
Other world countries	338	3.0%	305	2.6%
Total	**10,945**	**100.0%**	**11,576**	**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. 2019 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Unspecified	Total
Investments excluding investment properties	**2,418**	**4,259**	**5,536**	**2,835**	**15,048**
Loans	**1,315**	**5**	**25**	**–**	**1,345**
Held to maturity	**11**	**7**	**8**	**–**	**26**
Available for sale	**904**	**3,926**	**4,905**	**1,151**	**10,886**
Bonds	904	3,926	4,905	–	9,735
Equities	–	–	–	860	860
Investment fund units	–	–	–	291	291
Financial assets at fair value through profit or loss	**188**	**321**	**598**	**1,684**	**2,791**
Bonds	2	9	1	–	12
Investment fund units	–	–	–	173	173
Unit-linked investments	154	306	580	1,511	2,551
Derivatives	32	6	17	–	55
Receivables	**512**	**4**	**22**	**–**	**538**
Cash and cash equivalents	**338**	**–**	**–**	**–**	**338**
Total financial assets	**3,268**	**4,263**	**5,558**	**2,835**	**15,924**

31. 12. 2018 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Unspecified	Total
Investments excluding investment properties	**3,383**	**3,948**	**4,871**	**2,622**	**14,824**
Loans	**2,047**	**22**	**–**	**–**	**2,069**
Held to maturity	**19**	**15**	**2**	**–**	**36**
Available for sale	**1,198**	**3,659**	**4,680**	**1,052**	**10,589**
Bonds	1,198	3,659	4,681	–	9,538
Equities	–	–	–	718	718
Investment fund units	–	–	–	333	333
Financial assets at fair value through profit or loss	**119**	**252**	**189**	**1,570**	**2,130**
Bonds	–	4	5	–	9
Investment fund units	–	–	–	117	117
Unit-linked investments	113	238	174	1,453	1,978
Derivatives	6	10	10	–	26
Receivables	**409**	**4**	**19**	**–**	**432**
Cash and cash equivalents	**311**	**–**	**–**	**–**	**311**
Total financial assets	**4,103**	**3,952**	**4,890**	**2,622**	**15,567**

Residual contractual maturities of financial liabilities excluding financial liabilities related to investment contracts (2019: €4,559 million, 2018: €4,221 million)

31. 12. 2019 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Financial liabilities	**561**	**33**	**20**	**614**
Financial liabilities at fair value through profit or loss	**6**	**13**	**20**	**39**
Derivatives	4	13	20	37
Other	2	–	–	2
Financial liabilities at amortised cost	**555**	**20**	**–**	**575**
Net assets attributable to unit holders	58	–	–	58
Other	497	20	–	517
Payables	**666**	**6**	**1**	**673**
Other liabilities	**232**	**26**	**81**	**339**
Total financial liabilities	**1,459**	**65**	**102**	**1,626**

31. 12. 2018 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Financial liabilities	**1,602**	**36**	**18**	**1,656**
Financial liabilities at fair value through profit or loss	**6**	**12**	**18**	**36**
Derivatives	3	12	18	33
Other	3	–	–	3
Financial liabilities at amortised cost	**1,596**	**24**	**–**	**1,620**
Net assets attributable to unit holders	22	–	–	22
Other	1,574	24	–	1,598
Payables	**534**	**–**	**–**	**534**
Other liabilities	**203**	**47**	**85**	**335**
Total financial liabilities	**2,339**	**83**	**103**	**2,525**

Derivatives mainly consist of currency swaps due within one month and interest rate swaps that are due within three years.

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

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

31. 12. 2019 (€ million)	Life insurance provisions – Gross direct insurance	Financial liabilities related to investment contracts	Total
Up to 1 year	392	1,585	1,977
Between 1 and 5 years	1,536	858	2,394
Between 6 and 10 years	879	595	1,474
Between 11 and 20 years	881	856	1,737
More than 20 years	792	666	1,458
Total	**4,480**	**4,560**	**9,040**

31. 12. 2018 (€ million)	Life insurance provisions – Gross direct insurance	Financial liabilities related to investment contracts	Total
Up to 1 year	579	1,469	2,048
Between 1 and 5 years	1,241	807	2,048
Between 6 and 10 years	836	552	1,388
Between 11 and 20 years	735	785	1,520
More than 20 years	688	608	1,296
Total	**4,079**	**4,221**	**8,300**

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

Provision for outstanding claims – Gross direct amount (€ million)	31. 12. 2019	31. 12. 2018
Up to 1 year	861	862
Between 1 and 5 years	610	592
Between 6 and 10 years	238	220
Between 11 and 20 years	232	220
More than 20 yaers	332	307
Total	**2,273**	**2,201**

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

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

2018 (€ million)	Saving & Pension	Protection	Unit Linked	Total
Czech Republic	136	190	118	444
Hungary	19	18	105	142
Slovakia	18	58	26	102
Poland	2	82	99	183
Serbia	52	11	–	63
Romania	7	16	1	24
Slovenia	6	7	14	27
Croatia	40	3	3	46
Total	**280**	**385**	**366**	**1,031**

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

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

2018 (€ million)		Non motor				
	Motor	Property	General liability	Accident, Health and Disability	Other	Total
Czech Republic	522	337	114	36	5	1,014
Hungary	121	137	33	27	9	327
Slovakia	84	34	8	11	1	138
Poland	209	68	16	25	17	335
Serbia	68	28	1	18	4	119
Romania	69	30	4	5	5	113
Slovenia	37	21	4	7	3	72
Bulgaria	50	17	1	11	2	81
Croatia	21	12	2	6	11	52
Other countries	8	2	–	1	–	11
Total	**1,189**	**686**	**183**	**147**	**57**	**2,262**

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. 2019	31. 12. 2018
Liabilities with guaranteed interest*	**6,248**	**5,905**
between 0% and 1%	4,353	4,022
between 1% and 3%	846	793
between 3% and 4%	493	488
between 4% and 5%	430	466
more than 5%	126	136
Provisions without guaranteed interest	**2,735**	**2,100**
Provisions matched by specific assets**	**48**	**79**
Total	**9,031**	**8,084**

* 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 €2,203 million (2018: €2,144 million), provisions for unit-linked policies €2,268 million (2018: €1,719 million), and financial liabilities related to investment contracts with DPF €4,560 million (2018: €4,221 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 2010 to 2019. 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)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Cumulative claim payments											
at the end of accident year	888	736	805	775	697	703	794	784	792	902	7,876
one year later	1,215	973	1,055	1,017	955	953	1,052	1,085	1,144		
two years later	1,266	1,016	1,102	1,064	1,027	1,005	1,108	1,146			
three years later	1,293	1,039	1,126	1,085	1,055	1,034	1,136				
four years later	1,307	1,051	1,139	1,096	1,070	1,051					
five years later	1,313	1,059	1,146	1,105	1,080						
six years later	1,320	1,063	1,151	1,110							
seven years later	1,323	1,068	1,154								
eight years later	1,326	1,071									
nine years later	1,327										
Estimate of cumulative claims costs											
at the end of accident year	1,508	1,292	1,384	1,346	1,280	1,324	1,465	1,495	1,568	1,571	14,233
one year later	1,475	1,228	1,323	1,279	1,287	1,285	1,392	1,443	1,497		
two years later	1,456	1,206	1,292	1,259	1,262	1,260	1,356	1,414			
three years later	1,446	1,188	1,279	1,245	1,243	1,233	1,332				
four years later	1,411	1,167	1,251	1,211	1,213	1,210					
five years later	1,401	1,157	1,232	1,196	1,193						
six years later	1,386	1,140	1,223	1,185							
seven years later	1,375	1,129	1,212								
eight years later	1,369	1,122									
nine years later	1,364										
Estimate of cumulative claims	**1,364**	**1,122**	**1,212**	**1,185**	**1,193**	**1,210**	**1,332**	**1,414**	**1,497**	**1,571**	**13,100**
Cumulative payments	**(1,327)**	**(1,071)**	**(1,154)**	**(1,110)**	**(1,080)**	**(1,051)**	**(1,136)**	**(1,146)**	**(1,144)**	**(902)**	**(11,121)**
Provisions for outstanding claims not included in underwriting years											141
Provisions not included in the claims development table											147
Provisions for entities without data triangles (ME102, CZ103)											6
Accepted reinsurance											67
Amount recognised in the Statement of financial position											**2,340**

With reference to item Provision not included in the claims development table - majority of this amount is represented by ULAE provisions of all entities. Additionally It covers also provisions of small portfolios, which are not modelled by methods based on development triangles and also RBNS annuities arising from other LoBs than MTPL LoB.

E.7.2. Reinsurance strategy

All business units of the Group reinsure some of the risks they underwrite to control their exposure to losses and to protect their capital resources.

The Group concludes a combination of proportionate and non-proportionate reinsurance treaties to reduce its net exposure. The maximum net exposure limits for particular business lines are reviewed annually. To provide additional protection, the Group uses facultative reinsurance for certain insurance policies. The reinsurance arrangements include quota-share, excess, stop-loss, and catastrophe coverage.

The Group has a captive reinsurance company, GP Reinsurance EAD (GP RE), located in Bulgaria. The majority of reinsurance treaties are concluded with GP RE. In addition, the Group benefits from the consolidated reinsurance program and the diversification of its risks due to the GP RE group coverage which is retro-ceded. From 2014 the treaty coverage is provided in almost all lines of business by the ultimate shareholder Assicurazioni Generali S.p.A. (whereas in previous years, the retrocessions were made on the external market); this is a consequence of the new Generali Group business model which provides 100% treaty reinsurance cessions to the ultimate shareholder.

The overview of obligatory reinsurance treaty parameters for the main program and underwriting year 2019:

Line of business / Treaty	Form of reinsurance	Leader
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.
Drought & Extreme Rainfall	Quota Share	Swiss Re
Bonds		
Bond	Quota Share	Assicurazioni Generali S.p.A.
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	München Re
Death and other risks	Surplus	Swiss Re
Mortgage/Personal loan insurance	Quota Share	Axa
Mortgage/Personal loan insurance	Quota Share	Assicurazioni Generali S.p.A
Individual life insurance	Surplus	Assicurazioni Generali S.p.A
Individual life insurance	Fronting	Assicurazioni Generali S.p.A
Individual life insurance	Quota Share	Assicurazioni Generali S.p.A
Individual life insurance	Quota Share	Hannover RE
Group life insurance	Quota Share	Assicurazioni Generali S.p.A
Personal accident	Surplus	Assicurazioni Generali S.p.A

As a part of its reinsurance strategy, the Group carries out regular monitoring of the financial position of its reinsurers, as shown in Note E.5.

Ceded reinsurance contains a credit risk as the ceding of risk to reinsurers does not relieve the Group of its obligations to its clients. Through the Generali CEE Holding credit risk management system, the Group regularly evaluates the financial status of its reinsurers and monitors the concentration of credit risk to minimise its exposure to financial loss caused by a reinsurer's insolvency. Placement of reinsurance treaties is managed by Generali CEE Holding and is guided by the Security List of Assicurazioni Generali S.p.A.

All reinsurance issues are subject to strict review. This includes the evaluation of reinsurance arrangements, setting the minimum capacity and retention criteria, monitoring the purchase of reinsurance against those criteria, erosion of the reinsurance program and its ongoing adequacy and credit risk. The treaty capacity needed is based on both internal and group modelling.

E.8. Operating risk and other risks

Operational risk is defined as potential losses, including opportunity costs, arising from shortcomings or underperformance in internal processes, human resources and systems or from other causes which may result from internal or external factors.

As part of the on-going processes of the Generali Group, the Group has set some common principles for these kinds of risks:
- policies and basic requirements to handle specific risk sources as defined at the Generali Group level;
- criteria to measure operational risk. Moreover, a specific worldwide task force has been set up to define a common Generali Group methodology to identify, measure and monitor operational risks; and
- common methodologies and principles guiding internal audit activities to identify the most relevant processes to be audited.

The operational risk management process is primarily based on analysing the risks and designing modifications to work procedures and processes to eliminate, as far as possible, the risks associated with operational events (losses caused by risks other than market and credit risk). Work procedures governing the investment and risk management processes constitute a part of the Group's system of mandatory policies and procedures.

E.9. Financial strength monitoring by third parties

The Group's and/or its subsidiaries' financial strength is also monitored by third parties such as insurance regulators.

Also, the leading rating agencies periodically assess the financial strength of the whole Generali Group expressing a judgment on the ability to meet the ongoing obligations assumed toward policyholders.

This assessment is performed taking into account several factors such as, financial and economic data, the positioning of the Group within its market, and the strategies developed and implemented by the management.

The Group's largest subsidiary Generali Česká pojišťovna, a.s. has a financial strength rating of "A" (Excellent) with stable outlook and a Long-Term Issuer Credit Rating was confirmed at „a+" with stable outlook, assigned by A.M. Best on 25 February 2020. The rating reflects Generali Česká pojišťovna's very strong business profile, excellent record of technical profitability and solid risk-adjusted capitalisation.

E.10. Capital management

The objectives of the Group as well as the capital management policy of individual business units are:
- to guarantee the accomplishment of solvency requirements as defined by the specific laws of each sector where the participating companies operate (insurance or financial sector);
- to safeguard the going concern and the capacity to finance expansion through internal growth;
- to continue to guarantee an adequate return on the shareholder's capital; and
- to determine adequate pricing policies that are suitable for the risk level of each sector's activity.

In every country in which the Group operates, local laws and/or local supervisory authorities require a minimum capital. This minimum capital should be maintained by each subsidiary to face its insurance obligations and operational risks. This minimum level of capital has been continuously maintained during the financial year.

E.11. Solvency

The Generali Group uses an internal approach to determine the available financial resources and the capital requirements for risks which it is exposed to (Group Internal Model), while maintaining consistency with the basic framework of Solvency II, which came effective in 2016. On 7 March 2016, the Group received the regulatory approval to use the Group Internal Model for regulatory solvency capital requirement calculations.

During 2019, 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 2019 and 2018. 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 2020.

F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED INCOME STATEMENT

F.1. Intangible assets

(€ million)	31. 12. 2019	31. 12. 2018
Goodwill	**1,631**	**1,431**
of which Generali Česká pojišťovna a.s.	1,076	1,063
of which Generali Towarzystwo Ubezpieczeń S.A.	10	10
of which Generali Poisťovňa, a.s.	314	314
of which Generali Osiguranje Srbija A.D.O.	19	19
of which Penzijní společnost České pojišťovny, a.s.	17	17
of which Concordia Capital SA	–	6
of which Concordia Polska Towarzystwo Ubezpieczen Wzajemnych	2	2
of which Generali Investments TFI	59	–
of which Adriatic Slovenica zavarovalna družba	118	–
of which Generali Investments, družba za upravljanje	9	–
of which Generali Zycie T.U.	7	–
Other intangible assets	**640**	**814**
Software	104	87
Present value of future profits from portfolios acquired	519	501
of which Generali Česká pojišťovna a.s.	391	434
of which Penzijní společnost České pojišťovny, a.s.	34	38
of which Generali Poisťovňa, a.s.	15	19
of which Concordia Capital SA	–	7
of which Generali Zycie T.U.	5	–
of which Adriatic Slovenica zavarovalna družba	42	–
of which Generali Investments, družba za upravljanje	6	–
of which Generali Investments TFI	21	–
Others	5	3
Brand	–	213
Other intangible assets	17	13
Total	**2,271**	**2,245**

On 21 December 2019, Česká pojišťovna a.s. acquired in an under common control transaction the insurance portfolios of two Czech insurance companies – Generali pojišťovna a.s. and CP Zdravi a.s. For further details regarding impact of this transaction on intangible assets, please see table F.1.2.

In October 2019, merger of Generali Zycie T.U. and Concordia Capital SA was finalized. As a result, all previously recognised intangible assets stemming out from the purchase of Concordia Capital SA in 2018 are recognised under Generali Zycie T.U. which was identified as the CGU.

In June 2019, the Group acquired Polish asset manager Union Investment TFI S.A. Union Investment TFI is Poland's 6th largest asset management company with €3.3 billion of asset under management. Union Investment TFI S.A. was subsequently rebranded to Generali Investments TFI.

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

In February 2019, the Group acquired Slovenian insurance company Adriatic Slovenica and asset manager KD Funds from financial group KD Group. At the time of acquisition, Adriatic Slovenica held 14% of Slovenian insurance market and was ranked as the third largest insurer at local market. KD Funds ranked third in Slovenia with a market share of 20% and with over €750 million assets under management. KD Funds have been subsequently rebranded to Generali Investments, družba za upravljanje.

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

Regarding Generali Investments, družba za upravljanje, the Group recognised the intangible asset related to customer relationships in the amount of €6 million. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill of €9 million.

In November 2018, the Group acquired the Polish life insurance company Concordia Capital SA and the non-life insurance company Concordia Polska TUW.

In accordance with IFRS 3, the Group performed a purchase price allocation exercise ("PPA") and recognised a VOBA asset for Concordia Capital SA of €7 million. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill of €6 million and €2 million, respectively.

The remaining amortization period of the Present value of future profits from the portfolios acquired listed above is between 5 and 20 years.

F.1.1. Goodwill

(€ million)	2019	2018
Gross book value as at beginning of reporting period	**1,574**	**1,626**
Accumulated impairment as at beginning of reporting period	**(143)**	**(195)**
Carrying amount as at beginning of reporting period	**1,431**	**1,431**
Business combinations	185	8
Impairment charge for the period	–	–
Foreign currency translation effects	15	(8)
Gross book value as at end of reporting period	**1,776**	**1,574**
Accumulated impairment as at end of reporting period	**(145)**	**(143)**
Carrying amount as at end of reporting period	**1,631**	**1,431**

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 detailed information included in the last available Rolling Plan 2020 – 2022 has been considered. The main economic-financial data has been calculated for two additional years (2023 and 2024) on the basis of the growth rate in the last year of the Rolling Plan (2022) to extend the forecast period. Concerning non-life cash-generating units, the combined ratios considered are included within the range 80.9% – 95.8%.
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 1.0% (2.0% for Poland and Slovenia) on the cash flows of the latest Plan year.
e) The post-tax discount rate of the future cash flows (between 5.29% and 10.40%) has been derived from the return rate of risk-free investments (between 0.19% and 2.95%), annual cost of capital (5.00%), size premium (1.00%) and beta (0.82).

Assumptions used in the impairment test of goodwill for the year 2019

	Combined ratio*	Long term growth rate	Discount rate
Generali Česká pojišťovna, a.s. – Life	–	1.0%	6.67%
Generali Česká pojišťovna, a.s. – Non-life	90.5%	1.0%	6.67%
Generali Towarzystwo Ubezpieczeń S.A.	89.2%	2.0%	7.22%
Generali poisťovňa, a.s. – Life	–	1.0%	5.29%
Generali poisťovňa, a.s. – Non-life	95.8%	1.0%	5.29%
Generali Osiguranje Srbija A.D.O. – Life	–	1.0%	6.25%
Generali Osiguranje Srbija A.D.O. – Non-life	80.9%	1.0%	6.25%
Penzijní společnost České pojišťovny, a.s.	–	1.0%	6.67%
Adriatic Slovenica zavarovalna družba	–	2.0%	7.30%
Generali Investments, družba za upravljanje	–	2.0%	8.56%
Generali Investments TFI	–	2.0%	10.40%

Assumptions used in the impairment test of goodwill for the year 2018

	Combined ratio*	Long term growth rate	Discount rate
Česká pojišťovna, a.s. – Life	–	1.0%	7.10%
Česká pojišťovna, a.s. – Non-life	93.1%	1.0%	7.10%
Generali Towarzystwo Ubezpieczeń S.A.	94.9%	2.0%	7.93%
Generali poisťovňa, a.s. – Life	–	1.0%	6.01%
Generali poisťovňa, a.s. – Non-life	95.9%	1.0%	6.01%
Generali Osiguranje Srbija A.D.O. – Life	–	1.0%	9.83%
Generali Osiguranje Srbija A.D.O. – Non-life	86.3%	1.0%	9.83%
Penzijní společnost České pojišťovny, a.s.	–	1.0%	7.10%

* Combined ratio is a measure for profitability of non-life insurance companies comparing claims expenses, acquisition costs and administration costs with insurance premiums revenues.

For all the cash-generating units subject to the impairment test of goodwill, there is a sufficient surplus of economic value above book value.

F.1.2. Other intangible assets

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

2019 (€ million)	Software	Present value of future profits	Brands	Other	Total
Gross book value as at beginning of reporting period	**418**	**1,345**	**213**	**19**	**1,995**
Accumulated amortization and impairment as at beginning of reporting period	**(331)**	**(844)**	**–**	**(6)**	**(1,181)**
Carrying amount as at beginning of reporting period	**87**	**501**	**213**	**13**	**814**
Increases	42	–	–	3	45
Decreases	–	–	–	–	–
Business combinations	6	87	–	3	96
Foreign currency translation effects	1	3	–	–	4
Amortisation and impairment of the period	(32)	(72)	(213)	(2)	(319)
Gross book value as at end of reporting period	**470**	**1,447**	**–**	**21**	**1,938**
Accumulated amortization and impairment as at end of reporting period	**(366)**	**(928)**	**–**	**(4)**	**(1,298)**
Carrying amount as at end of reporting period	**104**	**519**	**–**	**17**	**640**

2018 (€ million)	Software	Present value of future profits	Brands	Other	Total
Gross book value as at beginning of reporting period	**386**	**1,348**	**219**	**9**	**1,962**
Accumulated amortization and impairment as at beginning of reporting period	**(308)**	**(792)**	**–**	**(7)**	**(1,107)**
Carrying amount as at beginning of reporting period	**78**	**556**	**219**	**2**	**855**
Increases	34	–	1	12	47
Decreases	(3)	–	–	–	(3)
Business combinations	3	7	–	–	10
Foreign currency translation effects	(2)	(4)	(2)	–	(8)
Amortisation and impairment of the period	(23)	(58)	(5)	(1)	(87)
Gross book value as at end of reporting period	**418**	**1,345**	**213**	**19**	**1,995**
Accumulated amortization and impairment as at end of reporting period	**(331)**	**(844)**	**–**	**(6)**	**(1,181)**
Carrying amount as at end of reporting period	**87**	**501**	**213**	**13**	**814**

On 21 December 2019, Česká pojišťovna a.s. acquired in an under common control transaction the insurance portfolios of two Czech insurance companies – Generali pojišťovna a.s. and CP Zdravi a.s. Consequently, the companies combined their activities and started to operate under a new name, Generali Česká pojišťovna a.s. The Group decided to terminate the use of traditional blue logo of Česká pojišťovna, including the bunch of three linden leaves, and replace this by a red symbol of the lion. Therefore, the Brand of Česká pojišťovna of €213 million was fully impaired in consolidated statement of comprehensive income for the year ended 31 December 2019.

Brands previously reported for Generali Osiguranje Srbija A.D.O. and Generali Osiguranje d.d. were derecognized in 2018 as these are no longer used by the Group.

F.2. Tangible assets

(€ million)	31. 12. 2019	31. 12. 2018
Land and building (self-used)	84	64
Land and building subject to leasing	89	–
Other tangible assets	28	19
Other tangible assets subject to leasing	3	–
Total	**204**	**83**

F.2.1. Land and buildings (self-used)

(€ million)	31. 12. 2019	31. 12. 2018
Gross book value as at beginning of reporting period	**100**	**103**
Accumulated depreciation and impairment as at beginning of reporting period	**(36)**	**(36)**
Carrying amount as at beginning of reporting period	**64**	**67**
Foreign currency translation effects	(1)	(1)
Increases	2	2
Business combinations	23	–
Reclassifications	2	–
Decreases	(3)	(1)
Depreciation of the period	(3)	(3)
Gross book value as at end of reporting period	**126**	**100**
Accumulated depreciation and impairment as at end of reporting period	**(42)**	**(36)**
Carrying amount as at end of reporting period	**84**	**64**
Fair value	**98**	**77**

F.2.2. Land and buildings subject to leasing

(€ million)	31. 12. 2019	31. 12. 2018
Gross book value as at beginning of reporting period	**104**	**–**
Accumulated depreciation and impairment as at beginning of reporting period	**–**	**–**
Carrying amount as at beginning of reporting period	**104**	**–**
Business combinations	2	–
Increases	3	–
Renewals	3	–
Depreciation of the period	(24)	–
Other changes	1	–
Gross book value as at end of reporting period	**113**	**–**
Accumulated depreciation and impairment as at end of reporting period	**(23)**	**–**
Carrying amount as at end of reporting period	**89**	**–**

Land and buildings subject to leasing represent leased buildings accounted for in accordance with IFRS 16 which is effective since 1. 1. 2019. See note D.6.1. On the first application of IFRS 16 no comparative information are provided.

F.2.3. Other tangible assets

(€ million)	31. 12. 2019	31. 12. 2018
Gross book value as at the beginning of reporting period	**72**	**67**
Accumulated depreciation and impairment as at the beginning of reporting period	**(53)**	**(51)**
Carrying amount as at the beginning of reporting period	**19**	**17**
Increases	17	11
Business combinations	6	1
Decreases	(6)	(4)
Other changes	–	1
Depreciation of the period	(8)	(6)
Gross book value as at end of reporting period	**96**	**72**
Accumulated depreciation and impairment as at end of reporting period	**(68)**	**(53)**
Carrying amount as at end of reporting period	**28**	**19**
Fair value	**28**	**19**

F.2.4. Other tangible assets subject to leasing

(€ million)	31. 12. 2019	31. 12. 2018
Gross book value as at beginning of reporting period	**2**	**–**
Accumulated depreciation and impairment as at beginning of reporting period	**–**	**–**
Carrying amount as at beginning of reporting period	**2**	**–**
Increases	1	–
Depreciation of the period	(1)	–
Other changes	1	–
Gross book value as at end of reporting period	**4**	**–**
Accumulated depreciation and impairment as at end of reporting period	**(1)**	**–**
Carrying amount as at end of reporting period	**3**	**–**

F.3. Investments

F.3.1. Investment properties

(€ million)	31. 12. 2019	31. 12. 2018
Gross book value as at beginning of reporting period	**524**	**455**
Accumulated depreciation and impairment as at beginning of reporting period	**(61)**	**(51)**
Carrying amount as at beginning of reporting period	**463**	**404**
Foreign currency translation effects	**5**	**(4)**
Increases	7	14
Acquisitions	59	60
Business combinations	26	–
Decreases	(15)	–
Other changes	–	(1)
Depreciation of the period	(11)	(9)
Net impairment loss of the period	–	(1)
Gross book value as at end of reporting period	**592**	**524**
Accumulated Impairment and impairment as at end of reporting period	**(58)**	**(61)**
Carrying amount as at end of reporting period	**534**	**463**
Fair value	**598**	**514**

In March 2019, the Group has completed the acquisition of Palac Spork, a prestigious mixed-use asset located in Prague, from SEBRE. Built in 1925 and fully renovated in 2017, with the addition of a modern component, the property represents a perfect combination of history and modernity and offers around 10,000m² of office and retail spaces. The asset is currently fully let, with law firm Dentons as the main tenant. The asset is located in one of the most sought-after office and high street retail areas of the Czech capital, right next to the Namesti Republiky square and Na Prikope street, within a walking distance from the Old Town square.

In October 2018, the Group acquired from S+B Gruppe AG, Vienna, an investment vehicle SIBSEN Invest sp. z o.o. owning office building in central Warsaw at Senatorska street, also known as Jabłonowski Palace. It comprises 17,700 sqm of office space on five above-ground floors, all of which is currently occupied by mBank.

This operation is in line with Generali Real Estate's strategy of investing in the main European cities.

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.18, for investment expense, see note F.22.

F.3.2. Investments in associates and joint ventures

(€ million)	31. 12. 2019	31. 12. 2018
Investments in associates and joint ventures consolidated at equity	**19**	**11**
VÚB Generali d.s.s., a.s.	12	9
Europ Assistance s.r.o.	1	1
Europ Assistance Magyarorszá Befektetésiés Tanácsa dó Kft .	1	1
Nama d.d. Ljubljana	5	–
Other investments	**14**	**4**
Total	**33**	**15**

The increase of Other investments is caused by the acquisition of Adriatic Group containing several business units operating in various market segments.

Changes in associates and joint ventures consolidated at equity

(€ million)	31. 12. 2019	31. 12. 2018
Balance as at beginning of reporting period	**11**	**9**
Other changes	3	2
Business combinations	5	–
Balance as at end of reporting period	**19**	**11**

Summarised financial information for associates consolidated at equity

Summarised statement of financial position

(€ million)	VÚB Generali d.s.s., a.s.	
	31. 12. 2019	31. 12. 2018
Total assets	**25**	**17**
Investments	19	16
Cash and cash equivalents	3	1
Other assets	3	–
Current assets	**25**	**17**
Total liabilities	**2**	**1**
Payables and other liabilities	2	1
Current liabilities	**2**	**1**
Net assets	**23**	**16**

(€ million)	Nama d.d.	
	31. 12. 2019	31. 12. 2018
Total assets	**14**	**–**
Investments	5	–
Cash and cash equivalents	3	–
Other assets	6	–
Current assets	**14**	**–**
Total liabilities	**4**	**–**
Payables and other liabilities	4	–
Current liabilities	**4**	**–**
Net assets	**10**	**-**

Summarised statement of comprehensive income

(€ million)	VÚB Generali d.s.s., a.s.	
	2019	2018
Net gains/(losses) from the fees and commission	13	7
Other operating expense	(2)	(2)
Earnings before tax	**11**	**5**
Tax	**(2)**	**(1)**
Net profit of the year	**9**	**4**

(€ million)	Nama d.d.	
	2019	2018
Net gains/(losses) from the fees and commission	1	–
Other operating expense	–	–
Earnings before tax	**1**	**–**
Tax	**–**	**–**
Net profit of the year	**1**	**–**

F.3.3. Held to maturity investments

(€ million)	Book Value		Fair value	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Quoted bonds	27	36	32	39
Total	**27**	**36**	**32**	**39**
Current portion	**11**	**18**		
Non-current portion	**16**	**18**		

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. 2019			
	Level 1	Level 2	Level 3	Total
Quoted bonds	19	13	–	32
Total	**19**	**13**	**–**	**32**

(€ million)	31. 12. 2018			
	Level 1	Level 2	Level 3	Total
Quoted bonds	35	4	–	39
Total	**35**	**4**	**–**	**39**

Maturity of held to maturity inestments – bonds

(€ million)	Book Value	
	31. 12. 2019	31. 12. 2018
Up to 1 year	11	18
Between 1 and 5 years	7	15
Between 5 and 10 years	9	3
Total	**27**	**36**

F.3.4. Loans and receivables

(€ million)	Book Value		Fair Value	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2017
Unquoted bonds	**2**	**59**	**2**	**59**
Other loans and receivables	**1,344**	**2,010**	**1,344**	**2,010**
Term deposit with credit institutions	132	39	132	39
Reverse repurchase agreement (Reverse REPO)	1,163	1,931	1,163	1,931
Other loans	49	40	49	40
Total	**1,346**	**2,069**	**1,346**	**2,069**
Current portion	**1,315**	**2,047**		
Non-current portion	**31**	**22**		

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. 2019			
	Level 1	Level 2	Level 3	Total
Unquoted bonds	**–**	**2**	**–**	**2**
Other loans and receivables	**–**	**1,295**	**49**	**1,344**
Term deposit with credit institutions	–	132	–	132
Reverse repurchase agreement (Reverse REPO)	–	1,163	–	1,163
Other loans	–	–	49	49
Total	**–**	**1,297**	**49**	**1,346**

(€ million)	31. 12. 2018			
	Level 1	Level 2	Level 3	Total
Unquoted bonds	**–**	**59**	**–**	**59**
Other loans and receivables	**–**	**1,970**	**40**	**2,010**
Term deposit with credit institutions	–	39	–	39
Reverse repurchase agreement (Reverse REPO)	–	1,931	–	1,931
Other loans	–	–	40	40
Total	**–**	**2,029**	**40**	**2,069**

Generally, if available and if the market is defined as active, fair value is equal to the market price.

In the opposite case, the fair value is determined using the market and income approach. Primary inputs to the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means a discounted cash flow method where either the cash flow or the discount curve is adjusted to reflect credit risk and liquidity risk, using interest rates and yields curves commonly observable at frequent intervals. Depending on the observability of these parameters, the security is classified at level 2 or level 3.

F.3.5. Available for sale financial assets

(€ million)	31. 12. 2019	31. 12. 2018
Unquoted equities at cost	**–**	**–**
Equities at fair value	**859**	**718**
Quoted	152	104
Unquoted	707	614
Bonds	**9,736**	**9,538**
Quoted	9,685	9,360
Unquoted	51	178
Investments in fund units	**291**	**333**
Total	**10,886**	**10,589**
Current portion	**904**	**1,198**
Non-current portion	**9,982**	**9,391**

The increase on line Unquoted equities at fair value in 2019 results mainly from revaluation of shares in Ingosstrakh of €37 million, increase of participation in private equity fund Lion River I N.V. amounting to €28 million (2018: €40 million) and acquisition of Adriatic Slovenica of €16 million.

Maturity of available for sale financial assets – bonds

(€ million)	Fair value 31. 12. 2019	Fair value 31. 12. 2018
Up to 1 year	904	1,198
Between 1 and 5 years	3,927	3,659
Between 5 and 10 years	3,317	3,254
More than 10 years	1,588	1,427
Total	**9,736**	**9,538**

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

(€ million)	Realised gains		Realised losses		Impairment losses	
	2019	2018	2019	2018	2019	2018
Equities	7	1	(2)	(2)	(3)	(5)
Bonds	17	30	(9)	(25)	–	–
Investments in fund units	16	15	–	(3)	–	(2)
Total	**40**	**46**	**(11)**	**(30)**	**(3)**	**(7)**

Fair value measurement at the end of the reporting period

(€ million)	31. 12. 2019			
	Level 1	Level 2	Level 3	Total
Unquoted equities at cost	**–**	**–**	**–**	**–**
Equities at fair value	**152**	**–**	**707**	**859**
Quoted	152	–	–	152
Unquoted	–	–	707	707
Bonds	**8,187**	**1,351**	**198**	**9,736**
Quoted	8,187	1,313	185	9,685
Unquoted	–	38	13	51
Investments in fund units	**291**	**–**	**–**	**291**
Total	**8,630**	**1,351**	**905**	**10,886**

(€ million)	31. 12. 2018			
	Level 1	Level 2	Level 3	Total
Unquoted equities at cost	**–**	**–**	**–**	**–**
Equities at fair value	**104**	**–**	**614**	**718**
Quoted	104	–	–	104
Unquoted	–	–	614	614
Bonds	**8,216**	**1,139**	**183**	**9,538**
Quoted	8,215	962	183	9,360
Unquoted	1	177	–	178
Investments in fund units	**333**	**–**	**–**	**333**
Total	**8,653**	**1,139**	**797**	**10,589**

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

(€ million)	2019	2018
Transfers into Level 1 from Level 2	–	6
Transfers into Level 1 from Level 3	–	–
Transfers into Level 2 from Level 1	15	30
Transfers into Level 2 from Level 3	73	9
Transfers into Level 3 from Level 1	–	–
Transfers into Level 3 from Level 2	23	10

In 2019 corporate bonds in the amount of €23 million were reclassified from level 2 to level 3. The main driver was the level of credit spread used for valuation which created a material non-observable market input.

In 2019 corporate bonds in the amount of €73 million were reclassified out of the level 3. The main driver was the fact that level of credit spread used for valuation ceased to be classified as material non-observable market input (either materiality decreases or more information on the market was available).

In 2019 corporate bonds in the amount of €11 million and government bonds in the amount of €4 million were reclassified from Level 1 to level 2. The reason was that active market ceased to exist, therefore the Company switched on expert valuation.

In 2018 corporate bonds in the amount of €30 million were reclassified from level 1 to level 2. The reason was that active market ceased to exist, therefore the Company switched on expert valuation.

In 2018, government bonds amounting to €9 million were reclassified out of Level 3. The main driver was the fact that level of credit spread used for valuation ceased to be classified as material non-observable market input (either materiality decreases or more information on the market was available).

In 2018 government bonds in the amount of €10 million were reclassified from level 2 to level 3. The main driver was the level of credit spread used for valuation which created material non-observable market input.

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)	2019	2018
Balance as at beginning of reporting period	**797**	**742**
Transfers from Level 3	(73)	(9)
Increases	75	59
Business combination	21	–
Decreases and maturities	(4)	(14)
Transfers to Level 3	23	10
Net unrealised gains recognised in OCI	28	13
Net unrealised losses recognised in OCI	(25)	(4)
Amortization	2	2
Currency translation differences	63	–
Other changes	(2)	(2)
Balance as at end of reporting period	**905**	**797**
Realised gains/losses for the period recognised in profit and loss	**–**	**(2)**
Net impairment loss for the period recognised in profit and loss	**–**	**–**

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. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Bonds	**1**	**–**	**11**	**9**	**12**	**9**
Quoted	1	–	10	7	11	7
Unquoted	–	–	1	2	1	2
Investments in fund units	**1**	**–**	**172**	**117**	**173**	**117**
Derivatives	**55**	**26**	**–**	**–**	**55**	**26**
Unit-linked investments	**–**	**–**	**2,551**	**1,978**	**2,551**	**1,978**
Total	**57**	**26**	**2,734**	**2,104**	**2,791**	**2,130**
Current portion					**188**	**165**
Non-current portion					**2,603**	**1,965**

All financial instruments held-for-trading are valued based on quoted market prices, except derivatives, which are valued based on generally accepted valuation techniques depending on the product (i.e., discounted expected future cash flows, Black-Scholes model, etc.).

Certain portion of unit-linked investment is not as at year end allocated to policyholders and stay available for new unit linked insurance contracts. FV revaluation of financial assets that are designated through profit and loss eliminate accounting mismatch from related liabilities arising from insurance contracts measured at FV.

Fair value measurement at the end of the reporting period:

(€ million)	31. 12. 2019			
	Level 1	Level 2	Level 3	Total
Equities	**–**	**–**	**–**	**–**
Bonds	**5**	**6**	**1**	**12**
Quoted	5	6	–	11
Unquoted	–	–	1	1
Investments in fund units	**172**	**1**	**–**	**173**
Derivatives	**–**	**55**	**–**	**55**
Unit-linked investments	**2,296**	**206**	**49**	**2,551**
Total	**2,473**	**268**	**50**	**2,791**

(€ million)	31. 12. 2018			
	Level 1	Level 2	Level 3	Total
Equities	**–**	**–**	**–**	**–**
Bonds	**7**	**–**	**2**	**9**
Quoted	7	–	–	7
Unquoted	–	–	2	2
Investments in fund units	**117**	**–**	**–**	**117**
Derivatives	**–**	**26**	**–**	**26**
Unit-linked investments	**1,840**	**108**	**30**	**1,978**
Total	**1,964**	**134**	**32**	**2,130**

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

(€ million)	2019	2018
Transfers into Level 1 from Level 2	5	–
Transfers into Level 1 from Level 3	–	–
Transfers into Level 2 from Level 1	–	–
Transfers into Level 2 from Level 3	–	–
Transfers into Level 3 from Level 1	–	–
Transfers into Level 3 from Level 2	–	–

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	
	2019	2018	2019	2018	2019	2018
Balance as at beginning of reporting period	**–**	**–**	**32**	**31**	**32**	**31**
Increases	–	–	21	2	21	2
Decreases and maturities	–	–	(4)	–	(4)	–
Transfers to Level 3	–	–	–	–	–	–
Net unrealized gains and losses recognized in P&L	–	–	1	–	1	–
Other changes	–	–	–	(1)	–	(1)
Balance as at end of reporting period	**–**	**–**	**50**	**32**	**50**	**32**
Realised gains/losses for the period recognised in P&L	**–**	**–**	**–**	**–**	**–**	**–**

F.4. Reinsurance assets

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Non-life insurance liabilities	**289**	**269**	**104**	**121**	**393**	**390**
Provisions for unearned premium	62	60	25	19	87	79
Provisions for outstanding claims	224	207	79	102	303	309
Other insurance liabilities	3	2	–	–	3	2
Life insurance liabilities	**80**	**70**	**–**	**–**	**80**	**70**
Provisions for outstanding claims	15	13	–	–	15	13
Mathematical provision	32	31	–	–	32	31
Unit-linked provisions	33	26	–	–	33	26
Total	**369**	**339**	**104**	**121**	**473**	**460**
Current portion	**309**	**285**	**47**	**38**	**356**	**323**
Non-current portion	**60**	**54**	**57**	**83**	**117**	**137**

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 €5 million (2018: €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. 2019	31. 12. 2018
Receivables arising out of direct insurance operations	**322**	**284**
Amounts owed by policyholders	298	259
Amount owed by intermediaries and others	24	25
Receivables arising out of reinsurance operations	**96**	**55**
Trade and other receivables	**107**	**82**
of which receivables from derivatives collateral	55	33
Current income tax receivables	**13**	**11**
Total receivables	**538**	**432**
Current portion	**512**	**409**
Non-current portion	**26**	**23**

F.6. Other assets

(€ million)	31. 12. 2019	31. 12. 2018
Deferred acquisition costs	**248**	**207**
Deferred tax assets	**65**	**42**
Other assets	**56**	**22**
Prepaid rent	1	1
Other accrued income	8	6
Other prepayments	23	13
Assets – other	24	2
Other assets total	**369**	**271**
Current portion	**227**	**182**
Non-current portion	**142**	**89**

F.6.1. Deferred acquisition costs (DAC)

(€ million)	Gross amount		Reinsurance		Net amount	
	2019	2018	2019	2018	2019	2018
Carrying amount as at beginning of reporting period	**223**	**189**	**(16)**	**(5)**	**207**	**184**
Change of DAC	37	23	(1)	(3)	36	20
Business combinations	5	11	–	(8)	5	3
Carrying amount as at end of reporting period	**265**	**223**	**(17)**	**(16)**	**248**	**207**

F.7. Cash and cash equivalents

(€ million)	31. 12. 2019	31. 12. 2018
Cash and cash equivalents	–	–
Cash at bank	338	311
Total	**338**	**311**

Short term deposits are included in line Cash at banks in the amount of €39 million (2018: €27 million).

F.8. Shareholder's equity

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

(€ million)	31. 12. 2019	31. 12. 2018
Shareholder's equity attributable to the Group	**5,010**	**4,814**
Not available for distribution to shareholders	**606**	**362**
Share capital	–	–
Revaluation – financial assets AFS	370	189
Currency translation reserve	94	32
Cash flow hedge reserve/(deficit)	(1)	(2)
Other capital reserves	143	143
Available for distribution to shareholders	**4,404**	**4,452**
Additional paid-in capital	3,602	3,602
Retained earnings	802	850
Shareholder's equity attributable to non-controlling interests	**259**	**238**
Total	**5,269**	**5,052**

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

(€ million)	2019	2018
Beginning reporting period	**191**	**308**
– attributable to the Group	189	308
– attributable to non-controlling interests	2	–
Gross revaluation as at the beginning of the year	**207**	**348**
Tax on revaluation as at the beginning of the year	**(18)**	**(40)**
Revaluation gain/(loss) in equity – gross	316	(252)
Revaluation gain/loss on realisation reclassification in income statement – gross	(29)	(16)
Impairment losses	3	7
Change in deferred policyholder liabilities	(93)	122
Tax on revaluation	(26)	22
Gross revaluation as at the end of the year	**404**	**207**
Tax on revaluation as at the end of the year	**(44)**	**(18)**
End of reporting period	**360**	**191**
– attributable to the Group	370	189
– attributable to non-controlling interests	(10)	2

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

(€ million)	2019	2018
Carrying amount as at the beginning of the reporting period	**(2)**	**(2)**
Fair value gains of the year	1	–
Carrying amount as at the end of the reporting period	**(1)**	**(2)**

The following table provides details of authorized and issued shares:

	31. 12. 2019	31. 12. 2018
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

On 14 June 2019, the Groups' shareholders adopted a decision, whereby they declared final dividends of €326 million, paid out of the 2018 profit.

On 26 March, the Groups's shareholders adopted a decision to pay the advance on the final dividend in the amount of €60 million out of profit for year 2019.

F.9. Other provisions

(€ million)	31. 12. 2019	31. 12. 2018
Provisions for commitments	5	21
Provision for restructuring charges	2	2
Other provisions	35	25
Total	**42**	**48**
Current portion	**40**	**27**
Non-current portion	**2**	**21**

(€ million)	31. 12. 2019	31. 12. 2018
Carrying amount as at 1 January	**48**	**53**
Foreign currency translation effects	–	(1)
Reclassification	–	(1)
Variations	(6)	(3)
Carrying amount as at end of reporting period	**42**	**48**

Provisions for Commitments

(€ million)	2019	2018
Carrying amount as at the beginning of the reporting period	**21**	**26**
Foreign currency translation effects	–	–
Variations	(16)	(5)
Carrying amount as at end of reporting period	**5**	**21**

Provisions for commitments mainly consist of provisions for the MTPL deficit, which as at 31 December 2019 amounted to €5 million (2018: €21 million).

Both in the Czech Republic and Slovakia, statutory MTPL insurance was replaced by contractual MTPL insurance (on 31 December 1999 and 31 December 2001 respectively). All rights and obligations arising from MTPL insurance prior to those dates, including the deficit of premiums received to cover the liabilities and costs, were transferred to the Czech and Slovak Bureaus of Insurers ("the Bureaus").

Companies belonging to the Group, having obtained a license to write contractual MTPL insurance in the Czech Republic and Slovakia, are members of the Bureau (see Note F.30.5).

All members of the Bureaus guarantee the appropriate portion of their liabilities, based on the member's market share for this class of insurance.

Based on information publicly available and provided to Bureau members, the Group created a provision adequate to cover the cost of claims likely to be incurred in relation to the liabilities ceded. However, the final and exact amount of the incurred cost of claims will only be known after several years.

The variations relate primarily to the decrease in the Czech Bureau provision due to the change in the estimate of claims to be paid by the Czech Bureau and also the decline in the Group's share of the Czech MTPL market.

F.10. Insurance liabilities

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Non-life insurance liabilities	**3,279**	**3,053**	**82**	**75**	**3,361**	**3,128**
Provisions for unearned premium	963	821	14	13	977	834
Provisions for outstanding claims	2,273	2,201	67	60	2,340	2,261
Other insurance liabilities	43	31	1	2	44	33
Life insurance liabilities	**4,858**	**4,130**	**–**	**–**	**4,858**	**4,130**
Provisions for outstanding claims	191	171	–	–	191	171
Mathematical provision	2,203	2,144	–	–	2,203	2,144
Unit-linked provision	2,268	1,719	–	–	2,268	1,719
Other insurance liabilities	196	96	–	–	196	96
Provisions for liability adequacy test	16	12	–	–	16	12
Ageing provision	9	16	–	–	9	16
Deferred policyholder assets/liabilities	153	51	–	–	153	51
Other	18	17	–	–	18	17
Total	**8,137**	**7,183**	**82**	**75**	**8,219**	**7,258**
Current portion					**3,432**	**3,142**
Non-current portion					**4,787**	**4,116**

Item Mathematical provision also includes Provision for unearned premiums for Life segment of €31 million (2018: €29 million).

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

The Group acquired Adriatic Slovenica Zavarovalna družba d.d. in 2019 and Concordia Polska and Concorda Capital in 2018. The effect of acquisition is reflected in movement tables of respective items within the row Business combinations.

F.10.1. Non-life insurance liabilities

Provisions for unearned premiums
The table below shows the roll-forward of the non-life liabilities for unearned premiums:

(€ million)	Gross amount		Reinsurance		Net amount	
	2019	2018	2019	2018	2019	2018
Carrying amount as at beginning of reporting period	**834**	**728**	**(79)**	**(44)**	**755**	**683**
Movements of the year	90	55	(8)	(7)	82	49
Foreign currency translation effects	3	(10)	–	1	3	(9)
Business combinations	50	61	–	(29)	50	32
Carrying amount as at end of reporting period	**977**	**834**	**(87)**	**(79)**	**890**	**755**

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	
	2019	2018	2019	2018	2019	2018
Carrying amount as at beginning of reporting period	**2,261**	**2,102**	**(309)**	**(185)**	**1,952**	**1,917**
Change related to claims incurred in current year	728	769	(50)	(120)	678	649
Change related to claims incurred in previous years	(770)	(629)	72	14	(698)	(615)
Business combinations	109	42	(14)	(12)	95	30
Portfolio transfer	–	9	–	(9)	–	–
Foreign currency translation effects	12	(32)	(2)	3	10	(29)
Carrying amount as at end of reporting period	**2,340**	**2,261**	**(303)**	**(309)**	**2,037**	**1,952**

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

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Motor	**1,427**	**1,377**	**1**	**1**	**1,428**	**1,378**
Non Motor	**846**	**824**	**66**	**59**	**912**	**883**
General liability	341	324	17	12	358	336
Property	360	391	43	45	403	436
Accident, Health and Disability	74	51	–	–	74	51
Marine, Aviation and Transport	42	35	5	2	47	37
Other	29	23	1	–	30	23
Total	**2,273**	**2,201**	**67**	**60**	**2,340**	**2,261**

F.10.2. Life insurance liabilities

Provisions for outstanding claims

(€ million)	Direct insurance	
	2019	2018
Carrying amount as at beginning of reporting period	**171**	**159**
Foreign currency translation effects	2	(2)
Change of the period	11	12
Business combinations	7	2
Carrying amount as at end of reporting period	**191**	**171**

Mathematical provisions

(€ million)	Direct insurance	
	2019	2018
Carrying amount as at beginning of reporting period	**2,144**	**2,206**
Foreign currency translation effects	12	(17)
Premiums and payments	(111)	(118)
Interests and bonuses credited to policyholders	59	61
Business combinations	99	12
Carrying amount as at end of reporting period	**2,203**	**2,144**

Unit-linked provisions

(€ million)	Direct insurance	
	2019	2018
Carrying amount as at beginning of reporting period	**1,719**	**1,768**
Foreign currency translation effects	–	(34)
Premiums and payments	(25)	2
Portfolio movements	76	93
Changes related to movements in the value of underlying assets	214	(110)
Business combinations	284	–
Carrying amount as at end of reporting period	**2,268**	**1,719**

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

Business combinations of €284 million in 2019 represent provisions recognized as a result of acquisition of Adriatic Slovenica Zavarovalna družba d.d.

Portfolio movements of €76 million in 2019 represents acquisition of Ergo portfolio in Slovakia and Hungary.

Portfolio movements of €93 million in 2018 represents switch of products from investment contracts to insurance contracts in Poland due to modification of general conditions which led to increase of risk component.

Deferred policyholders' liabilities

(€ million)	Direct insurance	
	2019	2018
Carrying amount as at beginning of reporting period	**51**	**164**
Foreign currency translation effects	1	(1)
Premiums and payments	7	10
Change of the period without impact on income statement	94	(122)
Carrying amount as at end of reporting period	**153**	**51**

The development in Deferred Policyholder Liability (DPL) is almost entirely explained by the Transformed Fund and it reflects the movement of unrealised gains in the Available for sale portfolio which are attributed to policyholders through the DPL.

Insurance liabilities and financial liabilities related to policies of the life segment

(€ million)	Net position	
	2019	2018
Insurance contracts	4,352	3,762
Investment contracts with discretionary participation feature	63	60
Total insurance provisions	**4,415**	**3,822**
Investment contracts fair valued	305	260
Investment contracts at amortised cost	4,255	3,961
Total investment contracts	**4,560**	**4,221**

Total insurance liabilities include the following items – all net of reinsurance: mathematical provisions of €2,171 million (2018: €2,113 million), provisions for policies where the investment risk is borne by the policyholders of €2,235 million (2018: €1,693 million) and ageing provisions for the life segment, which amounted to €9 million (2018: €16 million).

F.11. Financial liabilities

(€ million)	31. 12. 2019	31. 12. 2018
Financial liabilities at fair value through profit or loss	**344**	**296**
Financial liabilities at fair value through profit or loss related to investment contracts	305	260
Financial derivatives	37	33
Other liabilities at fair value through profit or loss	2	3
Financial liabilities at amortised cost	**4,924**	**5,581**
Financial liabilities at amortised cost related to investment contracts	4,254	3,961
Lease liability	95	–
Net asset value attributable to unit holders	58	22
Other liabilities at amortised cost	517	1,598
Total	**5,268**	**5,877**
Current portion	**2,108**	**3,047**
Non-current portion	**3,160**	**2,830**

Financial liabilities at amortised cost related to investment contracts primarily represent on demand financial liabilities towards participants of the Transformed Fund.

Other liabilities at amortised cost consist of reinsurance deposits of €67 million (2018: €59 million), subordinated liability of €50 million and REPO operations amounting to €398 million (2018: €1,515 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. 2019			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	**252**	**91**	**1**	**344**
Financial liabilities at fair value through profit or loss related to investment contracts	250	54	1	305
Financial derivatives	–	37	–	37
Other liabilities at fair value through profit or loss	2	–	–	2

(€ million)	31. 12. 2018			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	**253**	**43**	**–**	**296**
Financial liabilities at fair value through profit or loss related to investment contracts	249	11	–	260
Financial derivatives	1	32	–	33
Other liabilities at fair value through profit or loss	3	–	–	3

There were no transfers between levels of fair value measurement categories in 2019 and 2018.

The following table presents the changes in Level 3 instruments:

(€ million)	Financial liabilities held-for-trading		Financial liabilities designated as at fair value through profit and loss		Total financial liabilities at fair value through profit and loss	
	2019	2018	2019	2018	2019	2018
Balance as at beginning of reporting period	**–**	**–**	**–**	**–**	**–**	**–**
Increases	–	–	–	–	–	–
Business combination	–	–	2	–	2	–
Decreases and maturities	–	–	–	–	–	–
Fair value gains/losses recorded in income statement	–	–	–	–	–	–
Other changes	–	–	(1)	–	(1)	–
Balance as at end of reporting period	**–**	**–**	**1**	**–**	**1**	**–**
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. 2019			
	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised cost	**–**	**542**	**4,382**	**4,924**
Financial liabilities at amortised cost related to investment contracts	–	–	4,254	4,254
Lease liability	–	19	76	95
Net asset value attributable to unit holders	–	58	–	58
Other liabilities at amortised cost	–	465	52	517

(€ million)	31. 12. 2018			
	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised cost	**–**	**1,619**	**3,962**	**5,581**
Financial liabilities at amortised cost related to investment contracts	–	–	3,961	3,961
Net asset value attributable to unit holders	–	22	–	22
Other liabilities at amortised cost	–	1,597	1	1,598

There were no significant transfers between levels of fair value measurement categories in 2019 and 2018.

Generally, if available and if the market is defined as active, fair value is equal to the market price.

The fair value is determined primarily on the basis of the income approach using discounting techniques.

In particular, the fair value of debt instruments issued by the Group is valued using discounted cash flow models based on the current marginal rates of funding of the Group for similar types of loans, with maturities consistent with the maturity of the debt instruments subject to valuation.

The fair value of financial liabilities at amortised cost related to investment contracts can be assumed to be equal to its carrying amount, since the fund participants, after a year of membership, have the right at any moment to withdraw money from their accounts. The overwhelming majority of the fund members already fulfill this condition. The carrying amount can therefore be considered a reasonable approximation of fair value.

The fair value of such liabilities is therefore classified as level 3.

F.12. Payables

(€ million)	2019	2018
Payable arising out of direct insurance operations	**229**	**230**
Payable arising out of reinsurance operations	**181**	**127**
Current income tax payables	**65**	**16**
Other payables	**198**	**161**
Payables to employees	35	25
Payables to clients and suppliers	40	34
Social security	7	6
Other payables	116	96
Total	**673**	**534**
Current portion	**673**	**534**
Non-current portion	**–**	**–**

F.13. Other liabilities

(€ million)	2019	2018
Deferred tax liabilities	**126**	**149**
Other liabilities	**213**	**186**
Other accrued expenses	161	135
Deferred expenses	8	9
Other liabilities	44	42
Total	**339**	**335**
Current portion	**232**	**203**
Non-current portion	**107**	**132**

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

F.14. Net earned premiums revenue

(€ million)	Gross amount		Reinsurers' share		Net amount	
	2019	2018	2019	2018	2019	2018
Non-life earned premium	**2,829**	**2,316**	**(344)**	**(254)**	**2,485**	**2,062**
Premiums written	2,918	2,371	(351)	(260)	2,567	2,110
Change in the provision for unearned premium	(89)	(55)	7	6	(82)	(49)
Life premium	**1,070**	**1,031**	**(64)**	**(59)**	**1,006**	**972**
Total	**3,899**	**3,347**	**(408)**	**(313)**	**3,491**	**3,034**

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

(€ million)	2019	2018
Fee and commission income from asset management activity	63	34
Fee and commission income related to investment contracts	5	7
Fee and commission income related to pension funds management	5	3
Total	**73**	**44**

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets	**–**	**6**	**230**	**(113)**	**19**	**(14)**	**249**	**(121)**
Interest income and other income	1	1	26	18	7	4	34	23
Realised gains	1	6	40	10	4	10	45	26
Realised losses	(1)	(3)	(27)	(64)	(1)	(4)	(29)	(71)
Unrealised gains	1	3	237	30	44	22	282	55
Unrealised losses	(2)	(1)	(46)	(107)	(35)	(46)	(83)	(154)
Financial liabilities	**(8)**	**(5)**	**(11)**	**8**	**(10)**	**(13)**	**(29)**	**(10)**
Interest expenses	(2)	(1)	–	–	(12)	(12)	(14)	(13)
Other income	1	1	–	–	8	1	9	2
Realised gains	1	–	1	8	–	2	2	10
Realised losses	(6)	(4)	(6)	(2)	–	–	(12)	(6)
Unrealised gains	3	1	3	4	7	10	13	15
Unrealised losses	(5)	(2)	(9)	(2)	(13)	(14)	(27)	(18)
Total	**(8)**	**1**	**219**	**(105)**	**9**	**(27)**	**220**	**(131)**

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 €4 million (2018: €2 million), results of Europ Assistance s.r.o. and Europ Assistance Magyarország Befektetésiés Tanácsa dó Kft amounting to €1 million (2018: €1 million), results of Nama to €0.5 million.

F.18. Income from other financial instruments and investment properties

(€ million)	2019	2018
Interest revenue calculated using the effective interest rate method	**289**	**284**
Interest revenue from held to maturity financial assets	3	2
Interest revenue from loans and receivables	32	28
Interest revenue from available for sale financial assets	251	252
Interest revenue from cash and cash equivalents	3	2
Income – other	**48**	**38**
Income from investment properties	32	24
Other income from available for sale financial assets	16	14
Realised gains	**40**	**46**
Realised gains on available for sale financial assets	40	46
Unrealised gains	**20**	**24**
Unrealised gains from hedged instruments	20	24
Reversal of impairment losses	**5**	**10**
Reversal of impairment of loans and receivables	2	2
Reversal of impairment of other receivables	3	8
Total	**402**	**402**

F.19. Other income

(€ million)	2019	.2018
Gains on foreign currencies	16	–
Changes in provision for commitments	16	4
Income from tangible assets	4	4
Income from tangible assets subject to leasing	1	–
Income from service and assistance activities and recovery of charges	21	18
Recovery of charges	8	7
Income from service and assistance activities	13	11
Other technical income	55	30
Income – other	21	24
Total	**134**	**80**

Income from recovery of charges includes service charge income from investment properties and amounts to €8 million in 2019 (2018: €7 million).

F.20. Net insurance benefits and claims

(€ million)	Gross amount		Reinsurers' share		Net amount	
	2019	2018	2019	2018	2019	2018
Non-life net insurance benefits and claims	**1,513**	**1,291**	**(118)**	**(159)**	**1,395**	**1,132**
Claims paid	1,546	1,153	(139)	(53)	1,407	1,100
Change in technical provisions	(33)	138	21	(106)	(12)	32
Life net insurance benefits and claims	**931**	**599**	**(45)**	**(35)**	**886**	**564**
Claims paid	783	738	(35)	(32)	748	706
Change in technical provisions	148	(139)	(10)	(3)	138	(142)
Total	**2,444**	**1,890**	**(163)**	**(194)**	**2,281**	**1,696**

F.21. Fee and commission expenses and expenses from financial service activities

(€ million)	2019	2018
Fee and commission expenses from asset management activity	13	6
Fee and commission expenses related to investment contracts	–	1
Total	**13**	**7**

F.22. Expenses from other financial instruments and investment properties

(€ million)	2019	2018
Interest expense	**89**	**55**
Interest expense on subordinated liabilities	4	–
Interest expense on loans, bonds and other payables	79	57
of which: Interest expenses on financial liabilities at amortised cost related to investment contracts	70	41
Interest expense for lease payments	2	–
Interest expense on deposits received from reinsurers	4	(2)
Other expenses	**13**	**13**
Depreciation of investment properties	11	9
Expenses from investment properties	2	4
Realized losses	**13**	**31**
Realized losses on available-for-sale financial assets	11	30
Realized losses on other receivables	2	1
Unrealized losses	**9**	**11**
Unrealized losses on hedged instruments available for sale	9	11
Impairment losses	**15**	**17**
Impairment of investment properties	–	1
Impairment of loans and receivables	11	8
Impairment of available-for-sale financial assets	3	7
Impairment of other receivables	1	1
Total	**139**	**127**

F.23. Acquisition and administration costs

(€ million)	Non-life segment		Life segment		Financial segment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Commission and other acquisition costs	**560**	**498**	**158**	**151**	**–**	**–**	**718**	**649**
Gross acquisition costs and other commission	602	527	174	167	–	–	776	694
Received reinsurance commission	(42)	(29)	(16)	(16)	–	–	(58)	(45)
Investment management expenses	**2**	**2**	**3**	**2**	**–**	**–**	**5**	**4**
Other administration costs	**189**	**143**	**83**	**70**	**29**	**15**	**301**	**228**
Total	**751**	**643**	**244**	**223**	**29**	**15**	**1,024**	**881**

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

F.24. Other expenses

(€ million)	2019	2018
Amortisation of intangible assets	106	82
Impairment of goodwill and other intangible assets	213	6
Depreciation of tangible assets	11	9
Depreciation of tangible assets subject to leasing	24	–
Expenses from tangible assets	2	2
Expenses from tangible assets subject to leasing	1	–
Losses on foreign currencies	–	2
Restructuring charges and allocation to other provisions	17	9
Expenses from service and assistance activities and charges incurred on behalf of third parties	6	14
Other technical expenses	72	68
Holding costs	31	32
Other charges	63	62
Total	**546**	**286**

In 2019, the fire brigade charge amounting to €15 million (2018: €16 million), contributions paid to insurance regulators of €7 million (2018: €6 million), charges relating to government guaranteed funds of €1 million (2018: €4 million) used to cover MTPL injuries from unknown or uninsured drivers, and cancellation of premiums written in previous years amounting to €4 million (2018: €3 million).

In 2019, Impairment of goodwill and other intangible assets represent derecognition of brand of Česká pojišťovna. For further details please see chapter F.1 Intangible assets.

F.25. Income taxes

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

(€ million)	2019	2018
Current income taxes	**130**	**88**
Czech Republic	77	44
Bulgaria	27	15
Hungary	7	7
Poland	6	11
Slovakia	5	5
Other countries	8	6
Income taxes related to previous period	**4**	**(1)**
Czech Republic	4	(1)
Deferred income taxes	**(86)**	**(10)**
Czech Republic	(80)	(7)
Bulgaria	(3)	2
Poland	–	(4)
Slovakia	(1)	(1)
Other countries	(2)	–
Total	**48**	**77**

The tax authorities of the territories in which Group entities operate may inspect the books and records of Group entities at any time within a maximum period of three to 10 years, depending on the tax jurisdiction subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances that might give rise to a potential material liability in this respect.

The table below shows tax rates in selected countries:

	2019	2018
Czech Republic	19%	19%
Bulgaria	10%	10%
Hungary	19%	19%
Poland	19%	19%
Slovakia	21%	21%

The table below shows the reconciliation between the expected and actual income tax, which is based on the 19% tax rate applicable in the Czech Republic.

(€ million)	2019	2018
Expected income tax rate	**19.0%**	**19.0%**
Earnings before taxes	**322**	**435**
Expected income tax expense (benefit)	**61**	**83**
Effect of foreign tax rate differential	5	5
Effect of special (lower) tax rate	(17)	(20)
Tax exempt income and other tax decreasing items	(22)	(12)
Tax non-deductible expenses and other tax increasing items	23	19
Effect of tax losses	–	(2)
Foreing income tax	1	–
Income taxes for prior years	4	1
Other	(7)	3
Tax expense	**48**	**77**
Effective tax rate	**14.9%**	**17.7%**

F.25.1. Deferred tax

(€ million)	Deferred tax assets		Deferred tax liabilities	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Intangible assets	35	–	(97)	(133)
Land and buildings	1	2	(12)	(3)
Financial assets available-for-sale	38	39	(2)	(2)
Financial assets at fair value through profit and loss	1	2	(5)	(2)
Receivables	4	2	–	–
Deferred acquisition costs	–	1	(2)	–
Insurance provisions	3	3	(7)	(7)
Paybles	19	17	–	–
Fiscal losses carried forward	3	2	–	–
Accrued income and prepayments	2	1	(3)	(3)
Deferred tax asset / liability with impact on equity	2	23	(61)	(55)
Other	23	8	(3)	(2)
Total deferred tax asset/liability before set off	**131**	**100**	**(192)**	**(207)**
Set off of tax	(66)	(58)	66	58
Net deferred tax asset/liability	**65**	**42**	**(126)**	**(149)**
Current portion	**–**	**–**	**–**	**–**
Non-current portion	**65**	**42**	**(126)**	**(149)**

In accordance with the balance sheet liability method, the amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

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

(€ million)	Net deferred tax asset/liability	
	2019	2018
Balance as at beginning of reporting period	**(107)**	**(139)**
Deferred income tax for the period	86	10
Deferred tax recognised directly in equity	(26)	22
Total deffered tax income for the period	**60**	**32**
Business combinations	(11)	(2)
Currency translation differences	(3)	2
Balance as at end of reporting period	**(61)**	**(107)**

The Group did not recognise deferred tax assets of €89 million (2018: €127 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. 2019	31. 12. 2018
Expire in 1 year	50	–
Expire between 1 and 3 years	15	99
Expire between 3 and 5 years	5	24
Expire in more than 5 years	19	4
Total	**89**	**127**

F.26. 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.

Generali Group adopted multi-year plans, based on one cycle of three years. Once the cycle reaches its conclusion, participants may be granted a certain number of free shares, again assuming certain targets have been achieved, subject to specific holding/lock up periods (i.e. period, when share have been allocated to the member of the plan, but during which they can not be sold).

The LTI plan 2016 has fully accrued its relevant cost component in the first half of the year, coming to close with the equity instruments assignment upon verification of the Group's performance levels in terms of Return on Equity (RoE) and relative Total Shareholders Return (rTSR), as well as threshold levels required in terms of Return on Risk Capital and Solvency ratio.

The LTI plans for 2017 and 2018, currently in progress, may result in shares granted respectively in 2020 and 2021, subject to the Group performance level (determined by the cross-comparison of ranges of RoE and relative TSR) and the overcoming of the minimum level, where requested in terms of Return on Risk capital and Solvency ratio.

As far as the lock-up constraints are concerned, 50% of the shares are immediately available and sellable. Remaining 50% are immediately available but subject to sale restrictions for a period of two years.

With a structure similar to the last year, a new long-term incentive plan based on Assicurazioni Generali shares – Group Long Term Incentive (LTI) 2019 – has been submitted for the approval of the Shareholder's Meeting of Assicurazioni Generali S.p.A.

In line with market practises and investor expectations, shares are assigned and available to beneficiaries over a total time frame of 6 years, subject to the achievement of Group's performance conditions (Return on Equity – RoE and relative Total Shareholders Return – rTSR) and the achievement of a minimum level of Economic Solvency Ratio, as detailed below.

The Plan is based on the following essential aspects:
a) the incentive connected with the achievement of the targets is paid through the grant of Assicurazioni Generali S.p.A. ordinary shares;
b) the right to receive the shares is subject to an entry threshold, defined annually by the Board of Directors of Assicurazioni Generali S.p.A. and which represents a condition precedent;
c) the targets to which payment of the incentive is subject are Generali Group financial ones and are defined at the beginning of the three-year performance period.

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 plan participants (or a different percentage considered the role of the related beneficiaries); 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 Assicurazioni Generali S.p.A. and the Generali Group consolidated financial statements for the year previous to the year of the plan approval.

The maximum number of shares that can potentially be assigned to participants at the end of the three years is divided up into three tranches; the first tranche is for 30% of the maximum number of shares to be possibly assigned, the second is for a further 30% and the remaining 40% represents the third tranche, each tranche being subject to certain specific targets as described below.

Once the level of the Economic Solvency ratio has been reached, the achievement of the Group's financial targets, represented by the RoE and the relative TSR, compared with the peer's part of the STOXX Euro Insurance index, is verified on a yearly and overall three-year cycle basis.

The performance level, expressed as a percentage, is determined by a calculation methodology, based on two independent baskets respectively for the achievement of the ROE and the relative TSR. The final results in each basket, with a 50% weight on the bonus assignable, shall be calculated using a linear interpolation approach. The maximum performance level is 175% (or a different percentage considered the role of the related beneficiaries).

During each year of the plan and at the end of the three years, the Board of Directors evaluates the degree to which the Economic Solvency Ratio has been achieved as compared with the limit set as 120%, or alternative percentage as may be chosen from time to time by the Board of Directors. On the basis of this evaluation, the number of shares to be accrued annually or definitively granted may be reduced or even zeroed by the Board of Directors if the Economic Solvency Ratio should fall below the threshold established.

In any case, no incentive will be paid in the event of a significant worsening of the capital and financial situation of Assicurazioni Generali S.p.A. 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.

Individual tranches of shares are only granted at the end of performance period and, therefore, at the end of the three years, after verifying the degree to which the targets have been achieved in the third year (i.e. assessment by the Board of Directors on the actual achievement of the target set, considered both on an annual and overall 3-year basis) and as long as there continues to be an employment/director relationship in place with the Group companies as at the grant date. Consequently, save for extraordinary situations as specifically envisaged by the plan rules, and unless otherwise decided by the delegated bodies, any case of termination of the employment/director relationship automatically entails forfeiture of the right to be granted shares.

As regards the holding period, in line with investor requests, at the grant date, 50% of the shares are immediately available (to allow the participants to pay the tax charges connected with the grant), the remaining 50% are also immediately available but subject to a two year lock-up period; subject to the requirement for the directors who participate in the plan to maintain a suitable number of shares assigned until term of the office in course at the expiry of the lock-up.

In line with the LTI plans 2017 and 2018, a dividend equivalent mechanism has been introduced on the basis of the dividends distributed during the three-year performance period. In particular, should the shareholders' meeting resolve upon the distribution of dividends in favour of the shareholders during the three-year reference period, at the expiry of such three-year reference period, an additional number of shares determined in relation to the overall dividends distributed during the three-year reference period will be assigned in favour of the beneficiaries. The additional number of shares thus determined shall be assigned simultaneously and in relation with the other shares assigned in favour of the beneficiary, subject to the same restrictions (holding period) mentioned above 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 Assicurazioni Generali S.p.A. and Generali Group consolidated financial statements of the year preceeding the year of the plan approval.

In line with the previous plans, the 2019 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 that promise becomes an entitlement of the counterparty, rather than the value of any shares finally delivered.

The condition related to the rTSR configures as a market condition, other conditions mentioned above are considered as performance or as service condition.

The fair value of the right to receive free shares related to the market condition is estimated at grant date using statistic model which estimates the statistically probable positioning of Generali Group TSR respect to peer group identified in the STOXX Euro Insurance Index.

In order to assess the cumulative cost of the individual plans, for each tranche, the fair value related to the most probable RoE outcome was multiplied by the number of shares that can be assigned based on satisfaction of the vesting conditions. This cost has been allocated over a period of maturity of 3 years (vesting period), with a corresponding increase in equity.

In line with the calculation method applied from 2015, described above and based on an independent assessment of the levels of achievement on the Group's financial indicators, the cost of the plans 2017, 2018 and 2019 was determined by separating the component connected to the relative TSR to the one linked to the RoE.

The evaluation of the bonus right linked to market condition is made by multiplying the fair value of assignable shares (equal to the market price at grant date) with the determined pay-out by applying the linear interpolation of the probable position of rTSR estimated using a statistical model. The linear interpolation method is applied to a range between the maximum pay-out, recognised in the case of the TSR positioning at the first place, and a pay-out zero in the case where the rTSR is in the last position with respect to selected peer or has a negative value.

Unline previous plans, the LTI 2019 plan does not have tranches over multiple years and estimated fair value at the grant date of the bonus right related to the performance level in terms of relative TSR is € 7.11 with reference to the members of the GLG category.

The related cost on overall plan is resulted from the multiplication, weighted for each tranche, of the above mentioned fair value with 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 the RoE, identifying the pay-out through the linear interpolation applied to the level of RoE considered most probable. The range applied to the linear interpolation is included between the maximum pay-out, granted in case of a level of RoE equal to or greater than 13%, and a pay-out equal to 0 in case of a level of RoE equal to or lower than 11%.

Finally, the cost related to the recognition of dividends paid during the three-year period (so called dividend equivalent) was estimated by applying an estimated dividend to the expected number of shares to be assigned under the plan, based on the degree of achievement assessed as above described.

The overall cost of the LTI plans 2016, 2017 and 2018, sum of the three components above mentioned, is allocated over a period of maturity of 3 years (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 €3 million (2018: €5 million) and the equity reserve for share based payments as at 31 December 2019 to €9 million (2018: €10 million).

F.27. Information on employees

The number of employees is presented in the following table:

	31. 12. 2019	31. 12. 2018
Managers	267	277
Employees	9,857	9,196
Sales attendants	2,766	2,282
Others	15	17
Total	**12,905**	**11,772**

The staff expenses are presented in the following table:

(€ million)	2019	2018
Wages and salaries	**287**	**225**
Compulsory social security contributions	**65**	**57**
of which State-defined contribution pension plan	18	18
Others	**35**	**25**
of which Contribution to private pension funds	2	1
Total	**387**	**307**

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.28. Hedge accounting

F.28.1. 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. 2019	FX gain/loss for the period from 1. 1. to 31. 12. 2019
Hedged items		
Equities, bonds, investment funds units	1,462	(7)
Term deposits, current bank accounts and other	55	(1)
Insurance liabilities	(424)	5
Hedging instruments		
Derivatives	(171)	3
Financial liabilities (Sell-buy operations)	437	–

(€ million)	Fair value as at 31. 12. 2018	FX gain/loss for the period from 1. 1. to 31. 12. 2018
Hedged items		
Equities, bonds, investment funds units	1,544	30
Term deposits, current bank accounts and other	33	–
Insurance liabilities	(357)	1
Hedging instruments		
Derivatives	3	1
Financial liabilities (Sell-buy operations)	(676)	(32)

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 2019 and 2018, 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. 2019	Change in fair value attributable to interest rate risk for the period from 1. 1. to 31. 12. 2019
Fixed income instruments	1,638	10
Derivatives	(13)	(9)

(€ million)	Fair value as at 31. 12. 2018	Change in fair value attributable to interest rate risk for the period from 1. 1. to 31. 12. 2018
Fixed income instruments	1,513	8
Derivatives	12	2

Assessment of hedging effectiveness and possible adjustment of the dynamic hedging strategy is performed by the Group on a monthly basis. In 2019, hedging was evaluated as effective in accordance with IFRS. In majority of months of 2018, the Group's hedging was evaluated as effective in accordance with IFRS. Due to unfavourable movements on the derivative market during the last months of the year, the overall assessment of hedging for the whole accounting period is not effective.

F.28.2. Cash-flow hedge

Foreign currency risk hedging
Subsidiaries of Generali CEE Holding B.V. ("GCEE") 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 January 2055.

Hedged item
The hedged item is highly probable rental income from contracts concluded in EUR. Term of currently valid lease contracts is significantly shorter than useful life of the buildings. The Company intends to conclude lease contracts in EUR even in the future. Therefore the hedged item consists of two parts:

- Cash flow related to existing lease contracts,
- Cash flow related to lease contracts concluded in future (after expiration of current leases).

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

Prospective hedge effectiveness test
GCEE expects that the hedging relationship will be effective over its lifetime, and that the changes in the spot component of the EUR-denominated rental income will be offset by the revaluation of the spot component of the FX derivatives.

The hedge is prospectively effective if the sum of the hedged cash flow equals or is higher than the amount of hedging instrument.

Prospective hedge effectiveness test as at 31 December 2019:

(€ million)	Hedged CF	Hedging instrument	Effectiveness
	125	125	Effective

Retrospective hedge effectiveness test
Retrospective test compares month-on-month change of the spot component of the hedging instrument arising from changes in FX spot rate and change of the spot component of the hedged item.

The hedge is considered to be effective if the ratio falls within the range 80%-125%.

Retrospectively, the assumption of highly probable rental income is validated. GCEE compares actual invoiced rents and cumulative modelled rental income since the inception of the hedge. The purpose of this test is to prove the assumption of highly probable rental income, i.e. to prove that modelled rental income has been already collected. If this condition is met, it supports the assumption even for future, i.e. actually modelled rental income will be also collected.

(€ million)	31. 12. 2019
Hedged rents	1
Actual rents received	1
Hedged rents >= Actual rents received	**Yes**
Change in spot component of hedging instrument	(1)
Change in sport component of hedging item	1
Ratio of change in hedging instrument to change in hedging item	**100%**

During 2019, gain of €0 million was recognized in Other comprehensive income out of which €0 million was reclasified into Income statement.

F.29. 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 2019, financial assets were as follows:

(€ million)				Related amounts not set off in the balance sheet		
	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	Financial instruments	Cash collateral received	Net amount
Derivative financial assets	55	–	55	(13)	(29)	13
Receivable from derivative collateral paid	55	–	55	(55)	–	–
Total	**110**	**–**	**110**	**(68)**	**(29)**	**13**

As at 31 December 2018, financial assets were as follows:

(€ million)				Related amounts not set off in the balance sheet		
	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	Financial instruments	Cash collateral received	Net amount
Derivative financial assets	26	–	26	(14)	(14)	(2)
Receivable from derivative collateral paid	33	–	33	(33)	–	–
Total	**59**	**–**	**59**	**(47)**	**(14)**	**(2)**

As at 31 December 2019, financial liabilities were as follows:

(€ million)				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral paid	Net amount
Derivative financial liabilities	(37)	–	(37)	13	55	31
Total	**(37)**	**–**	**(37)**	**13**	**55**	**31**

As at 31 December 2018, financial liabilities were as follows:

(€ million)				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral paid	Net amount
Derivative financial liabilities	(33)	–	(33)	14	33	14
Total	**(33)**	**–**	**(33)**	**14**	**33**	**14**

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.30. Off balance sheet items

F.30.1. Commitments
As at 31 December 2019, the Group had a commitment under investment agreements of €131 million (2018: €124 million) to make an additional contribution into the private equity funds. Till 2019, the Group already invested €146 million into these private equity funds.

F.30.2. Pledged assets and collaterals
As at 31 December 2019, the Group had pledged €467 million (2018: €1,822 million) of assets as collateral, where €463 million (2018: €1,747 million) has been pledged in repurchase agreements (REPO). The fair value of the guaranteed liabilities in repurchase agreements amounted to €398 million (2018: €1,643 million).

Furthermore, as at 31 December 2019 the Group has received financial assets as collateral for €1,155 million (2018: €1,904 million), in particular for transactions in bonds and loans. The fair value of the asset for which the collateral was received amounted to €1,178 million (2018: €1,932 million).

F.30.3. Guarantees
When negotiating terms and conditions in respect of acquisition of real estate properties the Group receives guarantees given by the seller of the property. The guarantees usually refer to ownership rights and potential claims raised against the owner of the property.

Furthermore, the Group in the context of its business in some Countries receives guarantees given by third parties.

The Group guarantees minimum investment yield of 0% on an annual basis for plan holders of the Transformed fund and has to ensure that the value of assets in the Fund is always equal to or greater than the value of liabilities.

F.30.4. 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.30.5. Other contingencies

Participation in nuclear pools
As a member of the National Nuclear Pools, the Group is jointly and severally liable for the obligations of the pools. This means that in the event that one or more of the other members are unable to meet their obligations to the pool, the Group would take over the uncovered part of this liability, pro-rata to its own net retention for the contracts in question. Management does not believe that the risk of another member being unable to meet its obligations to the pool to be material to the financial position of the Group. In addition, the potential liability of the Group for any given insured risk is contractually capped at twice the Group's net retention for that risk.

The subscribed country net retention is as follows:

Czech Republic

(€ million)	31. 12. 2019	31. 12. 2018
Liability	10	10
Fire, lightning, explosion, aircraft („FLEXA") and break down of operations	27	27
Total	**37**	**37**

Slovakia

(€ million)	31. 12. 2019	31. 12. 2018
Liability	4	4
Fire, lightning, explosion, aircraft („FLEXA“) and break down of operations	4	4
Total	**8**	**8**

Hungary

(€ million)	31. 12. 2019	31. 12. 2018
Liability	1	1
Fire, lightning, explosion, aircraft („FLEXA“) and break down of operations	2	2
Technical insurance and breakdown of operations	2	2
Total	**5**	**5**

Bulgaria

(€ million)	31. 12. 2019	31. 12. 2018
Liability	1	1
Total	**1**	**1**

Croatia

(€ million)	31. 12. 2019	31. 12. 2018
Fire, lightning, explosion, aircraft („FLEXA“) and break down of operations	1	1
Transportation risk	1	1
Total	**2**	**2**

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.31. 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.31.1. 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.31.2. 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	
	2019	2018	2019	2018
Short-term employee benefits	–	–	3,052	2,909
Long-term employee benefits	–	–	1,329	929
Contribution to State-defined contribution pension plans	–	–	426	402

Short-term employee benefits include wages, salaries, allowances provided for membership in the statutory bodies, bonuses and other benefits such as medical care and cars. Bonuses are conditional upon achievement of specific targets linked to profitability levels of the Group's insurance business; these targets have been largely met in the current financial year.

There were no termination benefits paid to the key management personnel of the Group either in 2019 or in 2018.

F.31.3. Related party transactions

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

(€ million)	31. 12. 2019	31. 12. 2018
Total assets	**217**	**195**
Investments	4	2
Reinsurance assets	179	182
Receivables	38	14
Other assets	(4)	(3)
Total liabilities	**121**	**112**
Insurance liabilities	20	29
Financial liabilities	65	59
Payables	34	23
Other liabilities	2	1

(€ million)	2019	2018
Total income	**(144)**	**(129)**
Net earned premiums revenue	(144)	(129)
Total expenses	**69**	**98**
Net insurance benefits and claims	62	83
Expenses from other financial instruments and investment properties	(4)	2
Acquisition and administration costs	19	20
Other expenses	(8)	(7)

Reinsurance assets are represented by technical provisions ceded to Assicurazioni Generali S.p.A. for €179 million (2018: €182 million) and item Net earned premiums revenue includes ceded premiums to Assicurazioni Generali S.p.A under reinsurance contracts for €144 million (2018: €129 million).

Other related party transactions
Other transactions with related parties that are part of the Generali group, it means companies controlled by the ultimate parent company Assicuazioni Generali S.p.A., are presented in the following tables:

(€ million)	31. 12. 2019	31. 12. 2018
Total assets	**291**	**256**
Intangible assets	1	–
Investments	256	225
Reinsurance assets	22	21
Receivables	9	9
Other assets	3	1
Total liabilities	**28**	**32**
Insurance liabilities	12	7
Payables	12	15
Other liabilities	4	10

(€ million)	2019	2018
Total income	**16**	**(22)**
Net earned premiums revenue	7	(19)
Net income/(losses) from financial instruments at fair value through profit or loss	6	(5)
Income from other financial instruments and investment properties	1	–
Other income	2	2
Total expenses	**–**	**5**
Net insurance benefits and claims	2	8
Expenses from other financial instruments and investment properties	–	(2)
Acquisition and administration costs	4	5
Other expenses	(6)	(6)

Item Investment comprises investment fund units of €67 million (2018: €68 million) mainly via unit-linked portfolio and investments in private equity funds and provided loans of €189 million (2018: €157 million).

G. SUBSEQUENT EVENTS

Impact assessment of the COVID-19 outbreak
As the end of the year 2019 there were first information on SARS-Cov-2 (COVID-19) infection coming from China. During the first months of 2020 the virus has spread to almost all of the world and negatively impacted many countries.

In the wider context of the economic and financial framework, marked by insecurity and high volatility, and considering the impacts of the COVID-19 outbreak, the Group has triggered a mechanism for constant monitoring of its financial position and solvency, enabling the timely analysis of the impact developments and the relevant measures, if required.

Due to the increased uncertainty and volatility, especially in the financial markets, it is currently not possible to make a reasonable assessment of the medium-term impact, also at the macroeconomic level. Group continues to implement its strategy and maintains its usual operations, monitoring the effect of the pandemics, so that it can react in an adequate and timely manner.

Although it is difficult to make a general assessment of the total effect, it is obvious that for many (re)insurers the situation is resembling a combination of several stress events occurring at the same time, like:
- Equity markets fall
- Fall of specific bond markets
- Potential subsequent rating downgrades related to bond issuers as well as reinsurance counterparties
- Pandemic scenario leading to significant health insurance indemnities
- Drop in new production (mostly in Life)
- Potential business interruption reimbursements.

The Group has established a sound risk management system, which enables the regular monitoring of the situation and its impact on the capital adequacy.

In addition to it, the Group has implemented a number of initiatives in a timely manner to ensure business continuity and protect the health of the people who work for the company, its distribution network and its customers.

Given the above-stated and the assessment results, it can be concluded that the capital adequacy and the solvency of the Group remain stable as at the date of the drawing up of this annual report. Therefore the financial statements are prepared assuming that the Group will continue as a going concern.

Except for the COVID-19 situation described above, we are not aware on any other significant subsequent events that may affect the financial statements.

III. Company Financial Statements for the Year Ended 31 December 2019

COMPANY STATEMENT OF FINANCIAL POSITION

(€ million)	Note	31. 12. 2019	31. 12. 2018
Non-current assets		**4,719**	**4,585**
Intangible assets		1	–
Financial fixed assets	D.1	4,718	4,585
Investments in group companies		4,718	4,585
Current assets	**D.2**	**303**	**250**
Receivables	D.2.1	3	3
Loans	D.2.2	177	149
Securities	D.2.3	109	83
Cash and cash equivalents	D.2.4	10	11
Other assets	D.2.5	4	4
Total assets		**5,022**	**4,835**
Shareholder's equity	**D.3**	**5,010**	**4,814**
Paid-up capital and share premiums reserve	D.3	3,935	3,935
Other reserves	D.3	1,075	879
Current liabilities	**D.4**	**12**	**21**
Other liabilities	D.4.1	12	21
Total equity and liabilities		**5,022**	**4,835**

COMPANY INCOME STATEMENT

(€ million)	Note	2019	2018
Result from investments in Group companies after tax		296	389
Other income and expenses after tax	E.1	(21)	(31)
Result of the period		**275**	**358**

Notes to the Company Financial Statements

A. GENERAL INFORMATION

The Company financial statements of Generali CEE Holding B.V. should be read in conjunction with the consolidated financial statements.

A.1. Description of the Company

Generali CEE Holding B.V. or "the Company" was incorporated under Dutch law as a limited liability company on 8 June 2007. The Company is listed in the Commercial Register kept by the Chamber of Commerce of the city of Amsterdam under Registration Number 34275688 and is based in De Entree 91, 1101 BH Amsterdam, The Netherlands.

Generali CEE Holding was established under the laws of the Netherlands and as at 31 December 2019 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 2019 as follows:

Members: Luciano Cirinà
Gregor Pilgram
Jaime Anchustegui Melgarejo
Cristiano Borean
Heike Otteman-Toyza

The Company incorporated a branch (Generali CEE Holding B.V., organizační složka) in the Czech Republic which was entered into the Commercial Register kept by the Municipal Court in Prague, Section A, Insert 59992 on 30 January 2008 under Identification Number 28239652 and is situated in Na Pankráci 121/1658, 140 21 Prague 4, Czech Republic. As at 31 December 2019, the Chief Executive Director of the branch was Mr. Luciano Cirinà.

The Company is subject to Dutch and Czech corporate income taxation, due to its branch in the Czech Republic. Since all the assets and activities of the Company have been transferred to the Czech branch, Czech tax law has primacy for the Company's tax status.

B. BASIS OF PREPARATION

These financial statements are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. The principles of valuation and determination of results described in the consolidated financial statements prepared under International Financial Reporting Standards (IFRS) as endorsed by the European Commission are also applicable to the individual financial statements. Investments in Group companies and investments in associates are initially recognised at cost and subsequently accounted for by the equity method of accounting.

The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Netherlands Civil Code. The income statement has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code.

The financial statements will be adopted by the Annual General Meeting which is expected to take place in May 2020. 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. 2019	31. 12. 2018
Investments in group companies	4,718	4,585
Total investments in subsidiaries and associates	**4,718**	**4,585**

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)	2019	2018
Carrying amount as at beginning of reporting period	**4,585**	**4,655**
Additional investments in group companies	351	33
Disposal of group companies	(259)	–
Dividend distribution	(489)	(337)
Other movements in group companies equity	234	(155)
Result of group companies	296	389
Carrying amount as at end of reporting period	**4,718**	**4,585**

In 2019 the Company acquired Adriatic Group for €246 million, Union Investment for €93 million and Romanian pension fund for €10 million.

The company sold its subsidiary Generali pojišťovna a.s. to other company within Generali Group České pojišťovna.

In 2018 the Company acquired the Polish non-life insurance company Concordia Polska TUW for acquisition price amounting to €31 million and increased its participation in Generali Montenegro for €2 million.

Other movements in group companies equity primarily comprise changes in the share premium reserve, the revaluation reserve arising from changes in the fair value of available for sale financial instruments held by the Group companies and changes in the currency translation reserve arising from differences between functional currencies and the presentation currency.

The list of Group companies is presented in the consolidated financial statements (see Note C.1 in the consolidated financial statements). In majority of entities where the Company has direct participation its share exceeds 50%, except for Generali Alapkezelő Zrt. (share 26%) and GW Beta (49%).

D.2. Current assets

D.2.1. Receivables

Receivables comprise the following:

(€ million)	31. 12. 2019	31. 12. 2018
Receivables from clients and suppliers	3	3
Total	**3**	**3**

All receivables are due within one year.

D.2.2. Loans

(€ million)	31. 12. 2019	31. 12. 2018
Loans	177	149
Total	**177**	**149**

Loans consist of cash-pooling operated by Assicurazioni Generali S.p.A. of €2 million (2018: €2 million), reverse repurchase agreement of €145 million (2018: €120 million) and loan provided to City Empiria, a.s. of €24 million (2018: €25 million) and GW Beta B.V. of €6 million (2018: €2 million).

Changes in company loans provided were as follows:

(€ million)	2019	2018
Balance as at beginning of reporting period	**149**	**178**
Redemptions	(1)	(29)
Increases	27	2
Exchange differences	2	(2)
Balance as at end of reporting period	**177**	**149**

In 2019 there was an increase of €23 million related to reverse repurchase agreement and €3 million related to loan provided to GW Beta B.V. Redemption of €1 million represents the partial repayment of loan provided to City Empiria, a.s.

In 2018 there was partial repayment of loan provided to City Empiria, a.s. of €4 million, redemptions of €27 million related to reverse repurchase agreements. Increase of €2 million relates to new loan provided to subsidiary GW Beta B.V.

D.2.3. Securities
Securities as at 31 December comprise:

(€ million)	31. 12. 2019	31. 12. 2018
Quoted securities	**31**	**19**
Equities	29	–
Government bonds	–	8
Corporate bonds	2	11
Unquoted securities	**75**	**63**
Equities	75	63
Derivatives	**3**	**1**
Total	**109**	**83**

Changes in company securities were as follows:

(€ million)	2019	2018
Balance as at beginning of reporting period	**83**	**80**
Investments	33	12
Revaluation in equity	6	3
Revaluation in income statement	1	–
Exchange differences	2	(3)
Sold	(16)	(9)
Balance as at end of reporting period	**109**	**83**

The investments in 2019 were represented by acquisition of equities. All the government bonds (€7 million) and significant part of corporate bonds (€9 million) were sold in 2019.

Investments in 2018 relate to an increase of investments in private equity fund Lion River.

D.2.4. Cash and cash equivalents
Cash and cash equivalents are as follows:

(€ million)	2019	2018
Balance as at beginning of reporting period	**11**	**15**
Decrease in cash at bank and in hand	(1)	(4)
Balance as at end of reporting period	**10**	**11**

No restrictions are applicable to cash balances.

D.2.5. Other assets
Other assets comprise the following:

(€ million)	31. 12. 2019	31. 12. 2018
Accrued income and prepayments	–	1
Tax receivables	4	3
Total	**4**	**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. 2017	**–**	**3,935**	**259**	**62**	**(2)**	**338**	**330**	**4,922**
Transfer of net gain 2017						330	(330)	–
Balance after transfer	**–**	**3,935**	**259**	**62**	**(2)**	**668**	**–**	**4,922**
Revaluation – financial assets AFS			3					3
Currency translation differences				(11)				(11)
Other movements in subsidiaries equity			(122)	(33)	–			(155)
Other comprehensive income	**–**	**–**	**(119)**	**(44)**	**–**	**–**	**–**	**(163)**
Net gain 2018							358	358
Total comprehensive income for the period	**–**	**–**	**(119)**	**(44)**	**–**	**–**	**358**	**195**
Allocation to reserve for share-based payments						5		5
Other changes						2		2
Dividends to shareholders						(310)		(310)
Balance as at 31. 12. 2018	**–**	**3,935**	**140**	**18**	**(2)**	**365**	**358**	**4,814**
Transfer of net gain 2018						358	(358)	–
Balance after transfer	**–**	**3,935**	**140**	**18**	**(2)**	**723**	**–**	**4,814**
Revaluation – financial assets AFS			8					
Currency translation differences				2				
Other movements in subsidiaries equity			173	60	1			234
Other comprehensive income	**–**	**–**	**181**	**62**	**1**			**244**
Net gain 2019							275	275
Total comprehensive income for the period	**–**	**–**	**181**	**62**	**1**		**275**	**519**
Allocation to reserve for share-based payments						3		3
Dividends to shareholders						(326)		(326)
Balance as at 31. 12. 2019	**–**	**3,935**	**321**	**80**	**(1)**	**400**	**275**	**5,010**

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

(€ million)	31. 12. 2019	31. 12. 2018
Not available for distribution to shareholders	**610**	**362**
Share capital	–	–
Share premium reserve – portion not available for distribution	157	157
Revaluation reserves	374	189
Currency translation reserve	80	18
Cash flow hedge reserve	(1)	(2)
Available for distribution to shareholders	**4,400**	**4,452**
Share premium reserve – portion available for distribution	3,778	3,778
Revaluation reserves	(53)	(49)
Retained earnings	675	723
Total shareholder's equity	**5,010**	**4,814**

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 €374 million (2018: €189 million) which is not available for distribution.

D.3.3. Profit distribution
On 14 June 2019, the Groups' shareholders adopted a decision, whereby they declared final dividends of €326 million, paid out of the 2018 profit.

On 26 March, the Groups's shareholders adopted a decision to pay the advance on the final dividend in the amount of €60 million out of profit for year 2019.

D.4. Current liabilities

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

(€ million)	31. 12. 2019	31. 12. 2018
Payables to clients and suppliers	4	3
Payables related to taxation	2	1
Accrued charges	6	6
Liabilities related to purchase of financial investments	–	11
Total	**12**	**21**

Liabilities related to purchase of financial investments in 2018 consist of payable to Lion River of €3 million for capital call issued in December 2018 and part of acquisition price of the insurance company Concordia Polska TUW of €8 million.

E. NOTES TO THE COMPANY INCOME STATEMENT

E.1. Other income and expenses

Other income and expenses can be analyzed as follows:

(€ million)	2019	2018
Interests and other investment income	4	3
Currency gains	8	1
Other income	1	1
Total income	**13**	**5**
Personnel expenses	(16)	(17)
Expenses for share-based payments	(1)	(2)
Audit and consulting services	(7)	(10)
Other expenses	(8)	(6)
Total expenses	**(32)**	**(35)**
Income taxes	**(2)**	**(1)**
Other income and expenses	**(21)**	**(31)**

E.2. Off-balance sheet items

E.2.1. Commitments

As at 31 December 2019, the Company had a commitment under investment agreements of €37 million (2018: €42 million) to make an additional contribution into the private equity funds.

E.2.2. Pledged assets and collaterals

Furthermore, the Company has received financial assets as collateral for approximately €143 million (2018: €118 million), in particular for repo operations.

E.3. Share-based payments

The detailed description of share-based payments for the Company's employees including vesting period, conditions and valuation is presented in the consolidated financial statements (see Note F.26 in the consolidated financial statements).

As at 31 December 2019, an expense recognised in relation to this plan amounted to €1 million (2018: €2 million).

E.4. Employees

Number of employees:

	31. 12. 2019	31. 12. 2018
Managers	45	40
Employees	71	69
Total	**116**	**109**

Employee expenses were €16 million (2018: €17 million) (Note E.1). Further information about employees is provided in Note F.27 of the consolidated financial statements. All employees of the Group work outside the Netherlands.

E.5. Company directors

Further information about the remuneration of Company directors is provided in Note F.31.2 of the consolidated financial statements.

E.6. Transactions with related parties

All investments in the Group companies and other investments disclosed in the consolidated financial statements qualify as related parties. Information on related party transactions is provided in Note F.31 of the consolidated financial statements.

E.7. Audit fees

Audit fees related to the audit of the financial statements for the Company and its subsidiaries for 2019 amounted to €3.2 million, net of VAT (2018: €2.8 million) and are due to the Ernst & Young network of firms. The other services provided by the audit firm have been immaterial.

E.8. Subsequent events

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

4 May 2020
Signed by the Board of Directors:

Luciano Cirinà
Managing Director

Jaime Anchústegui Melgarejo
Managing Director

Gregor Pilgram
Managing Director

Cristiano Borean
Managing Director

Heike Ottemann-Toyza
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.

F.2. Independent auditor's report

To: the General Meeting of Shareholders of Generali CEE Holding B.V.

Independent auditor's report

To: the shareholders and board of directors of Generali CEE Holding B.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Generali CEE Holding B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Generali CEE Holding B.V. as at 31 December 2019, and of its result and its cash flows for 2019 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 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019
- The following statements for2019: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2019
- The company profit and loss account for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Generali CEE Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to Corona developments

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on Generali CEE Holding B.V. is disclosed in the board of directors report in section F Outlook for Operations and the disclosure about events after the reporting period on page 124 and 135. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Board of directors report including the letter from the Chairman and CEO, the economic and insurance market development and the holding's management
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the board of directors report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

The Hague, 4 May 2020

Ernst & Young Accountants LLP

signed by S.B. Spiessens

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