

ANNUAL REPORT 2021

Generali CEE Holding B.V.



Generali CEE Holding B.V.

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LETTER FROM THE CHAIRMAN AND CEO

Dear Ladies and Gentlemen,

the Austria and CEE region remains one of the strongest engines of growth and profitability in the Generali Group thanks to our long-time presence and the strength and talent of our people.

In recent times, though, important internal and external challenges have emerged from the external environment: inflation is rising, a war is taking place close to our borders, a slow-down of the world economy is to be expected as well as more frequent natural catastrophes and volatility in the financial markets. Lastly, we cannot forget the Covid-19 disease that is shifting from pandemic to endemic.

We firmly believe that, despite the challenges we face, thanks to our capabilities and motivation and the strength of our market position we can achieve our targets and continue the journey to become Lifetime Partner to our customers and distributors.

Renaming the Region

Because of the recent conflict in Ukraine and the international geopolitical situation, Generali has been rethinking its position in Russia and decided to close the Moscow representative office and exit from the board of the Russian insurer Ingosstrakh, in which Generali holds a minority investment stake of 38.5%. Following this decision, our Business Unit has been renamed Austria & CEE.

Stronger integration

In December 2021, Generali took another step forward to the implementation of the Lifetime Partner strategy with the first cross border merger operation, based on which Generali will operate in Slovakia as a branch company of Generali Česká pojišťovna, under the name Generali Poistovňa. The SPOLU project (together in Czech and Slovak languages) aims to combine activities and synergies in various areas to provide the best and most innovative services for clients, agents and partners in both countries.

New Governance

In March 2022, following the Board of Directors' of Assicurazioni Generali decision to suspend and consequently terminate the employment of Luciano Cirinà, Giovanni Liverani has been ad interim appointed as Regional Officer and CEO of Generali CEE Holding in addition to his role as Country manager for Germany and CEO of Generali Deutschland AG, in order to safeguard the smooth continuation of the business within the ACEE Region and deliver the new strategic plan "Lifetime Partner 24: Driving Growth", with ambitious targets based on sustainable growth.

Financial results

The CEE area is among the most important business units for the Group, and, despite all challenges, it was able to achieve record operating results in 2021, thanks to the contribution of each and every country in the region. Last year, premium income reached €4,233 million, while the operating result was €649 million. As for technical results, the P&C business, reported a premium income of €3,133 million and the Life segment €1,100 million. The combined ratio increased to 81.13%. In terms of remittance, we completed an extraordinary three-year cycle where the region contributed to the Group with more than 1.1 billion euro. We remain among the top 3 players in Austria, the Czech Republic, Hungary, Serbia, Slovakia and Slovenia, further strengthening our positions in all countries where we operate.



Jaime Anchústegui Melgarejo

Lion Power

The Regional Digital Acceleration Program launched in May 2020 remains the focus of our digitization journey and a powerful tool to accelerate the new Group Strategy Lifetime Partner 24. In its first year of execution 146 ambitious targets were set among five different streams and the achievement rate reached more than 80%.

Sustainability

Sustainability is the originator of the new strategy, which means that our ambition is that sustainability will shape all the decisions that are taken. The engagement activities for a just transition of the four coal companies operating in the CEE countries highly dependent on this fuel and where the Generali Group has a primary presence as an investor and/or insurer has led to an acceleration in the decarbonization process.

As responsible insurer, we want to foster the sustainable transition for the SMEs through the second edition of the EnterPRIZE project. Austria, Hungary and the Czech Republic have been part of this journey since the beginning and Croatia participation is adding further value.

Generali's fundraising campaign for the Ukrainian families who escaped the war seeking refuge in the countries of the Region has been highly successful. We are proud and grateful of Generali employee's contribution to the campaign and of the many humanitarian initiatives still running in the neighbouring countries where Generali is present. On top of it we will leverage The Human Safety Net initiative with country-specific initiatives working even closely with our local NGOs.

Dear readers, we are well positioned, with a clear strategy to face a complex environment and we have an ambitious plan in front of us for the next three years, aimed at further reinforcing our strong market position. We firmly believe that, despite the challenges we face, thanks to the capabilities and motivation of our people and the strength of our market position we can achieve our targets and continue on the journey to become Lifetime Partner to our customers and distributors.



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



Giovanni Liverani
Austria and CEE Regional Officer a.i.
CEO of Generali CEE Holding B.V. a.i.



Giovanni Liverani

ECONOMIC AND INSURANCE MARKET DEVELOPMENT

GENERAL ECONOMIC SITUATION IN 2021

Global economic activity has recovered in 2021, as progress in vaccination led to less severe impacts of the COVID pandemic in terms of casualties and also in terms of related lockdowns. However: new waves of pandemic were still limiting economic activity in 2021 (mainly in services), while situation in manufacturing sector was negatively impacted by supply bottlenecks. That said: the Eurozone GDP increased by 5.3% in 2021 (after falling by 6.4% in 2020). Outlook for 2022 is extremely uncertain due to impact of the war conflict in Ukraine and sanctions imposed on Russia but scenarios available in early March operated with the Eurozone GDP growth at 2.2%.

Economic recovery took place also in the CEE region with new waves of pandemic and supply-chain disruptions also limiting activity at times. The GDP recovery was driven by domestic demand, particularly by household consumption, which benefitted –inter alia- from favourable situation in the labour market (strong wage growth, declining unemployment) and from spending of excess savings that were accumulated by households during lockdowns in 2020 and early 2021. Outlook for 2022 became complicated due to situation in Ukraine and Russia but GDP in the CEE region was still expected to grow in early March, despite downward revisions in forecasts for 2022.

The economic recovery was accompanied by growing prices pressures that resulted from both supply side factors (growing commodity prices, higher costs related to supply bottlenecks) and from strong demand. Inflation reached multi-year highs in late 2021 and acceleration continued in early 2022. Developments related to conflict in Ukraine (growing prices of mineral fuels, risk of lower harvest of some of the key agriculture commodities), as well as volatility in the CEE currencies, create significant pro-inflationary risk for 2022. This will extend the cycle of monetary policy tightening which was launched in the CEE region already in 2021.

The Czech GDP increased by 3.3% in 2021: growth was supported by domestic demand while exports (and manufacturing production) were hit by global supply-chain disruptions. Inflation increased, being led by commodity prices but also by domestic factors incl. the tight labour market and fiscal spending. The CNB was the second central bank in the EU -after Hungary's MNB- to launch cycle of interest rate hikes in June 2021 and its key rate may still grow slightly from its current level of 4.50% but interest rate cuts may follow in 2023. The CNB is ready to defend the CZK stability via FX interventions.

In Poland, the full-2021 GDP growth reached 5.7% with a strong performance in second half of the year but outlook for 2022 was revised down due to consequences of the war in Ukraine. Growing inflation, resulting from global factors and strong domestic demand led the central bank to launch monetary policy tightening cycle since autumn 2021 and the process will continue at least until mid-2022, as CPI may approach 10% in 2022 despite government's effort to limit price pressures via VAT rate reductions.

The Hungarian GDP increased by 7.1% in 2021, as both domestic demand and exports recovered thanks to easing of Covid-restrictions and the global recovery. GDP growth was strong in the final quarter of 2021 but situation resulting from the war in Ukraine creates downside risks to GDP outlook for 2022. Strong inflation pressures (with headline CPI well above 3% goal) led the Hungarian central bank to raise interest rates and monetary policy tightening is likely to continue at least until mid-2022 with policy easing likely to follow only in 2023. The government tries to limit inflation pressures via price caps on selected items (motor fuels, basic food).

Slovakia's GDP growth will slow to 2.5% in 2022 from 3% in 2021 due to the consequences of the crisis in Ukraine - high inflation will dampen consumption, export to Ukraine and Russia will drop and export industries will suffer under supply disruptions. On the other hand, further recovery of Covid-sensitive industries and pick up in public investments should keep growth in positive area. Also, the huge refugee wave should provide additional growth impulse and creates a potential upside risk to our forecast. The crisis will delay consolidation of public finances and budget deficit may stay around 6% GDP in 2022.

Bulgarian economy rose by 4.2% in 2021 thus somehow lagged behind peers. While household consumption recovered nicely from the pandemic driven shock, supported by high single-digit real wage growth, investments were a laggard, likely influenced by prolonged political uncertainties with series of three elections held during 2021. The last one in autumn finally generated feasible majority and the new government pledged to start long-awaited anti-graft process. Still, fiscal austerity and path toward euro adoption remain the key priorities shared among politicians.

Croatian economy posted double-digit growth in 2021 that slightly exceeded 10% and also outpaced sharp contraction recorded a year before. Recovery of the vital tourism sector is the major driver, leading to stratospheric expansion of services exports during the main summer season. While headline inflation went visibly up, low core CPI slightly above 2% suggests only limited demand side pressures. The government wants to speed up euro adoption to 2023, a year earlier than initially planned, in order to protect the country from inflation and systemic risk given very high euroization of the economy.

Montenegro recorded double-digit GDP growth in 2021 as vital tourism sector enjoyed strong recovery following the slump in 2020. With gradual completion of part of the major highway, growth is set to moderate in coming years but it will also help troubled fiscal and external metrics. The economy is partially shielded from the global inflation surge thanks to usage of euro currency. Politics remains a source of uncertainty due to recent collapse of the government and overall high fragmentation.

Romanian economy rebounded in 2021 and GDP rose by nearly 6%. However, the later part of the year showed that the growth is losing steam and with rising inflation, real wage growth turned negative, which will weigh on consumers' demand ahead. Besides liberalization of electricity prices, inflationary pressures are seen across the economy. However, rather gradual monetary policy tightening is being deployed since autumn with tightly managed liquidity and FX are also important part of the approach. Collapse of centre-right government made investors nervous given existing twin deficits. Formation of a grand coalition in autumn and removal of negative outlooks by both Moody's and S&P provided some relief but fiscal outlook remains the key challenge.

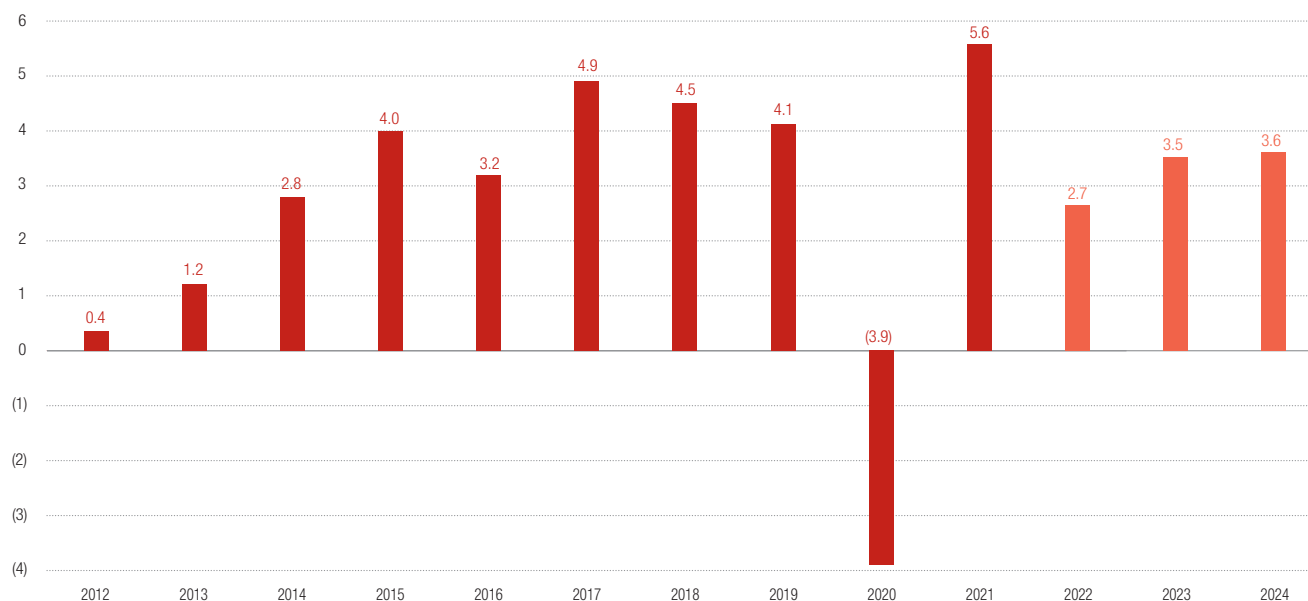
Serbian economy quickly recovered and exceeded the pre-pandemic level already in 1Q 2021. Robust consumption, record FDI and ongoing infrastructural spending helped to propel the economy toward 7.4% GDP growth in 2021, which is pretty good given only limited contraction in 2020. Central bank remains dovish and rock-solid dinar exchange rate is part of this strategy. Despite lower inflation risk related to the war in Ukraine (Serbia has much cheaper gas from Russia vs. the EU), proper policy tightening is about to start soon as core inflation could easily exceed the target range in coming months.

Economic recovery in Slovenia was pretty strong mainly due to domestic demand. GDP rose by 8.1% in 2021 and the last quarter even saw substantial acceleration of growth to 5.4% qoq. Inflation in Slovenia stood below the EMU average for the most of 2021 but exceeded it in early 2022. Also, real wage change turned negative in autumn. On the political side, government lost majority but managed to survive and its public approval will be tested in upcoming general elections due in April 2022.

ECONOMIC CONDITIONS

Economic activity (GDP) recovered across the CEE region (in that area where Generali CEE Holding is present) in 2021 despite the fact that COVID-related restrictions and supply bottlenecks created headwinds during the year. Outlook for the whole-year performance in 2022 is extremely uncertain due to the war in Ukraine, sanctions against Russia and related developments including upside pressures on mineral fuel and food prices. Still: a full-year GDP growth across the region was expected in March.

REAL GDP GROWTH IN CEE REGION (%)

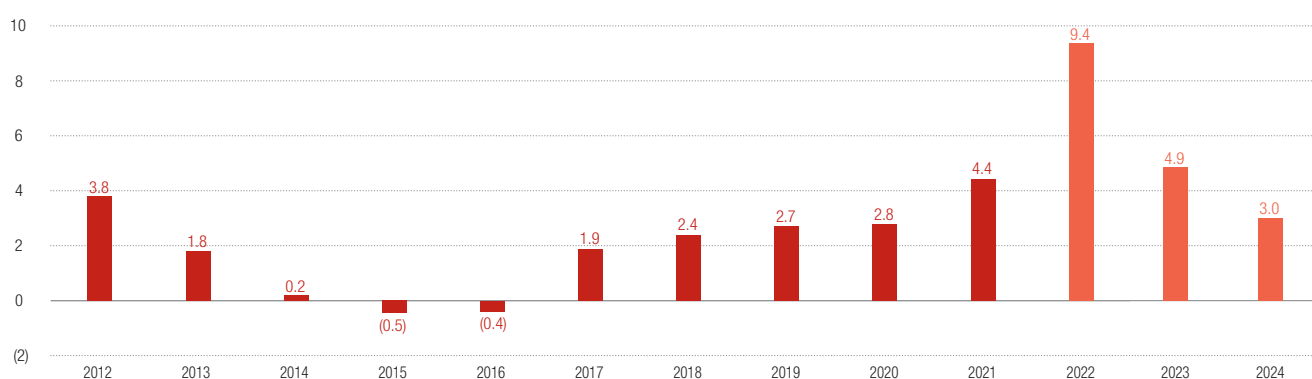


Real GDP growth (%)	2019	2020	2021	2022f	2023f	2024f
CEE overall	4.1	(3.9)	5.6	2.7	3.5	3.6
Bulgaria	4.0	(4.4)	4.2	2.5	3.5	3.0
Croatia	3.5	(8.1)	10.4	3.0	3.5	2.8
Czech Republic	3.0	(5.8)	3.3	1.8	3.0	3.5
Hungary	4.6	(4.7)	7.1	2.8	3.0	3.5
Montenegro	4.1	(15.3)	11.5	3.5	4.5	3.0
Poland	4.7	(2.5)	5.7	3.2	3.5	4.0
Romania	4.2	(3.7)	5.9	2.2	4.2	3.5
Serbia	4.2	(1.0)	7.4	3.5	4.0	3.5
Slovakia	2.7	(4.4)	3.1	2.5	3.5	2.5
Slovenia	3.3	(4.2)	8.1	2.5	3.5	3.0

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

Inflationary pressures intensified at start of 2022 due to increases in energy, fuel and food prices, which were driven by geopolitics. Price pressures accumulated in domestic economies via tight labour markets and strong domestic demand were another driver of the increase in inflation in early 2022. Higher inflation will have negative impact on households' real disposable incomes and consumption and therefore on the overall GDP performance. The regional central banks kept anti-inflationary stance in March and further interest rate hike were expected for months to come. However, monetary policy interest rates are likely to reach their peak by mid-2022 in many cases due to their already high level and due to the fact that inflation is expected to start to moderate in the second half of the year while GDP performance in 2022 is likely to be weaker than expected originally.

INFLATION IN CEE REGION (%)



Inflation (%)	2019	2020	2021	2022f	2023f	2024f
CEE overall	2.7	2.8	4.4	9.4	4.9	3.0
Bulgaria	3.1	1.7	3.3	8.5	5.0	3.5
Croatia	0.8	0.1	2.6	5.8	3.2	2.2
Czech Republic	2.8	3.2	3.8	10.8	3.0	2.2
Hungary	3.4	3.3	5.1	8.5	4.2	3.2
Montenegro	0.4	(0.2)	2.4	5.5	2.8	2.2
Poland	2.3	3.4	5.1	9.5	5.5	3.2
Romania	3.8	2.6	5.1	11.0	6.5	3.5
Serbia	1.7	1.6	4.0	7.5	4.5	3.5
Slovakia	2.8	2.0	2.8	8.0	5.0	2.5
Slovenia	1.7	(0.3)	1.9	6.0	4.0	2.5

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

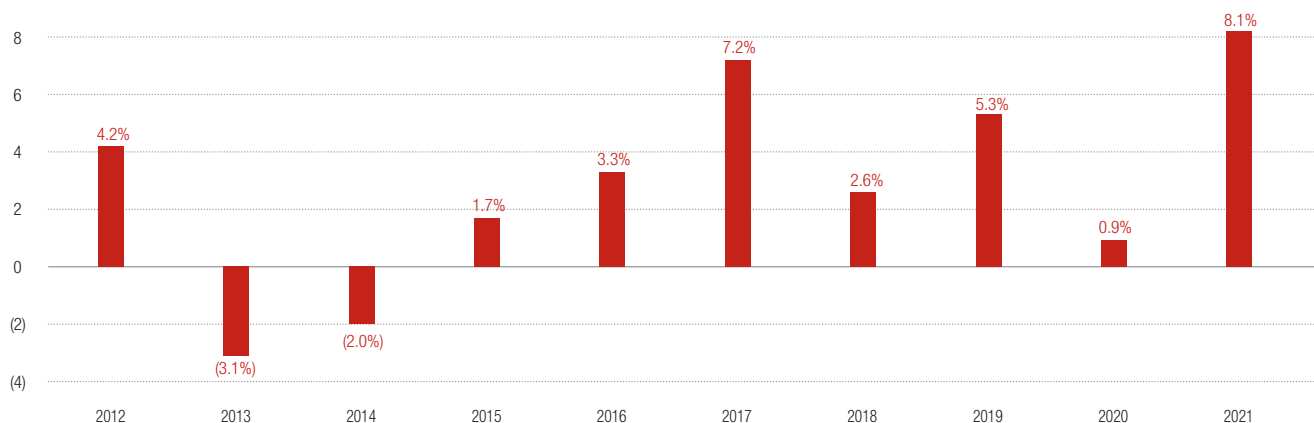
Fiscal balance improved in 2021 in most of the CEE countries but the developments were mixed across the region. Deficit were expected to narrow in a vast majority of cases in 2022 but developments related to the war in Ukraine (negative impact on real revenues due to weaker GDP growth, higher real expenditures resulting from efforts to support the economy, higher defence spending and humanitarian expenditures related to the war and migration) represent a risk that the original expectations regarding reduction of budget deficits will be underperformed.

The CEE currencies' performance was far from homogeneous in 2021. This reflected not only economic fundament and investors' risk perception but also monetary policy stance. The Czech crown (the main operating currency of Generali CEE Holding) firmed by more than 5% since start of 2021 by the year-end, trading below 25.00 against the euro in late December. The crown benefitted from aggressive anti-inflationary stance of the Czech central bank: the CNB raised its key interest rate by cumulative 350bp between June and December, to 3.75% at end-2021. Exchange rate developments in the first quarter of 2022 were disrupted by the war in Ukraine but the crown recovered from most of the losses already in March (both the Czech and Polish central banks intervened in FX markets in early March in order to oppose weakening of their currencies, driven by risks related to war, while the Hungarian MNB increased its 1-week deposit rate substantially for the same reason). The Czech currency has a potential to firm in the rest of 2022 from the area of 24.75 against the euro seen in mid-March. The war in Ukraine and related developments (including supply and pricing of mineral fuels) will be the key factor not only for the Czech crown but also for performance of other currencies in the CEE region. Both Hungarian forint and Polish zloty weakened against the euro during 2021 but both central banks now explicitly say that weakening of their currency is not welcomed and that exchange rate gains would support their effort to calm inflation pressures in their domestic economy. Currencies across the CEE region are showing only limited moves, as central banks see stable exchange rate as important anchor during market stress related to the pandemic or the war. It led Croatian authorities to speed up euro adoption with new target set for 2023. Bulgaria hopes to join too but the target date is still kept for 2024. While Serbian central bank even committed to keep dinar stable, Romanian NBR sticks to unconfirmed interventions regime leading to very gradual and controlled depreciation of leu.

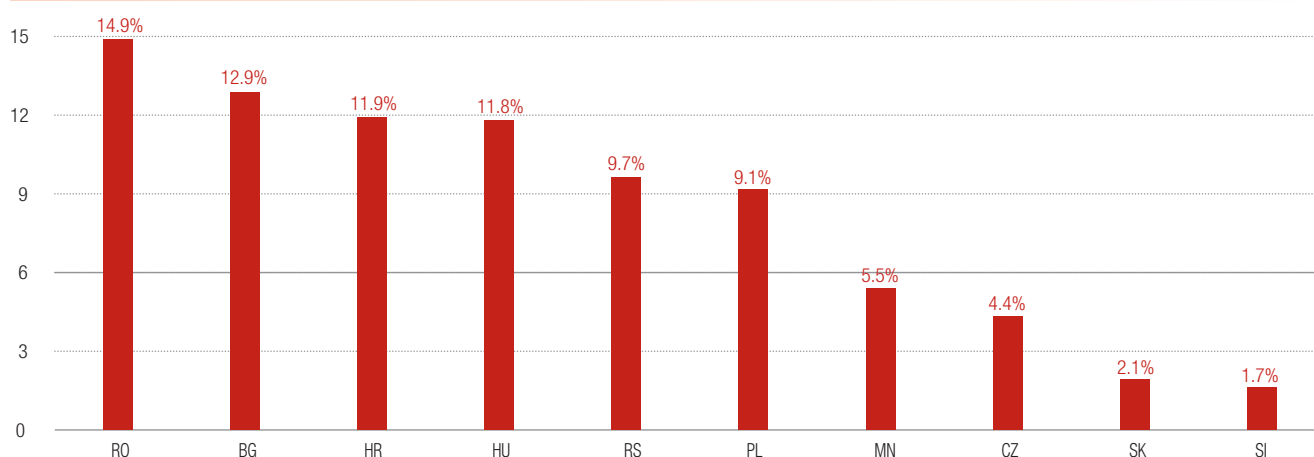
CEE INSURANCE MARKET DEVELOPMENT

Over last ten years insurance markets in CEE region had been showing more or less steady development. During this period there were only two years of reaching negative rate. Starting from 2015, market was keeping slightly volatile, but positive trend, which has been significantly weakened during preceding year as the result of Covid-19 pandemic. In 2021, impacts of the crisis has been mitigated and market experienced solid recovery reaching 8.1% growth rate of total insurance premiums. Positive growth was achieved in both segments Life and Non-Life. While Non-Life segment proved to be more resilient during the crisis, showing lasting growth also in preceding year, Life segment went through a drop in 2020 and thereafter returned to the growth with 2021.

CEE INSURANCE MARKET GROWTH (%)



INSURANCE MARKET GROWTH 2021 (%)

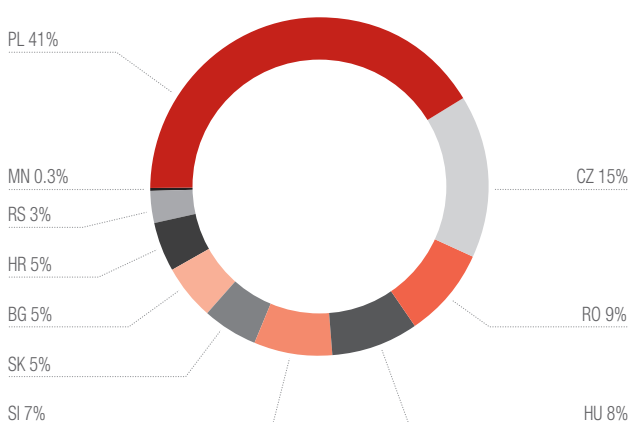


Note: Growth of Gross Written Premiums (non-life and life) in local currencies (weighted average for CEE). "CEE" represents the average rate for Generali CEE Holding countries (Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia).
Source: National Insurance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

CEE INSURANCE MARKET DEVELOPMENT BY SEGMENT

CEE Non-life market remained on positive track in 2021, achieving +8.7% growth rate, fairly comparable to the years preceding the Covid-19 pandemic. In general, Motor insurance continues to grow on the pre-crisis level, supported by the recovery of new car sales. On the other hand, the worldwide difficulties in car production, indicating future increases in prices of cars as well as their spare parts, causing the outlook to be less positive. Non-Motor segment, including for instance also travel insurance, restored its growth in 2021.

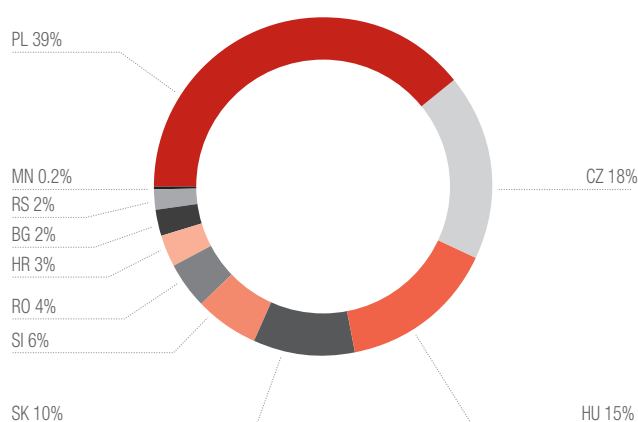
CEE NON-LIFE MARKET STRUCTURE (2021)



Note: Bulgaria (BG), Croatia (HR), Czech republic (CZ), Hungary (HU), Montenegro (MN), Poland (PL), Romania (RO), Serbia (RS), Slovakia (SK), Slovenia (SI)

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

CEE LIFE MARKET STRUCTURE (2021)



Note: Bulgaria (BG), Croatia (HR), Czech republic (CZ), Hungary (HU), Montenegro (MN), Poland (PL), Romania (RO), Serbia (RS), Slovakia (SK), Slovenia (SI)

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

Most of the CEE countries reported growth in Non-Life segment over the year. Considering the largest markets, the most favourable development of Non-Life insurance was coming from Poland, the Czech Republic and Hungary. In comparison with the previous year, the growth has been strengthened in Non-Motor, supported by mitigated negative effects of crisis on travel insurance. Development in Motor remained also positive due to the improvement in new car sales. In Poland, solid growth in MOD (Motor Own Damage insurance) has been supported by overturned negative trend in MTPL (Motor Third Party Liability insurance) and strong growth in Non-Motor segments (mainly health, travel, property and credit insurance). In contrary, in the Czech Republic, the growth of Motor from previous year tends to slow down, however Motor premiums still kept a fair growth thanks to rising average price, impacting mainly MOD. Another country, which has been growing fairly over 2021 was Romania, mainly thanks to the solid last year development in Motor. Additionally, significant growth has been reported also in Croatia with the lasting contribution of the new regulatory measure from preceding year (introduction of new MTPL claims criteria for bodily injuries). Nevertheless, the trigger of Croatian growth in 2021 represents Non-Motor with the recovery observed mainly in Credit insurance. Similarly, recovered Non-Motor segment contributed fairly to positive trend in other countries. Overturned trend in Non-Motor could have been observed also in Slovakia with the recovery of travel insurance. Strong growth was achieved in Serbia in Non-motor segment (mainly in travel, health and property insurance). Overall trend on CEE Non-Life market has been positive in all the countries, with slight drops recorded only in case of MTPL in Slovenia and MOD in Montenegro.

CEE Life market has been experiencing volatile development over the last years reflecting the strength of drops reported in Life Single, but also growing trend in Life Regular. The development of the past two years confirmed the volatility. After the drop caused by Covid-19 pandemic impacts in 2020, CEE market started to grow again in 2021 (+6.9%). The overturned trend was attributable mainly to Life Single as Life Regular kept stable positive development despite the crisis.

The drop of Single Life premium appeared in the preceding year on all markets with the reported split. In 2021 the decline in Single Life segment remained to be present in the Czech Republic and Slovakia, however the overall trend was more than offset by solid positive development in Hungary and mainly thanks to bank channels also in Poland. Life Regular, has been keeping solid growth despite the pandemic. The only market with reported decline of Life premium was Slovenia. However, without significant impact on overall trend in CEE, which turned to be positive.

All in all, the entire CEE insurance market reached 37.2 billion EUR in 2021 (considering the countries with the presence of Generali CEE Holding) of which Non-Life segment represents 67% and Life segment represents 33%. CEE insurance market is economically dominated by Central European countries. The biggest market is Poland which represents 41% of Non-Life and 39% of Life premium volume.

THE HOLDING'S MANAGEMENT

BOARD OF DIRECTORS

Jaime Anchústegui Melgarejo

Cristiano Borean

Heike Ottemann-Toyza

Luciano Cirinà
(dismissed in March 2022)

Giovanni Liverani
(appointed as of 23 March 2022)

Carlo Schiavetto

EXECUTIVE COMMITTEE

Giovanni Liverani
(appointed as of 23 March 2022)
Chief Executive Officer a.i.

Luciano Cirinà
(dismissed in March 2022)
Chief Executive Officer

Josef Beneš
Chief Investment Officer

Andrej Bukovčan
Human Resources & Organization

Gianluca Colocci
Corporate Development Officer

Walter Kupec
Chief Insurance Officer P&C

Antonella Maier
Chief Insurance Officer Life&Health

Gregor Pilgram
Chief Customer and Distribution Officer

Thomas Plank
Chief Operations Officer

Carlo Schiavetto
Chief Financial Officer

Miroslav Singer
Institutional Affairs & Economics

Marcela Středová
Chief Risk Officer



Giovanni Liverani Chief Executive Officer a.i.

Giovanni Liverani graduated in Engineering from the Politecnico di Milano, specializing in industrial technologies.

Since 2015 he is a member of the Group Management Committee (GMC) of Assicurazioni Generali and Chairman of the Management Board and CEO of Generali Deutschland. He also serves as Country Manager for Germany. Since March 2022 he serves ad interim as Austria & CEE Officer.

Giovanni has been working for Assicurazioni Generali since he started his career in 1991. After a training in the United States, in 1994 he co-founded Genertel SpA, Italy's leader in the direct sales of insurance products. Since the first policy the company issued, and in the following years until 2005, he contributed to transform Genertel into a large and innovative online insurer. Between 2006 and 2013 he held the international role as Area Manager in charge of the Business Unit coordinating the German-speaking countries within the Generali Group. In this period, he launched several international group-wide projects aimed at strengthening customer centricity and distribution capabilities. In 2013, he contributed to start the turnaround project of Generali Italia in his capacity as Head of Business Performance Management Unit for Central Europe.

Before assuming his current role in Germany, from November 2013 to April 2015 he was Regional CEO for Europe, Middle East and Africa (EMEA), consisting of 12 different countries/ business units. Giovanni currently holds the position as Country Manager for Germany and Chairman of the Management Board and CEO of Generali Deutschland. Since March 2022 he holds ad interim the position as Regional Officer Austria and Central Eastern Europe and CEO of Generali CEE Holding. He is also a member of the Board of Directors of the Italian-German Chamber of Commerce in Germany. He served in many Boards of companies belonging to the Generali Group including Generali Italia, Alleanza, Genertel, Europ Assistance, Generali Vienna Holding AG, Generali Vida Companhia de Seguros SA, Generali España Holding De Entidades De Seguros SA, Generali Schweiz Holding AG, Generali Belgium SA.



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 Region of the Generali Group. He joined the Executive Committee of Generali CEE Holding in July 2016. He gathered vast experience in the financial industry in the Czech Republic and abroad. Josef Beneš holds Master Degrees from the University of Economics Prague and graduated from the Columbia University New York.



Andrej Bukovčan

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



Gianluca Colocci

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



Walter Kupec

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



Antonella Maier

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



Gregor Pilgram

As of 11 March 2020 Gregor Pilgram became responsible for Customer & Distribution area. He was appointed a member of the Executive Committee of Generali CEE Holding as of July 2013. Before taking the function of Chief Distribution Officer, Gregor held a position of Chief Financial Officer of Generali CEE Holding B.V. for seven years. As of 1 May 2020 he became Chief Executive Officer of Generali Versicherung as well as Generali Group's Country Manager in Austria. Gregor Pilgram, who graduated from Vienna Economic University with a degree in Business Administration, has been working for the Generali Group in various international functions since 1999. In 2004 he was appointed to the Board of Directors of Generali Slovenia and took over as chairman in 2008. Since then he has shared responsibility for the activities in Croatia. He was awarded a "Young Managers of the Year 2010" award by Slovene Managers' Association for shaping the Slovene insurance market and bringing Generali in Slovenia to become one of the market leaders.



Thomas Plank

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



Carlo Schiavetto

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



Miroslav Singer

Miroslav Singer became member of the Executive Committee of Generali CEE Holding B.V. as of 1 January 2018. He joined Generali CEE Holding in January 2017 as Director for Institutional Affairs and Chief Economist. He also holds a position of Chairman of the Supervisory Board of Generali Česká pojišťovna and Member of Supervisory Board of Generali Zavarovalnica d.d. in Slovenia. 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 PriceWaterhouse-Coopers. After graduating in mathematical methods in economics at University of Economics, he completed his postgraduate thesis at the University of Pittsburgh and was awarded a PhD in 1995.



Marcela Středová

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

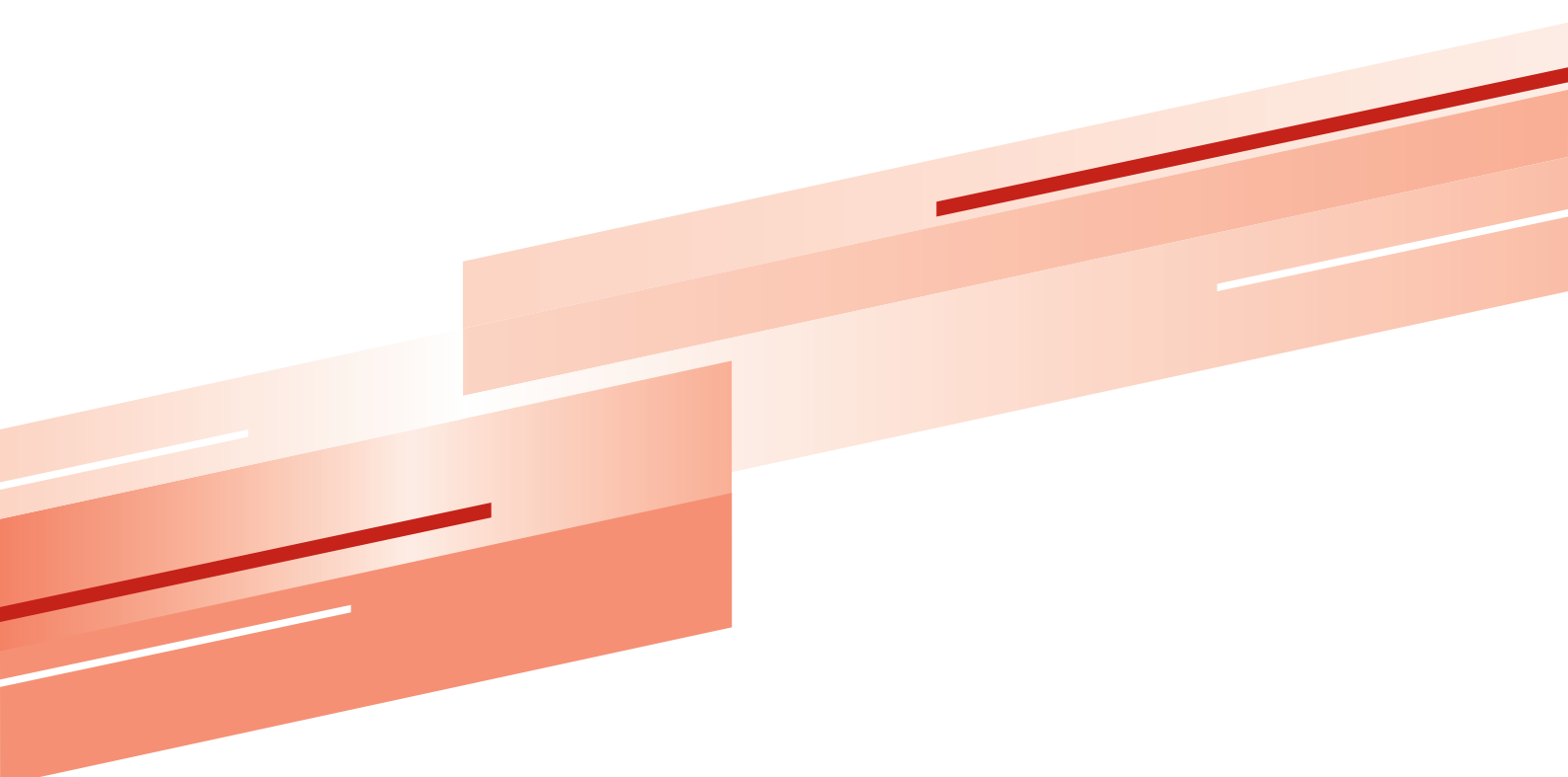
* The area will be called Austria & CEE Region (ACEE) starting from March 2022, following the Group's decision to close its Moscow Representative Office, resign from positions held on the board of the Russian insurer Ingosstrakh and wind down Europ Assistance business in Russia.



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I. BOARD OF DIRECTORS REPORT

I. BOARD OF DIRECTORS REPORT

A. PROFILE

Generali CEE Holding is the parent company of a group of leading insurance companies in Central and Eastern Europe. It provides know-how and a professional and operational base for its insurance companies in 13 countries as of 31. 12. 2021 – Austria¹, Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro, North Macedonia¹, Poland, Romania, Russia¹, Serbia, Slovakia and Slovenia. The area will be called Austria & CEE Region (ACEE) starting from March 2022, following the Group's decision to close its Moscow Representative Office, resign from positions held on the board of the Russian insurer Ingosstrakh and wind down Europ Assistance business in Russia.

The authorized share capital of Generali CEE Holding B.V. amounts to €0.5 million and is divided into 500,000 ordinary shares with a nominal value of € 1,- each, of which 100,000 shares are issued and fully paid. Sole shareholder is Assicurazioni Generali S.P.A.

All shares are registered and are numbered consecutively from 1 forwards. Attached to each share is a voting right, a meeting right and a right to share in the company's profits and reserves, in accordance with the provisions of the articles of association.

The Group's companies in the CEE region take care of nearly 10.5 million clients and hold total assets of €15 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 €74 billion in 2021. With more than 75,000 employees serving 67 million customers, the Group has a leading position in Europe and a growing presence in Asia and Latin America. At the heart of Generali's strategy is its Lifetime Partner commitment to customers, achieved through innovative and personalised solutions, best-in-class customer experience and its digitalised global distribution capabilities. The Group has fully embedded sustainability (see chapter E) into all strategic choices, with the aim to create value for all stakeholders while building a fairer and more resilient society.

In 2021 the Generali Group's operating result reached €5.9 billion thanks to positive growth across all segments. The Combined Ratio was the best and least volatile among peers at 90.8% (+1.7 p.p.).

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

Within CEE regional entities we used various distribution channels (e.g. tied agents, multi-agents, brokers and other distributors) based on local market situation in our countries.

In the P&C business, our Region marked the year with a combined ratio of 81.13%. Life gross written premiums reached €1,100 million and the P&C segment premium grew 9% to 3,133 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 146 employees from 14 nationalities. The companies of Generali CEE Holding offer insurance and financial products ranging from savings and family protection policies to unit-linked policies and complex plans for multinationals. In the P&C segment its portfolio ranges from mass market coverage such as motor, home, accident & health, to sophisticated commercial and industrial risk coverage.

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

In order to ensure proper governance framework over data governance and data quality, within ACEE Regional entities we have in place Data Governance Group/Regional Policy & Guideline and Integrated Data Quality System Group/Regional Policy & Guideline.

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.

In brief, the Data Governance Policy has been defined the “Master Policy” to which other internal regulations on data management shall refer to, ensuring compliance with external regulation, through an effective data management activity, guaranteeing efficient decision-making processes and appropriate market and regulatory reporting. The Integrated Data Quality System (IDQS) Policy then identifies the following processes for data quality management: (i) Identification, Analysis and Design; (ii) Implementation and Monitoring; (iii) Verification. Basic Requirements and Extended Requirements are defined for all the processes above. For all data, group legal entities in scope shall guarantee (Basic Requirements): the design and implementation of adequate DQ controls, ensuring their effective execution; the performance of data categorization through a dedicated tool; the performance of a DQ assessment and the definition of the System of Governance (roles and responsibilities for data). For Relevant Outputs, additional requirements (Extended Requirement) are provided for monitoring activities, performed using specific tools (Data Directory approach and/or Process-Data Flow approach). A specific Escalation Process is in place for the on-going management of data quality issues, recorded in a dedicated register with the aim of putting in place dedicated structural actions. Specific management certifications on data quality are provided (Integrated Confirmation Letter and DQ Certification).

Generali CEE Holding and its companies employ almost 12,400 people (of which more than 2,300 salaried sales professionals) and cooperate with 8,000 tied agents.

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

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

GROUP HIGHLIGHTS



GROSS WRITTEN PREMIUM

€4,233 million

Life segment 26% 74% P&C segment



NET PROFIT

€508 million

representing 18% of the Group's net result



OPERATING RESULT

€649 million

of which is 11% of the Generali Group's operating result



OUR CLIENTS

10.5 million



OUR PEOPLE

12,400

B. FINANCIAL PERFORMANCE

In 2021, Generali CEE Holding maintained its financial position and further improved its profitability. At the end of 2021, the consolidated shareholder's equity attributable to Generali CEE Holding amounted to €5 billion (2020: €5 billion) and total assets amounted to €15 billion (2020: €19 billion).

The consolidated profit of the Group attributable to the equity holders of the parent amounted to €509 million (2020: €460 million). Operating result was €649 million in 2021 which is above planned targets.

P&C gross written premiums went up by 9% in 2021 (an increase by €259 million) and reached €3,133 million.

Generali CEE Holding shows very good results within the combined ratio indicator which reached 81.13% in 2021.

Life insurance premiums amounted to €1,100 million. Operating result of life insurance segment amounted to €191 million, decreasing by €20 million compared to year 2020.

C. RISK MANAGEMENT

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

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

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

The risk management system is based on three main pillars:

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

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

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

D. OVERVIEW OF OPERATIONS, BY COUNTRY AND SUBSIDIARY

AUSTRIA¹



Generali Austria

Generali Austria is the third-largest insurance group in the country and comprises Generali Versicherung AG and BAWAG P.S.K. Versicherung AG. These companies offer a full range of insurance and pension products, supplemented by comprehensive assistance services. Generali continues its long-standing commitment as a Lifetime Partner. Customers continue to be at the center of its activities. It thus underscores its position as a customer-oriented innovator.

The commitment to sustainability is a key driver. Generali Austria thinks and acts for the long term. It is a strong, reliable, crisis-proof and future-oriented lifetime partner for its stakeholders.

Digitization, artificial intelligence and automation are increasingly being used in all areas of the company at Generali Austria. The goal is to actively shape the future. To implement its lifelong partnerships with all stakeholders, Generali Austria relies on a combination of digitization and human touch. With innovative customer services and personalized product solutions, these goals are realized.

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

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

BULGARIA



EMPLOYEES

421



GROSS WRITTEN PREMIUM

€93.5 million



P&C MARKET SHARE

6.8%



OFFICES

135 + 16 specialized claims centers

Generali Bulgaria

With more than 421 employees in Bulgaria (including Generali Insurance AD, Generali Zakrila Medical and Dental Centre and GP Reinsurance) and the 6.8% 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 135 offices and client desks throughout the country. For better service of the liquidation process and convenience for the clients, the company has 16 specialized claims centers in the bigger cities of the country. The insurance products of Generali Bulgaria are offered by 565 agents, four intermediaries offering insurance products as an additional activity and 278 brokers. In 2021, Generali Bulgaria is taking 8th position on the insurance market with gross written premium €93.5 million.

GP Reinsurance

GP Reinsurance EAD is a captive reinsurer based in Sofia, fully owned by Generali CEE Holding B.V. It provides P&C reinsurance solutions within the Group. The activity of GP Reinsurance EAD in 2021 continues to be managed in compliance with the strategic plan for development and goals, for which it was granted a license by the Financial Supervision Commission for performing reinsurance activities. The Company provides reinsurance services to companies from all countries of Generali CEE Holding. GP Reinsurance recorded gross written premium in P&C and life combined of €1,011 million and profit after tax amounted to €190 million in 2021.

CROATIA



EMPLOYEES

793



GROSS WRITTEN PREMIUM

€133 million



P&C MARKET SHARE

8.6%



OFFICES

90

Generali osiguranje

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

Dedicated to the continuity of the trend of a constant development and the sustainable growth, Generali osiguranje in 2021 finished integration of the businesses of Izvor osiguranje d.d. and Generali zavarovalnica d.d., Zagreb Insurance Branch (former Adriatic Slovenica Zavarovalna družba d.d., Zagreb Branch) and relocated the headquarters to sustainability-awarded business complex, thus starting the new promising chapter. Further to it, 793 employees gathered in the network of 90 offices throughout the country, while at the same time been provided with the new way of remote working, are taking care of the company's clients.

Under the unprecedented context of the pandemic and after devastating earthquakes that hit central Croatia in 2020, Generali in 2021 recorded a gross written premium of €133 million in total and market share of 8.6%.

In 2021, Generali Croatia has directly shown again how close it is to the communities. Convinced in the importance of continuing the humanitarian initiative The Human Safety Net under the pandemic context, together with our partner "Rastimo zajedno", Generali persists in supporting of continuation of the online workshops for the programme beneficiaries and promoting the equal life chances for the children growing up in sensitive conditions.



CZECH REPUBLIC AND SLOVAKIA



P&C MARKET SHARE

28.3%



GROSS WRITTEN PREMIUM

€1.4 billion

Generali Česká pojišťovna

Generali Česká pojišťovna is a universal insurance company providing a full range of services, covering both individual life and non-life insurance and insurance for small, medium and large clients in the area of industrial and business risks, as well as in agriculture.

In 2021, the total market share of Generali Česká pojišťovna measured by the methodology of the Czech Insurers Association (ČAP) reached 26%, in life insurance it was 21.1% and in P&C insurance 28.3%. The position of Generali Česká pojišťovna as the strong and traditional insurer was confirmed by the company's financial results for the last year, when premium written exceeded, according to ČAP, €1.4 billion. Gross written premiums in P&C insurance amounted to €1 billion in 2021. Premiums written in life insurance reached €400 million.

At the end of 2021 the representatives of Generali Česká pojišťovna and the Slovak insurance company Generali signed a "Business Sale Agreement" in the Tugendhat villa in Brno, on the basis of which the two insurance companies combined their activities. The agreement on the sale of the company entered into force on 19 December 2021. As of 20 December 2021, Generali Poistovňa's activities in Slovakia continue through the Generali Česká pojišťovna organizational unit under the official name Generali Poistovňa, a branch of an insurance company from another Member State.

Generali Poistovňa, a branch of an insurance company Generali Ceska poistovna a. s. is the third biggest insurance company in Slovakia, provides prompt and professional services thanks to its 621 employees and almost 800 internal agents. There are 135 points of sale all over Slovakia. Gross written premiums experienced an increase in both main insurance segments. In P&C it grew by remarkable 11.5% to €182.3 million and in Life insurance by 7.8% to €119.2 million. Total GWP then amounted to €301.5 million. Generali has increased market share and in 2021 kept the third position on the market with a share of 12.1% (excluding investment contracts).

Generali penzijní společnost

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

Generali Investments CEE

Generali Investments CEE offers comprehensive products and services to individual investors and institutions in the area of collective investment and investment management. The company manages Czech mutual funds denominated in the Czech koruna and an Irish umbrella of investment funds offered in CZK, EUR and PLN. The major institutional clients include insurance, reinsurance companies, and pension funds within the Generali CEE Holding Group. Generali Investments CEE is one of the largest asset manager player in the CEE Region, with assets under management amounting regionally to €13.5 billion and assets under advisory of €2 billion, representing a market share of 8% in the CEE Region.

HUNGARY



EMPLOYEES

1,300



CLIENTS

1,000,000



MARKET SHARE

16.9%



GROSS WRITTEN PREMIUM

€522.3 million

With a market share of 16.9% in 2021 based on total direct GWP from the Hungarian National Bank (MNB) statistics, the Hungarian Generali Group – including Generali Biztosító, Genertel and European Travel Insurer – is one of the biggest player of the Hungarian insurance market. Due to its innovative business attitude and responsible financial management, the company boasts the trust of more than 1,000,000 clients. Generali operates with more than 1,300 employees and around 1,400 tied agents. The Hungarian Generali Group confirmed its stability while achieving growth in Life and in the P&C insurance segments.

The Group recorded 10.6% growth of gross written premiums amounting to €522.3 million in total. In the P&C segment GWP amounted to €366.5 million (+11%) and in Life to €155.9 million with 9.7% growth (+9.2% regular premium, +42.4% single premium).

MONTENEGRO



EMPLOYEES

133



P&C MARKET SHARE

14.35%



GROSS WRITTEN PREMIUM

€11.3 million

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 133 employees of which 61 agents at more than 80 points of sale throughout the country. In 2021, Generali's market share in P&C was 14.35% and the gross premiums written reached €11.3 million.

POLAND



EMPLOYEES

1,600



GROSS WRITTEN PREMIUM

€781.7 million

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

The acquisition of an asset management company Union Investment was completed in July 2019 and rebranded to Generali Investments. In October 2019 Generali Życie Towarzystwo Ubezpieczeń S.A. merged with Concordia Capital. In 2021, the non-life company Concordia Polska merged with Generali TU and since August products for the agricultural sector have been offered under the Generali Agro brand.

In 2021 Generali Group was on the 7th 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 €781.7 million of GWP in 2021 and was a working place for about 1,600 employees. P&C Gross Written Premiums totaled €550.5 million, while life insurance premiums amounted to €231.3 million. In 2021 Generali Investment reported €3.9 billion assets under management and €30.1 million sales revenue. Year 2021 Generali Poland again reported record year both in premium and profitability since its foundation.

ROMANIA



EMPLOYEES

365 more than
1,100 agents



GROSS WRITTEN PREMIUM

€157 million

Generali Romania Asigurare Reasigurare

With a history spanning on almost 190 years, Generali Romania is a leading insurer in terms of profitability and underwriting efficiency.

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

The company has a composite activity, with a balanced life and non-life portfolio products designed to efficiently cover its retail and corporate clients' needs. The total volume of gross written premiums reached almost €157 million, with €128.4 million on non-life and €28.5 million on life. In a market dominated by the motor lines, Generali Romania is one of the top 10 insurers based on GWP, with significant market shares on technical insurance, Casco and liability.

The team of Generali Romania consists of 365 employees and more than 1,100 agents that support the ambition to become LifeTime partner to our clients with services of the highest quality.

SERBIA



Belgrade



EMPLOYEES

1,500



GROSS WRITTEN PREMIUM

€199 million

Generali Osiguranje Srbija

Generali Osiguranje Srbija is the largest privately-owned insurance company in Serbia. The company is the market leader in life and health insurance and one of the foremost Serbian insurance companies in terms of P&C, agriculture, accident and motor vehicle insurance. Headquartered in Belgrade, the company network consists of 55 branches spread in 3 regional centres across Serbia, with 1,000 points of sale and over 1,500 employees.

In 2021, gross written premiums amounted to €199 million. Life insurance premiums reached €60 million, P&C premiums increased by 9.8% to €139 million. Achieving excellent results in terms of profitability, Generali Osiguranje Srbija remained the most profitable insurance company in Serbia.

SLOVENIA



Ljubljana



EMPLOYEES

1,300



GROSS WRITTEN PREMIUM

€450.1 million



P&C MARKET SHARE

19.4%

Generali zavarovalnica d.d.

Generali zavarovalnica is one of the largest insurance companies in Slovenia, with a broad range of products in P&C as well in health and in Life insurance, and the biggest international insurance company in the country. At the end of 2021 the company had over 1,300 employees and 330 point of sales throughout the entire country. Generali products are also available through significant Slovenian banks and numerous partners.

In the second year after the successful merger with Adriatic Slovenica, Generali zavarovalnica further improved its position in the insurance market and became the second largest insurance company on the Slovenian insurance market with a 17.2% market share (P&C 19.4%, life 11.6% market share). It significantly expanded the range of insurance products and increased the volume of premiums, especially in the segment non-life insurance (+ 7.7%) and health insurance (+ 6.9%). Total gross written premiums volume recorded €450.1 million.

Generali Investments

Founded in 1994, Generali Investments is the oldest management company in Slovenia. The Company ended 2021 further consolidated its third place among Slovenian UCITS funds management companies, achieving an 16.4% market share with a fund of €710 million. Outside of Slovenia, it has 2 subsidiary companies in Croatia and Northern Macedonia. Generali Investments manages Generali Umbrella Fund with 16 subfunds, 2 alternative investment funds and mandates, with assets under management amounting to €1,740 million (as at 31 December 2021).

E. SUSTAINABILITY

At Generali we think that being a sustainable player is about living our purpose: “to enable people to shape a safer and more sustainable future by caring for their lives and dreams”. We are passionate to build a more sustainable future integrating sustainability principles into everything we do. This allows us to act as a true Lifetime Partner for all our stakeholders. Environmental, Social and Governance (ESG) commitments were embedded within our previous strategic plans and we further accelerate - sustainability is the originator of the new strategy Generali “Lifetime Partner 2021-2024: Driving Growth”. This means creating long-term value, preserving the environment, and acting for the common good.

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

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

SME EnterPRIZE project was conceived with the intent to support small and medium-sized companies in their sustainable transition and highlight significant examples of responsible business, inspiring entrepreneurs of SMEs to develop sustainable behaviours with a direct impact in three areas: environment, welfare and community. In 2021, in its first edition, SME EnterPRIZE gave visibility to companies across Europe, including Austria, the Czech Republic and Hungary. In the upcoming years, more countries within Generali CEE Holding will join this sustainable project.

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

- **A RESPONSIBLE INVESTOR**, committing to be carbon neutral by 2050 through a gradual decarbonization of our investment portfolio, with an interim goal of reducing by 25% our carbon footprint by 2024; the commitment is also to invest in new green and sustainable investment between 2021 and 2025 up to 9.5 billion euro at global scale.
- **A RESPONSIBLE EMPLOYER**, working to measure, reduce, and report the carbon footprint resulting from our own direct operations. In 2009 Generali developed the Group Environmental Management System (EMS) to effectively manage the impacts arising from the operating activities of the Group's companies. As of 31 December 2021 the System is being used also by Austria, the Czech Republic, Hungary, Poland, Serbia and Slovakia, and the scope of countries and legal entities will be further extended.

Being a responsible employer means also promoting dedicated actions to create, increase and nurture diversity, equity and inclusion, upskilling and new ways of working. Our Lifetime Partner 24 objectives include ensuring equal opportunities with a target of 40% of women in leadership positions², placing people at the heart of our transformation with a target of 70% of employees upskilled and embracing a sustainable hybrid work model that is digitally-rooted, with a target of 100% adoption rate among our entities.

- **A RESPONSIBLE CITIZEN**, insurance companies of Generali CEE Holding are also active in helping communities. The Human Safety Net – a social innovation hub powered by Generali's skills, networks, and solutions to create social impact – was activated in eleven countries of our region. Two out of three The Human Safety Net's programmes were launched in various companies across 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.

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

In accordance with EU Directive 95/2014/EU Article 19a par. 3 the Group does not disclose nonfinancial information in its consolidated financial statements as it is included in the consolidated financial statements of its ultimate parent company Assicurazioni Generali S.p.A.

² Group Management Committee, Global Leadership Group and their first reporting line

F. OUTLOOK FOR OPERATIONS

During 2021 the global economy experienced a robust growth, as progress in vaccination led to less severe impact of the Covid pandemic in terms of casualties and also in terms of the related lockdown. The strong economic recovery took place also in the CEE region, mostly driven by domestic demand, which benefitted from robust wage increases in the labor markets and from spending of excessive savings which were accumulated during the lockdowns in 2020 and early 2021. The economic growth was however accompanied by strong price pressures driven by both supply side factors (growing commodities prices and supply chain bottlenecks) and by strong demand: as a result of inflation reached multi years height at the end of 2021 and continued to increase in first months of 2022.

At the beginning of the year, before the Russian invasion in Ukraine, the economic recovery was generally expected to continue in 2022, whereas inflation was expected to peak in the second quarter and then to decline in the second half of the year, although remaining higher than the pre pandemic level. Unfortunately, the war in Ukraine that broke out at the end of February, beside the unimaginable human suffering for the Ukrainian people, has generated a context of increased uncertainty and volatility, with an increase of downside risks. To date, the development of the conflict remains difficult to predict, but it will very likely impact the economic development in the CEE region and keep inflation pressures high for a longer period.

CEE insurance markets showed a solid recovery in 2021, with positive contribution in all the countries in the region. The growth was stronger in P&C segment, where the growth rate was comparable to the years preceding the Covid pandemic, with strong contribution of both Motor and Non-Motor lines; but also the Life segment recorded a significant growth, mostly driven by the positive development of Life single premiums after the drop caused by the pandemic in 2020. In 2022 we expect the insurance markets to continue their growth, although more moderately compared to 2021.

Concerning Group results, we expect a slight increase in the premium volumes with a stronger contribution of Non Life segment, in line with the expected development in our markets. The profit after tax shall be in line with the 2020 result, driven both by a very robust technical performance and by an increase in the investment income which will benefit from the higher level of interest rates. Such outlook is however subject to high uncertainty related to the future development of the war in Ukraine, both in terms of its consequences on global economy, but also more specifically on the value of the Group's investment in Russia.

Prague, 26 April 2022
The Board of Directors

II. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

II. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

ACRONYMS:

Acronyms

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

Acronyms

LAT	Liability adequacy test
LTI	Long-term incentive
MTPL	Motor Third Party Liability
NAV	Net assets value
NCI	Non-Controlling Interest
NHCF	Net Holding Cash Flow
OCI	Other comprehensive income
P&C	Property and Casualty
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	2021	2020
Total assets		15,107	19,034
Intangible assets	F.1	2,208	2,161
Goodwill	F.1.1	1,657	1,596
Other intangible assets	F.1.2	551	565
Tangible Assets	F.2	324	168
Land and buildings	F.2.1	290	136
Other tangible assets	F.2.4	34	32
Investments	F.3	10,475	15,079
Investment properties	F.3.1	378	448
Investments in associates and joint ventures	F.3.2	39	29
Held to maturity investments	F.3.3	29	29
Loans and receivables	F.3.4	225	619
Available for sale financial assets	F.3.5	6,946	11,292
Financial assets at fair value through profit or loss	F.3.6	2,858	2,662
of which financial assets relating to unit-linked policies	F.3.6	2,615	2,422
Reinsurance assets	F.4	592	422
Receivables	F.5	596	489
Receivables arising out of direct insurance operations		364	305
Receivables arising out of reinsurance operations		123	78
Trade and other receivables		79	78
Current income tax receivables		30	28
Other assets	F.6	590	395
Deferred acquisition costs	F.6.1	308	264
Deferred tax assets	F.26.1	223	91
Other assets - other		59	40
Cash and cash equivalents	F.7	322	320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

(€ million)	Note	2021	2020
Total shareholder's equity and liabilities		15,107	19,034
Shareholder's equity	F.8	5,164	5,118
Shareholder's equity attributable to the Group		4,968	4,894
Share capital		-	-
Other reserves		4,968	4,894
Shareholder's equity attributable to non-controlling interests		196	224
Other provisions	F.9	65	51
Insurance liabilities	F.10	8,430	7,979
Financial liabilities	F.11	324	4,814
Financial liabilities at fair value through profit or loss		216	279
Financial liabilities at amortized cost		108	4,535
Payables	F.12	706	714
Payables arising out of direct insurance operations		224	216
Payables arising out of reinsurance operations		226	219
Current income tax payables		31	68
Other payables		225	211
Other liabilities	F.13	418	358
Deferred tax liabilities	F.26.1	128	119
Other liabilities - other		290	239

The notes on pages 47 to 148 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

AS AT 31 DECEMBER

For the year ended 31 December	Note	2021	2020
Total income		4,422	4,081
Net earned premiums revenue	F.14	3,712	3,469
Insurance premium revenue		4,109	3,847
Insurance premium ceded to reinsurers		(397)	(378)
Fee and commission income and income from financial service activities	F.15	153	96
Net income/(losses) from financial instruments at fair value through profit or loss	F.16	246	15
of which net income/(losses) from financial investments relating to unit-linked policies		214	63
Share of results of associates and joint ventures accounted for using the equity method	F.17	10	4
Net income/(losses) related to associates and disposal of subsidiaries	F.18	-	15
Income from other financial instruments and investment properties	F.19	228	405
Interest revenue calculated using the effective interest method		134	239
Income - other		40	39
Realized gains		50	62
Unrealized gains		-	51
Reversal of impairment losses		4	14
Other income	F.20	73	77
Total expenses		(3,868)	(3,544)
Net insurance benefits and claims	F.21	(2,276)	(1,996)
Claims paid and change in insurance provisions		(2,617)	(2,156)
Reinsurers' share		341	160
Fee and commission expenses and expenses from financial service activities	F.22	(25)	(20)
Expenses from other financial instruments and investment properties	F.23	(129)	(151)
Interest expense calculated using the effective interest method		(7)	(66)
Expense - other		(11)	(13)
Realized losses		(59)	(26)
Unrealized losses		(36)	(1)
Impairment losses		(16)	(45)
Acquisition and administration costs	F.24	(1,089)	(1,024)
Commission and other acquisition costs		(780)	(728)
Investment management expenses		(6)	(7)
Other administration costs		(303)	(289)
Other expenses	F.25	(349)	(353)
EARNINGS BEFORE TAXES		554	537
Income taxes	F.26	(46)	(78)
NET PROFIT OF THE YEAR		508	459
Result of the period attributable to the equity holders of the parent		509	460
Result of the period attributable to non-controlling interests		(1)	(1)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

(€ million)	Note	2021	2020
Net profit of the year		508	459
Other comprehensive income items that may be reclassified to profit or loss in future periods			
Available for sale financial assets' revaluation to OCI	F.8	(313)	56
Available for sale financial assets' revaluation reclassified to profit or loss	F.8, F.19, F.23	9	(38)
Available for sale impairment losses reclassified to income statement	F.8, F.23	5	11
Available for sale change in deferred policyholders liabilities/assets	F.8	24	(1)
Sales and disposals from consolidation group	F.8	(15)	-
Currency translation differences	F.8	166	(197)
Changes in cash flow hedge reserve	F.8	6	(5)
Total gains and losses recognised directly in equity		(118)	(174)
Tax on items taken directly to or transferred into equity	F.8	41	(14)
Other comprehensive income, net of tax		(77)	(188)
Total comprehensive income		431	271
Attributable to:			
– equity holders of Parent Company		459	306
– non-controlling interests		(28)	(35)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

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

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

(€ million)	Note	2021	2020
Cash flow from operating activities			
Earnings before taxes		554	537
Adjustments for:			
Depreciation and amortisation	F.23, F.25	133	143
Impairment losses on goodwill and PVFP	F.25	-	4
Impairment and reversal of impairment of current and non-current assets	F.19, F.23	12	32
Profit/Loss on disposal of PPE, intangible assets and investment property	F.18, F.20	(1)	(17)
Gain/loss from revaluation of financial securities, investment property and financial liabilities at FVTPL	F.16, F.19, F.23	(186)	(149)
Interest expense	F.23	7	68
Interest income	F.19	(134)	(238)
Dividend income	F.17, F.18	(12)	(4)
Net Interest income from financial instruments at FVTPL	F.16	(12)	(6)
Income/expenses not involving movements of cash		-	3
Net foreign exchange differences		(167)	106
Change in loans and receivables	F.3.4	139	727
Change in receivables	F.5	(118)	64
Change in reinsurance assets	F.4	(170)	51
Change in other assets, prepayments and accrued income	F.6	(58)	-
Change in payables	F.12	41	(27)
Change in financial liabilities for investment contract with DPF	F.11	-	72
Change in financial liabilities at FVTPL	F.11	(33)	(65)
Change in liabilities to banks	F.11	(33)	(353)
Change in deposits received from reinsurer	F.11	2	(60)
Change in insurance liabilities	F.10	553	(252)
Change in other liabilities, accruals and deferred income	F.13	50	26
Change in other provisions	F.9	14	9
Interest received		176	247
Dividends received	F.18	12	4
Net cash flow from FVPL financial assets		32	222
Net cash flow from available for sale financial assets		(116)	(438)
Net cash flow from held to maturity financial assets		-	(3)
Cash flows arising from taxes on income		(171)	(142)
Net cash flow from operating activities		514	561

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

(€ million)	Note	2021	2020
Cash flow from investing activities			
Purchase of tangible assets and intangible assets		(59)	(89)
Purchase of investment property		(74)	-
Proceeds from disposals of tangible and intangible assets		11	4
Proceeds from sale of investment property		22	37
Net cash flow from investing activities		(100)	(48)
Cash flow from financing activities			
Interest paid		(7)	(68)
Payment of principal portion of lease liabilities		(22)	(25)
Dividends paid to shareholders	F.8.1	(389)	(426)
Net cash flow from financing activities		(418)	(519)
Net increase (decrease) in cash and cash equivalents		(4)	(6)
Cash and cash equivalents as at beginning of reporting period	F.7	320	338
Effect of exchange rate changes on cash and cash equivalents		6	(12)
Cash and cash equivalents as at end of reporting period	F.7	322	320

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 2021 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 2021 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 26 April 2022.

A.2 Statutory body

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

Members: Giovanni Liverani
Jaime Anchustegui Melgarejo
Carlo Schiavetto
Cristiano Borean
Heike Otteman-Toyza

Luciano Cirinà was dismissed in March 2022 and Giovanni Liverani was appointed a new member of the Board of Directors.

B. BASIS OF PREPARATION

B.1 Statement of compliance

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

Management has reviewed those standards and interpretations adopted by the EU as at the date of issuance of these financial statements, but which were not effective as at that date. An assessment of the expected impact of these standards and interpretations on the Group is shown in D.6.2.

B.2 Basis of preparation

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

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

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

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

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

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

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

C.1 Group entities

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

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

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

A list of Group entities is presented below.

For the year ended 31 December 2021

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

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
PL Investment Jerozolimskie I SP. Z o.o.	Poland	PLN	100.00	100.00
Saneo S.A.*	Poland	PLN	25.00	25.00
Cleha Invest Sp. z o.o.	Poland	PLN	100.00	100.00
SIBSEN Invest sp. z o.o.	Poland	PLN	100.00	100.00
Generali SAF Pensii Private S.A.	Romania	RON	100.00	100.00
SC Generali Romania Asigurare Reasigurare S.A.	Romania	RON	99.97	99.97
Generali Russia and CIS	Russia	RUB	49.00	100.00
Generali Osiguranje Srbija A.D.O	Sebia	RSD	100.00	100.00
Generali Reosiguranje Srbija A.D.O.	Sebia	RSD	100.00	100.00
Voluntary Pension Fund Manag - Generali Društvo za upravljanje dobrovoljnim penzijskim fondom A.D.	Sebia	RSD	100.00	100.00
Generali Poistovňa, a.s.***	Slovakia	EUR	100.00	100.00
Generali Slovenská Distribúcia, s.r.o.*	Slovakia	EUR	100.00	100.00
Green Point Offices a.s.	Slovakia	EUR	100.00	100.00
VÚB Generali d.s.s., a.s.**	Slovakia	EUR	50.00	50.00
Generali Zavarovalnica d.d.	Slovenia	EUR	100.00	100.00
Generali Investments (KD Skladi d.o.o)	Slovenia	EUR	100.00	100.00
Generali CEE Holding B.V.	The Netherlands	CZK	100.00	100.00
GW Beta Limited	The Netherlands	EUR	49.00	100.00

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

For the year ended 31 December 2020

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

Company	Country	Functional currency	Proportion of ownership interest	Proportion of voting rights
Acredité s.r.o.	Czech Republic	CZK	100.00	100.00
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	CZK	100.00	100.00
Solitaire Real Estate, a.s.	Czech Republic	CZK	100.00	100.00
BRISTIH CORNER s.r.o.	Czech Republic	CZK	100.00	100.00
OVOČNÝ TRH 2 s.r.o.	Czech Republic	CZK	100.00	100.00
Palác Špork a.s.	Czech Republic	CZK	100.00	100.00
Generali Biztosító Zrt.	Hungary	HUF	100.00	100.00
Europai Utazási Biztosító Rt.	Hungary	HUF	61.00	61.00
Generali Ingatlan Kft.	Hungary	HUF	100.00	100.00
Generali Alapkezelő Rt.	Hungary	HUF	100.00	100.00
Genertel Biztosító Zrt.	Hungary	HUF	100.00	100.00
Generali CEE Oil & Energy Industry Fund	Ireland	EUR	92.00	92.00
Generali CEE New Economies Fund	Ireland	EUR	84.00	84.00
Generali CEE Emerging Europe Fund	Ireland	EUR	68.00	68.00
Generali CEE Emerging Europe Bond Fund	Ireland	EUR	100.00	100.00
Generali osiguranje Montenegro	Montenegro	EUR	100.00	100.00
Generali Towarzystwo Ubezpieczeń S.A.	Poland	PLN	100.00	100.00
Generali Życie Towarzystwo Ubezpieczeń S.A.	Poland	PLN	100.00	100.00
Generali Finance Sp. z o.o.	Poland	PLN	100.00	100.00
Generali PTE S.A.	Poland	PLN	100.00	100.00
Concordia Polska Towarzystwo Ubezpieczeń Wzajemnych	Poland	PLN	100.00	100.00
Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A. (Union Investment TFI)	Poland	PLN	100.00	100.00
PL Investment Jerozolimskie I SP. Z o.o.	Poland	PLN	100.00	100.00
Cleha Invest Sp. z o.o.	Poland	PLN	100.00	100.00
SIBSEN Invest sp. z o.o.	Poland	PLN	100.00	100.00
Generali SAF Pensii Private S.A.	Romania	RON	100.00	100.00
SC Generali Romania Asigurare Reasigurare S.A.	Romania	RON	99.97	99.97
Generali Russia and CIS	Russia	RUB	49.00	100.00
LLC Generali Insurance Brokers - Russia and CIS	Russia	RUB	49.00	100.00
Generali Osiguranje Srbija A.D.O.	Sebia	RSD	100.00	100.00
Generali Reosiguranje Srbija A.D.O.	Sebia	RSD	100.00	100.00
Voluntary Pension Fund Manag - Generali Društvo za upravljanje dobrovoljnim penzijskim fondom A.D.	Sebia	RSD	100.00	100.00
Generali Poistovňa, a.s.***	Slovakia	EUR	100.00	100.00
Green Point Offices a.s.	Slovakia	EUR	100.00	100.00
VÚB Generali d.s.s., a.s.*	Slovakia	EUR	50.00	50.00
Generali Zavarovalnica d.d.	Slovenia	EUR	100.00	100.00
Generali Investments (KD Skladi d.o.o)	Slovenia	EUR	100.00	100.00
Generali CEE Holding B.V.	The Netherlands	CZK	100.00	100.00
GW Beta Limited	The Netherlands	EUR	49.00	100.00
CZI Holdings N.V.	The Netherlands	CZK	100.00	100.00
CP Strategic Investments N.V.	The Netherlands	EUR	100.00	100.00

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

General information about joint ventures:	VÚB Generali, Dôchodková správcovská spoločnosť, a.s.,
Registered seat:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	Generali Slovensko Poistovňa, 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 2021 is provided below.

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

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

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

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

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

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

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

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

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

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

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

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

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

Due to changes in statute of Transformed fund, changes in investment strategy and other changes, Transformed fund did not meet the criteria which are required for consolidation under IFRS standards. With effective date of 1 January 2021, Transformovaný fond Generali penzijní společnosti, a.s. has been deconsolidated. Related impacts on consolidated financial statements are derecognition of Loans and receivables line in amount €195 million, Available for sale investments € 4.238 million, Financial assets at fair value through profit or loss €27 million. Other receivables €15 million, Cash at bank €43 million, Insurance provision €125 million, Financial liabilities at fair value through profit or loss €35 million, Financial liabilities at Amortised cost €4.327 million, Other payables €11 million. Related impacts on consolidated financial statements are also available within individual disclosure tables.

Liquidation of LLC Generali Insurance Brokers - Russia and CIS

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

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

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

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

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

Sale of British Corner s.r.o.

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

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

Merger of Adriatic Slovenica with Generali zavarovalnica

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

Sale of City Empiria a.s.

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

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

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

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

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

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

Translation from functional to presentation currency

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

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

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

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

C.2.1 Consolidation procedures

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

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

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

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

If the Group loses control over a subsidiary, it:

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

In preparing the consolidated financial statements:

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

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

C.2.2 Using the equity method

Associated companies

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

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

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

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

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

Joint ventures

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

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

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

C.2.3 Consolidation of investment and pension funds

The Group manages open-ended investment funds through specialised Group investment management companies.

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

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

Based on the assessment, control over the investment fund exists and the fund is consolidated in case the Group controls the respective investment management company and simultaneously the direct interests held by the Group in the investment fund are more than 40% of fund assets. This threshold is defined as indicative threshold where the exposure to variability of return is retained significant. Unit-linked products where the financial risk related to the investment is borne by the policyholders are not taken into consideration since the exposure to variable returns (and ability to affect those returns through power over the investee) is only limited or does not exist.

In case that the direct interest held by the Group in the investment fund is less than 40%, investment is not consolidated and is reported in its original classification category (available for sale financial assets or in financial assets at fair value through profit or loss) as investment fund units. The same occurs in case an investment in a fund is below specific materiality threshold, in which case fund is not consolidated as well for cost/benefit reasons.

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

The Group deconsolidated from the beginning of this year, the Transformed pension fund in the Czech Republic as the consolidation criteria were not met anymore due to changed exposure and relationship between power and exposure to variable return.

D. SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

D.1 Significant accounting policies

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

D.1.1 Intangible assets

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

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

The Group owns no software with indefinite useful life.

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

Goodwill

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

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

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

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

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

Present value of future profits

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

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

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

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

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

Other intangible assets

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

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

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

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

D.1.2 Investment property

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

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

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

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

D.1.3 Property and equipment

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

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

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

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

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

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

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

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

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

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

D.1.4 Financial assets

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

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

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

Loans and receivables

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

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

Financial assets held to maturity

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

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

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

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

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

Financial assets available for sale

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

The fair value option is only applied when:

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

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

D.1.5 Reinsurance assets

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

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

D.1.6 Receivables

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

Insurance receivables

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

Other receivables

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

D.1.7 Cash and cash equivalents

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

D.1.8 Lease transactions

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

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

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

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

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

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

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

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

D.1.10 Equity

Share capital

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

Additional paid-in capital

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

Retained earnings and other reserves

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

Other capital reserves

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

Translation reserve

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

Revaluation – financial assets AFS

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

Cash flow hedge reserve/(deficit)

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

Results of the period

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

Shareholder's equity attributable to non-controlling interest

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

Dividends

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

D.1.11 Insurance classification

Insurance contracts

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

Classification requires the following steps:

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

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

Investment contracts with a discretionary participation feature (DPF)

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

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

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

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

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

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

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

As Transformed fund was deconsolidated as at 1.1.2021, this paragraph is relevant just for comparative period.

Shadow accounting

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

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

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

Investment contracts without DPF

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

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

D.1.12 Insurance liabilities

Provision for unearned premiums

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

Mathematical provision

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

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

Claims provision

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

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

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

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

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

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

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

Other insurance liabilities

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

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

D.1.13 Other provisions

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

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

D.1.14 Bonds issued

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

D.1.15 Financial liabilities to banks and non-banks

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

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

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

D.1.17 Payables

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

D.1.18 Net insurance premiums revenue

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

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

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

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

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

D.1.19 Net insurance claims and benefits

Insurance technical charges include claims (benefit) expenses, the change in technical provisions and rebates and profit sharing.

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

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

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

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

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

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

D.1.21 Other income and expense from financial assets

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

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

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

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

D.1.22 Income and expense from investment property

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

D.1.23 Acquisition costs

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

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

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

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

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

D.1.24 Administrative cost

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

D.1.25 Reinsurance commission and profit participations

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

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

D.1.26 Income tax

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

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

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

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

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

D.1.27 Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

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

Post-employment benefits

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

Termination benefits

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

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

D.1.28 Other accounting policies

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currencies classified as available for sale are 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 regularly tested for impairment.

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

Impairment of financial assets

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

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

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

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

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

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

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

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

REPO/reverse REPO transactions

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

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

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

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

Offsetting financial instruments

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

Share-based payments

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

Equity-settled transactions

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

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

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

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

Fair value measurements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Level 2	Level 3
Equities		The fair value is mainly determined using an independent evaluation provided by third party or is based on the amount of Shareholders' equity.
Investment funds		The fair value is mainly based on information about the value of underlying assets. Valuation of underlying assets requires significant expert judgement or estimation.
Bonds, Loans	Bonds are valued using 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. An alternative is a valuation provided by an independent provider Refinitive, in that case instruments with an EJv score ≥ 7 are considered level 2.	Indicative price is provided by a third party or significant expert judgement and is incorporated in the discounted cash flow technique. An alternative is a valuation provided by an independent provider Refinitive, in that case instruments with an EJv score < 7 are considered level 3.
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 2021	Valuation technique(s)	Non-market observable input(s)	Range
Equities	654	discounted cash flow technique / net asset value	discount rate growth rate	13.1% 4.0%
Bonds Government	434	discounted cash flow technique	level of credit spread	(50) – 314 bps
Bonds Corporate	240	discounted cash flow technique	level of credit spread	(45) – 428 bps
Unit-linked investments	22	net asset value	value of underlying instruments	n/a
Investment fund units	54	net asset value	value of underlying instruments	n/a
Investment property	441	external valuation expert	similar transactions	€753 – €18,129 per sqm

Description	Fair value as at 31 December 2020	Valuation technique(s)	Non-market observable input(s)	Range
Equities	675	discounted cash flow technique	discount rate growth rate	14.8% 3.3%
Bonds Government	119	discounted cash flow technique	level of credit spread	25 – 160 bps
Bonds Corporate	92	discounted cash flow technique	level of credit spread	(33) – 626 bps
Unit-linked investments	109	net asset value	value of underlying instruments	n/a
Investment fund units	2	net asset value	value of underlying instruments	n/a
Investment property	514	external valuation expert	similar transactions	€84 – €18,109 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 €674 million (2020: €211 million) of the Group's Level 3 investments. For these Level 3 investments, changing spread \pm 100 bps would result in the change in fair value by €-43 to €+51 million (2020: €-15.6 to €+21.7 million).

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

Fair value hedge

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

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

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

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

Cash-flow hedge

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

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

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

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

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

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

Embedded derivatives

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

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

D.2 Non-uniform accounting policies of subsidiaries

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

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

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

D.3 Principal assumptions

D.3.1 Life insurance liabilities

Actuarial assumptions and their sensitivities underlie the insurance calculation. Life insurance provisions are set in accordance with local GAAP and other legal requirements of the country where the insurance contract was concluded.

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

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

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

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

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

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

D.3.2 Non-life insurance liabilities

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

Claims provisions

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

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

Other provisions

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

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

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

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

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

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

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

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

Tail factors

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

Annuities

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

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

Discounting

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

D.3.3 Liability adequacy test

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

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

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

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

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

Life insurance

Economic assumptions

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

Expense assumptions

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

Demographic assumptions

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

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

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

Non-life insurance

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

D.3.4 Significant variables

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

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

Life insurance

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

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

Life assurance liabilities as at 31 December 2021 and as at 31 December 2020 according to the LAT were not sensitive to a change in any variable.

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

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

Non-life insurance

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

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

Sensitivity of MTPL annuities

(€ million)	Change in variable	31.12.2021		31.12.2020	
		Change in insurance liabilities (gross)	Change in insurance liabilities (net)	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount Rate	(100) bp	32	17	30	16
Pension growth rate	100 bp	31	16	29	15

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

D.4.1 Non-life insurance contracts

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

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

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

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

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

Motor insurance

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

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

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

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

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

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

Property insurance

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

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

Liability insurance

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

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

Accident, health and disability insurance

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

D.4.2 Life insurance contract

Bonuses

Only minor part of Group's life insurance contracts include an entitlement to receive a bonus. The new production in recent years is dominated by protection and unit linked products. Bonuses to policyholders are granted at the discretion of the insurer and are recognised when proposed and approved by the Board of Directors, in accordance with the relevant legal requirements. Once allocated to policyholders, bonuses are guaranteed.

Premiums

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

Term life insurance products

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

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

Endowment products

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

Variable capital life insurance products

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

Child insurance products

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

Hybrid and multiline life insurance

This group is the dominant "on sale" group of products. It combines traditional term life insurance with risk coverage of death or dread disease, together with a waiver of the premium in the event of permanent disability, and many other health and accident coverages. It also allows for investment of the regular premium or extra single premium into unit linked investment funds. The policyholder defines the funds and the ratio of the premium where payments are invested and can change the funds and ratio during the contract. They can also change the sums assured, the regular premium, and the insurance risks covered. They can pay an additional single premium or withdraw part of the extra single premium. In these products policyholders carry the investment risk and the Group earns management and administration fees and mortality results on these products.

Retirement insurance for regular payments (with interest rates)

Life-long retirement 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. The process used to determine the assumptions with the greatest effect on the result of the impairment test are described in Note F.1.1.

D.6 Changes in accounting policies

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

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

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

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

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

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

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.

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

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

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

Classification and measurement of financial assets

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

Classification and measurement of financial liabilities

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

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IFRS 16 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

Hedge accounting

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

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

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

The Group has chosen to apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018 as its activities are predominantly connected with insurance as at 31 December 2015 (see Note D.6.5).

In December 2021 IASB issues Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17) to permit entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.

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

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

Annual Improvements to IFRS Standards 2018 – 2020

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

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

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

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

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

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

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

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

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

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

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

The European Union has officially approved the IFRS17 standard through Regulation (EU) 2021/2036, published in the Official Journal of the EU of 23 November 2021, and provided for an exception concerning the application of annual cohorts to contracts entailing the mutuality of intergenerational cash flows classified according to the VFA model, as well as to contracts entailing cash flow matching (“Matching Adjustment”), as defined in Directive 2009/138/EC.

On 9 December 2021, the IASB published a limited amendment to the transition requirements of IFRS 17, as regards the application of the requirements of IFRS 9 to the comparative periods. The proposed amendment allows for a better alignment of the presentation of comparative information pursuant to IFRS 17 and IFRS 9, by means of a "classification overlay", which effectively applies to all financial instruments, including assets sold in 2022, the rules envisaged by IFRS 9 for purposes of classification and measurement. The Group intends to restate the comparative period to the first application of IFRS 9 and envisages the application of this amendment to all financial instruments, in order to produce 2022 comparative information consistent with the IFRS 17 and IFRS 9 requirements, in line with the financial information from 1 January 2023 onwards.

Implementation of the standard

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

In order to adopt IFRS 17 in the Group's consolidated financial statements, a global finance transformation program is in place since 2017. This program involves various central and local functions and has the objective of implementing IFRS 17 and IFRS 9 consistently at Group level. In particular, the program includes functional workstream dedicated to developing the methodological and interpretative aspects of the standard in coherence with the market practices of the sector and implementation workstream dedicated to the implementation of the operating model and architecture of the target information systems. During 2021, the focus of the project was mainly upon the implementation and testing of the new model, while in 2022 the main objective will be the transition to the new standard, which provides for the determination of the new opening balances as at 1.1.2022 and the construction of comparative information preparatory to entry into force.

The Group is assessing the impacts of the joint application of IFRS 17 and IFRS 9 on the consolidated financial statements through regular quantitative impact exercises.

D.6.5 Temporary exemption from IFRS 9

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

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

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

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

The following tables show the disclosure related to financial statements at 31 December 2021 and 2020, in accordance to the amendment to IFRS 4.

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

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

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

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

(€ million)	Fair value as at 31 December 2020	Fair value change as at 31 December 2019
Financial assets managed on fair value basis and held for trading*	2,653	81
Investment fund units	154	(9)
Derivatives	39	4
Investments back to policies where the risk is borne by the policyholders and pension funds**	2,422	86
Other	38	-
Available for sale financial assets (AFS), held to maturity and loans and receivables***	11,814	92
Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest	10,766	159
Bonds	10,178	159
Loans and other debt instruments	573	-
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	1,048	(67)
Equity instruments	791	(68)
Bonds	11	(1)
Investment fund units	246	2
Total	14,467	173

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

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

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

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

(€ million)	2021		2020	
	Bonds	Other than bonds instruments	Bonds	Other than bonds instruments
AAA	102	-	99	-
AA	1,290	-	4,704	-
A	1,586	63	1,947	249
BBB	2,059	174	2,526	224
BB	731	1	660	-
B	34	-	33	-
Not rated	17	10	23	151
Total	5,819	248	9,992	624

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

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

(€ million)	2021		2020	
	Fair value	Carrying amount	Fair value	Carrying amount
Bonds	51	51	57	56
Loans and Other debt instruments	10	10	181	151
Total	61	61	238	207

D.7 COVID-19 Impact

During the year 2021 the Group was exposed to impacts of Covid-19 pandemic situation. Below you can find consideration about impacts on most significant areas. Other impacts are stated within individual chapters.

D.7.1 Impact on estimates related to technical provisions

Life technical provisions

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

Operating assumptions

Companies were monitoring/analyzing potential effects of the Covid-19 on the resulting risk distributions and on year-end 21 best estimate operating assumptions. During 2021, we observed an increase in death events (especially among elderly clients) leading to slightly higher claims. On the other hand we observed a decline in some other risks – e.g. in claims for accident riders as well as in surrender rates. As a result, we still consider the effect of Covid-19 as one-off event without impact on long term operating assumptions. Some companies in the CEE region applied a short term adjustments to increase the probability of death, some did not do so considering their best estimate assumptions still valid. 2020 experience mortality / morbidity experience data were taken into account also in calibration of the risks, for internal model companies. The overall impact of Covid-19 on life technical provisions was not significant.

Expenses

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

New production

Related Covid-19 measures as lockdowns and movement restrictions had again a negative impact on the life insurance business. But compared to 2020 much lower – in reality we observed a recovery and the 2021 new business premiums (APE) sold in CEE increased by almost 10% y-y. The increase was observed in all countries.

Financial markets

The positive y-y development on financial markets (mainly increase in UL funds) led to an increase of the technical provisions according to Solvency II, but this was more than offset (via higher discount rate) by significant increase of risk free (EIOPA) interest rates at the year end. The overall impact was a decrease in technical provisions. The effect of coronavirus on the financial market has had no visible impact on surrenders, paid-ups or extra withdrawals.

In general, taking into account also the evolution of the virus, we don't expect any long term effects coming from Covid-19. However possible effects need to be monitored in the next years in order to correctly evaluate the technical provisions.

Non-life technical provisions

The pandemic of Covid-19 continued to influence the nonlife insurance portfolio and reserving approach of entities belonging to Generali CEE Holding also in the financial year 2021. At the same time, it is necessary to highlight that the impact was clearly lower compared to the financial year 2020.

Similarly to 2020, the main driver of the impact is the social distancing (especially overall decrease in traffic and travelling). As this driver reaches different magnitude in different countries and industries, the impact on different entities and insurance segments is naturally diverse as well.

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

- Travel insurance: The impact of Covid-19 situation on tourism led to decrease of the demand for the travel insurance compared to period before Covid-19 outbreak. This led to decrease of overall volumes of premium written in this segment, however not necessarily to decrease of the claim ratio.
- Business disruption insurance: The government restrictions led to business disruption of many entrepreneurs, causing higher claim frequency in this segment compared to period before Covid-19 outbreak.
- Motor insurance: The overall decrease of traffic typically led to decrease of overall claim frequency in the Motor insurance (Motor third party liability, Other motor) compared to period before Covid-19 outbreak.

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

- Higher degree of uncertainty connected both to the settlement of claims incurred in the past and claims to be incurred in the future. The higher degree of uncertainty is appropriately reflected in the assumptions underlying the calculation of the technical provisions. The assumptions are based on the information gained in a prudent, reliable and objective manner.
- Claim provisions (covering claims and expenses incurred in the past, but not yet settled): The reserving approach reflects changes in the claim development patterns, caused by changes in the claim frequency, claim severity distribution and claim settlement speed.
- Premium provision (covering claims and expenses to be incurred in the future within the boundaries of insurance contracts): It is clear that the drivers affecting the accident year 2021 will most likely decline in 2022. Therefore the importance of Covid-19 effects will further decrease.

Covid-19 situation and related drivers are assumed to play a lower role in 2022 in comparison with 2021 and especially 2020. The degree of uncertainty in reserving, connected to Covid-19 effects, consequently continually decreases.

D.7.2 Impact on Investments

Pandemic of Covid-19 had substantial impact on financial markets mainly in 2020, but also in 2021 some consequences persisted or newly emerged.

CEE portfolios were at the beginning of the crisis deeply affected by falling equity markets and credit-spreads widening, but quick and world-wide support to economies provided by national banks and governments helped to gradually mitigate the impacts and the year 2021 was in light of ongoing strong recovery. Commodity prices, supply side bottlenecks and robust demand combined with base effects led inflation higher in 2021.

There were strong differences in the approach of central banks responding to post-covid high inflationary risks. While ECB and FED were quite cautious in tightening of their monetary policy, CEE central banks perceived inflation as a major risk and raised their basic repo rates substantially with Czech National Bank to be the most hawkish one rising rates from 0.25% to 3.75% during second half of the year (followed by further increase by 75 basis points in January 2022).

Rising CEE risk-free yields are from the long-term perspective P&L positive:

- Higher current income from cash and floating rate instruments,
- Substantial growth of interest rate differential, i.e. higher benefits from the hedging of foreign exposure,
- Significantly higher reinvestment yields.

Balance sheet is impacted by rising rates negatively due to lower bonds' market value (rising unrealized losses and/or lower unrealized gains in AFS reserve).

The risks associated with the spread of the SARS-CoV-2 coronavirus are now on the wane. High inflation and the conflict between Russia and Ukraine will more likely dominate the financial markets in 2022.

Fair value measurement

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

D.7.3 Financing

During 2Q2021 GCEE Holding reimbursed the HUF loan which was provided by Generali Biztosító (cca €37 million) in 2020.

E. RISK REPORT

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

E.1 Risk management system

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

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

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

The risk management system is based on three main pillars:

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

The Company mainly uses following instruments to mitigate individual risks:

Swaps

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

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

Futures and forwards

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

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

Options

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

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

Financial instruments and other investments

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

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

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

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

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

E.2 Roles and responsibility

The system is based on three levels of responsibility:

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

E.3 Risk measurement and control

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

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

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

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

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

Risk appetite framework

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

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

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

E.4 Market risk

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

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

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

At the year-end 2021, those investments with market risk affecting the Group were totaled €7,178 million at market value.

(€ million)	31.12.2021		31.12.2020	
	Total fair value	weight (%)	Total fair value	weight (%)
Equities and funds	1,182	16.5%	1,080	9.4%
Bonds	5,961	83.0%	10,410	90.5%
Derivatives	35	0.5%	9	0.1%
Total	7,178	100.0%	11,499	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 management

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

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

The ALM manages the net asset-liability positions in both life and non-life insurance, with the main focus on traditional life products with a long-term nature and often with embedded options and guarantees. The insurance liabilities are 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.

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

E.4.2 Interest rate risk

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

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

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

Interest rate risk exposure

(€ million)	31.12.2021		31.12.2020	
	Carrying amount	weight (%)	Carrying amount	weight (%)
Generali penzijní společnost, Czech Republic*	67	1.1%	4,264	41.3%
Generali Česká pojišťovna, Czech Republic	2,130	35.6%	1,810	17.5%
GP Reinsurance EAD, Bulgaria	847	14.2%	925	8.9%
Generali Towarzystwo Ubezpieczeń, Poland	746	12.5%	654	6.3%
Generali Zavarovalnica d.d., Slovenia	511	8.5%	512	4.9%
Generali Osiguranje Srbija, Serbia	513	8.6%	502	4.8%
Generali Biztosító Rt, Hungary	273	4.6%	322	3.1%
Generali Poistovňa, Slovakia**	-	-	314	3.0%
Generali Osiguranje, Croatia	273	4.6%	276	2.7%
Generali Romania Asigurare Reasigurare S.A., Romania	225	3.8%	216	2.1%
Generali Zycie Towarzystwo Ubezpieczeń, Poland	117	2.0%	142	1.4%
Concordia Polska, Poland	-	-	106	1.0%
Patricie Pojišťovna, Czech Republic	-	-	42	0.4%
Generali CEE Holding B.V., The Netherlands	-	-	2	-
Other companies	272	4.5%	266	2.6%
Total	5,974	100.0%	10,353	100.0%

* Including Transformed fund in 2020 in the amount of €4,206 mln

** Since 2022 renamed to GSK Financial, a.s.. There is zero value in YE 2021 due to the transfer of portfolio to Generali Česká pojišťovna

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

(years)	31.12.2021	31.12.2020
Generali Česká pojišťovna, Czech Republic	6.2	7.8
Generali penzijní společnost, Czech Republic*	3.0	5.8
Generali Romania Asigurare Reasigurare S.A., Romania	3.6	4.0
Generali Zycie Towarzystwo Ubezpieczeń, Poland	3.2	3.0
Generali Biztosító Rt, Hungary	4.9	4.3
Generali Towarzystwo Ubezpieczeń, Poland	2.8	3.5
GP Reinsurance EAD, Bulgaria	3.8	4.0
Generali Zavarovalnica, Slovenia	5.5	6.0
Generali Osiguranje, Croatia	4.7	5.1
Generali Osiguranje Srbija, Serbia	5.5	5.5
Patricie Pojišťovna, Czech Republic	-	1.6
Generali Poistovňa, Slovakia**	-	3.9
Concordia Polska, Poland	-	1.2

* Including Transform fund in 2020. Adjusted duration of bonds portfolios of Generali Penzijní společnost without TF was 3.7 in 2020.

** Since 2022 renamed to GSK Financial, a. s.

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 2021 and 31 December 2020.

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)		31.12.2021		31.12.2020	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
100 bp parallel increase	Gross impact on fair value	1	(209)	-	(204)
	Income tax charge / (credit)	-	36	-	37
	Total net impact	1	(173)	-	(167)
100 bp parallel decrease	Gross impact on fair value	(1)	216	1	224
	Income tax charge / (credit)	-	(37)	-	(41)
	Total net impact	(1)	179	1	183

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)		31.12.2021		31.12.2020	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
100 bp parallel increase	Gross impact on fair value	-	5	-	56
	Income tax charge / (credit)	-	(1)	-	(1)
	Total net impact	-	4	-	55
100 bp parallel decrease	Gross impact on fair value	-	(5)	-	(61)
	Income tax charge / (credit)	-	1	-	1
	Total net impact	-	(4)	-	(60)

Significant decrease in sensitivity with impact to Shareholder's equity in 2021 compared to 2020 was caused by deconsolidation of Transformed Fund in 2021.

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)	31.12.2021	31.12.2020
Equities at fair value	848	791
Quoted	193	116
Unquoted	655	675
Investments in fund units	334	289
Total	1,182	1,080

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

(€ million)	31.12.2021		31.12.2020	
	Amount	weight (%)	Amount	weight (%)
Generali Russia and CIS, Russia	385	32.6%	437	40.5%
Generali Česká pojišťovna, Czech Republic	300	25.4%	223	20.6%
Generali CEE Holding, The Netherlands	158	13.4%	113	10.5%
GP Reinsurance EAD, Bulgaria	131	11.1%	105	9.7%
Generali Zavarovalnica d.d., Slovenia	75	6.3%	67	6.2%
Generali Biztosító Rt, Hungary	59	5.0%	54	5.0%
Generali Poistovňa, Slovakia	-	-	20	1.9%
Generali Towarzystwo Ubezpieczeń, Poland	41	3.4%	23	2.1%
Other companies	33	2.8%	38	3.5%
Total	1,182	100.0%	1,080	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 2021 and 2020.

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)		31.12.2021		31.12.2020	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
Equity price +10%	Gross impact on fair value	17	98	15	91
	Income tax credit	(2)	(8)	(2)	(6)
	Total net impact	15	90	13	85
Equity price -10%	Gross impact on fair value	(17)	(98)	(15)	(91)
	Income tax charge	2	8	2	6
	Total net impact	(15)	(90)	(13)	(85)

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)		31.12.2021		31.12.2020	
		Income Statement	Shareholder's Equity	Income Statement	Shareholder's Equity
Equity price +10%	Gross impact on fair value	-	(8)	-	(6)
	Income tax charge / (credit)	-	-	-	-
	Total net impact	-	(8)	-	(6)
Equity price -10%	Gross impact on fair value	-	8	-	6
	Income tax charge / (credit)	-	-	-	-
	Total net impact	-	8	-	6

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)	31.12.2021		31.12.2020	
	Amount	weight (%)	Amount	weight (%)
AAA	102	1.7%	102	1.0%
AA	1,290	22.1%	4,750	46.1%
A	1,592	27.2%	2,081	20.2%
BBB	2,072	35.5%	2,573	25.0%
Non-investment grade	765	13.1%	759	7.4%
Not-rated	25	0.4%	33	0.3%
Total	5,846	100.0%	10,298	100.0%

The portfolio of fixed income investments of the Group has been prudently composed: 73.4% of the securities are government issued (2020: 79.9%).

The distribution by rating class shows that more than a half (51%) of fixed income investment is of a high rating standing greater than or equal to the "A" rating.

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

Rating of reinsurance assets

(€ million)	31.12.2021		31.12.2020	
	Amount	weight (%)	Amount	weight (%)
AA	170	28.7%	186	44.1%
A	350	59.1%	167	39.6%
BBB	6	1.0%	7	1.6%
Not-rated	66	11.2%	62	14.7%
Total	592	100.0%	422	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)	31.12.2021		31.12.2020	
	Amount	weight (%)	Amount	weight (%)
A	-	-	74	71.8%
BBB	76	88.4%	3	2.9%
Non-investment grade	1	1.2%	21	20.4%
Not-rated	9	10.4%	5	4.9%
Total	86	100.0%	103	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)	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Neither past due nor impaired – carrying amount	225	619	418	346
Past due but not impaired – carrying amount	-	-	70	70
Collectively impaired – carrying amount	-	-	108	73
Gross amount	1	1	189	154
up to 90 days after maturity	-	-	96	75
91 days to 180 days after maturity	-	-	18	13
181 days to 1 year after maturity	-	-	12	13
over 1 year after maturity	1	1	63	53
Allowance for impairment	(1)	(1)	(81)	(81)
Total	225	619	596	489

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)	31.12.2021	31.12.2020
Against neither past due nor impaired	152	476
Debt securities	87	452
Other	65	24
Total	152	476

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

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

Geographic concentration:

(€ million)	31.12.2021		31.12.2020	
	Total fair value	weight (%)	Total fair value	weight (%)
Czech Republic	1,456	24.5%	5,457	50.7%
Russia	163	2.7%	191	1.8%
Poland	1,111	18.7%	1,334	12.4%
Hungary	437	7.3%	553	5.1%
Serbia	543	9.2%	525	4.9%
Romania	272	4.6%	329	3.1%
Other CEE countries	789	13.3%	907	8.4%
Other European countries	834	14.1%	1,040	9.7%
The Netherlands	126	2.1%	126	1.2%
Germany	109	1.8%	139	1.3%
Austria	68	1.2%	104	1.0%
Other	531	9.0%	671	6.2%
USA	153	2.6%	192	1.8%
Other world countries	177	3.0%	238	2.2%
Total	5,935	100.0%	10,766	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

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

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

Residual contractual maturities of financial liabilities excluding financial liabilities related to investment contracts
(2021: €173 million, 2020: €4,535 million)

31.12.2021 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Financial liabilities	115	34	2	151
Financial liabilities at fair value through profit or loss	29	14	1	44
Derivatives	27	14	1	42
Other	2	-	-	2
Financial liabilities at amortised cost	86	20	1	107
Lease liability	16	20	1	37
Net assets attributable to unit holders	61	-	-	61
Other	9	-	-	9
Payables	586	82	38	706
Other liabilities	317	55	46	418
Total financial liabilities	1,018	171	86	1,275
31.12.2020 (€ million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Financial liabilities	131	57	91	279
Financial liabilities at fair value through profit or loss	7	24	39	70
Derivatives	5	24	39	68
Other	2	-	-	2
Financial liabilities at amortised cost	124	33	52	209
Lease liability	25	32	2	59
Net assets attributable to unit holders	47	-	-	47
Other	52	1	50	103
Payables	694	20	-	714
Other liabilities	269	20	69	358
Total financial liabilities	1,094	97	160	1,351

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

Estimated timing of the net cash outflows resulting from recognised insurance liabilities and contractual maturities of financial liabilities for investment contracts (including mathematical provisions, unit-linked provision, ageing provisions and provisions for investments contracts)

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

31.12.2020 (€ million)	Life insurance provisions - Gross direct insurance	Financial liabilities related to investment contracts	Total
Up to 1 year	390	1,594	1,984
Between 1 and 5 years	1,365	822	2,187
Between 6 and 10 years	777	584	1,361
Between 11 and 20 years	980	861	1,841
More than 20 years	813	675	1,488
Total	4,325	4,536	8,861

The significant decrease of financial liabilities related to investment contracts compared to 2020 was caused by the deconsolidation of Transformed fund in 2021.

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

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

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

(€ million)	Provision for outstanding claims - Gross direct amount	
	31.12.2021	31.12.2020
Up to 1 year	840	760
Between 1 and 5 years	580	594
Between 6 and 10 years	238	241
Between 11 and 20 years	229	226
More than 20 years	368	304
Total	2,255	2,125

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

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

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

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

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

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

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	
	31.12.2021	31.12.2020
Liabilities with guaranteed interest*	1,817	6,174
between 0% and 1%	120	4,404
between 1% and 3%	814	819
between 3% and 4%	454	473
between 4% and 5%	335	362
more than 5%	94	116
Provisions without guaranteed interest	2,802	2,603
Provisions matched by specific assets**	93	68
Total	4,712	8,845

* 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 €2,091 million (2020: €2,098 million), provisions for unit-linked policies €2,449 million (2020: €2,211 million), and financial liabilities related to investment contracts with DPF €172 million (2020: €4,536 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 2012 to 2021. 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)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Cumulative claim payments											
at the end of accident year	784	759	680	685	772	772	780	888	864	968	7,952
one year later	1,032	1,001	936	933	1,030	1,071	1,128	1,183	1,111		
two years later	1,078	1,048	1,007	984	1,085	1,133	1,221	1,231			
three years later	1,100	1,069	1,035	1,012	1,113	1,166	1,250				
four years later	1,113	1,080	1,048	1,029	1,131	1,192					
five years later	1,120	1,088	1,058	1,040	1,139						
six years later	1,125	1,093	1,064	1,046							
seven years later	1,128	1,096	1,069								
eight years later	1,130	1,098									
nine years later	1,132										
Cost of claims											
at the end of accident year	1,362	1,340	1,280	1,351	1,446	1,488	1,551	1,560	1,482	1,712	14,572
one year later	1,298	1,265	1,279	1,259	1,364	1,427	1,482	1,490	1,378		
two years later	1,265	1,250	1,237	1,233	1,326	1,398	1,448	1,455			
three years later	1,257	1,225	1,219	1,206	1,302	1,374	1,416				
four years later	1,222	1,190	1,187	1,183	1,276	1,343					
five years later	1,204	1,176	1,168	1,165	1,261						
six years later	1,194	1,165	1,155	1,153							
seven years later	1,184	1,160	1,145								
eight years later	1,178	1,154									
nine years later	1,171										
Estimate of cumulative claims	1,171	1,154	1,145	1,153	1,261	1,343	1,416	1,455	1,378	1,712	13,188
Cumulative payments	(1,132)	(1,098)	(1,069)	(1,046)	(1,139)	(1,192)	(1,250)	(1,231)	(1,111)	(968)	(11,236)
Provisions for outstanding claims not included in underwriting years											168
Provisions not included in the claims development table											129
Provisions for entities without data triangles (ME102)											6
Accepted reinsurance											155
Amount recognised in the Statement of financial position											2,410

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

E.7.2 Reinsurance strategy

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

The Group has a captive reinsurance company, GP Reinsurance EAD (GP RE), located in Bulgaria. The majority of reinsurance treaties are concluded with GP RE. GP RE acts as an internal reinsurer and then places its retrocessions with Assicurazioni Generali S.p.A. who is its ultimate shareholder.

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

The overview of obligatory reinsurance treaty parameters for the main program and underwriting year 2021:

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 & Livestock	Quota Share	Swiss Re
Crop	Quota Share	Hannover 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
Death and other risks	Quota Share	Swiss Re
Death and other risks	Quota Share	Hannover RE
Death and other risks	Quota Share	CACI
Mortgage/Personal loan insurance	Quota Share	Axa
Mortgage/Personal loan insurance	Quota Share	Assicurazioni Generali S.p.A.
Mortgage/Personal loan insurance	Surplus	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
Individual life insurance	Quota Share	Swiss 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.

Specific focus on Fraud risk

Fraud risk is among risks that are regularly assessed through Operational Risk Assessment (ORA), which is performed on yearly bases. The fraud risk is further split to fraud risk from clients, intermediaries and suppliers and internal fraud risk (categories are defined withing Group Operational Risks catalogue). The risk assessment consider Potential Risk Exposure, which is assessed through financial impact and frequency of the risk occurrence, and adequacy of control system in place. Combination of two mentioned factors define residual risk area – from Very low up to Very High. The 2021 assessment for the region concluded there is low exposure related to fraud risk in vast majority of our entities, with some limited cases of medium exposure. Hence the self assessment concluded the controls put in place by single operating entities are efficient in mitigating such risks. The fraud risk is actively monitored and managed in all CEE countries.

E.9 Financial strength monitoring by third parties

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

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

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

The Group's largest subsidiary Generali Česká pojišťovna, a.s. has a financial Strength Rating of A (Excellent) with stable outlook and an Long-Term Issuer Credit Rating „a+“ with stable outlook, assigned by A.M. Best on 17 December 2021.

E.10 Capital management

The objectives of the Group as well as the capital management policy of individual business units are:

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

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

E.11 Solvency

The Generali Group uses an internal approach to determine the available financial resources and the capital requirements for risks which it is exposed to (Group Internal Model), while maintaining consistency with the basic framework of Solvency II, which came effective in 2016. On 24 February 2016 IVASS authorised the Entities in Scope to use the Group Internal Model to calculate the Group SCR as well as the SCR of each Entity in Scope.

During 2021, 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 2021 and 2020. The final solvency position according to the Solvency II requirements will be available after the date of the financial statements and will be published as a part of the Solvency and Financial Condition Report (SFCR) by each subsidiary during April 2022.

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

F.1 Intangible assets

(€ million)	31.12.2021	31.12.2020
Goodwill	1,657	1,596
of which Generali Česká pojišťovna a.s.	1,415	1,041
of which Generali Towarzystwo Ubezpieczeń S.A.	11	9
of which Generali Poistovňa, a.s.	-	314
of which Generali Osiguranje Srbija A.D.O.	18	18
of which Generali penzijní společnost, a.s.	18	17
of which Concordia Polska Towarzystwo Ubezpieczeń Wzajemnych	-	2
of which Generali Investments TFI	55	55
of which Generali Zavarovalnica d.d.	118	118
of which Generali Investments, družba za upravljanje	9	9
of which Generali Zycie T.U.	6	6
of which Generali osiguranje	7	7
Other intangible assets	551	565
Software	136	111
Present value of future profits from portfolios acquired	404	440
of which Generali Česká pojišťovna a.s.	327	335
of which Generali penzijní společnost, a.s.	28	30
of which Generali Poistovňa, a.s.	-	14
of which Generali Zycie T.U.	2	3
of which Generali Zavarovalnica d.d.	25	31
of which Generali Investments, družba za upravljanje	5	5
of which Generali Investments TFI	16	18
Others	1	4
Other intangible assets	11	14
Total	2,208	2,161

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

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

On 31 April 2020, Generali osiguranje d.d. completed acquisition of Izvor osiguranje business. In accordance with IFRS 3, Generali Osiguranje d.d. performed purchase price allocation exercise ("PPA") which resulted in recognition of VOBA in the amount of €1 million. The excess of the purchase price over the fair values of identified assets and liabilities resulted in the recognition of goodwill of €7 million.

On 3 January 2020, Adriatic Slovenica d. d. merged with Generali zavarovalnica d. d. Generali zavarovalnica, as the transferee company, and in accordance with the laws, became the universal successor of the company Adriatic Slovenica and acquired all its rights and obligations. On the same date Adriatic Slovenica ceased to exist and was deleted from the Court Register. As a result of the merger, goodwill and VOBA previously recognized within the CGU of Adriatic Slovenica, were transferred to CGU of Generali Zavarovalnica.

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)	2021	2020
Gross book value as at beginning of reporting period	1,742	1,776
Accumulated impairment as at beginning of reporting period	(146)	(145)
Carrying amount as at beginning of reporting period	1,596	1,631
Business combinations	-	7
Impairment charge for the period	-	(1)
Foreign currency translation effects	61	(41)
Gross book value as at end of reporting period	1,803	1,742
Accumulated impairment as at end of reporting period	(146)	(146)
Carrying amount as at end of reporting period	1,657	1,596

The goodwill is allocated to individual cash-generating units and recognised in the functional currency of the respective unit. Subsequently, goodwill is translated to the Group's presentation currency at the end of the reporting period. The related translation differences are recognised in other comprehensive income.

The overall goodwill is allocated to individual cash-generating units according to the proportion they contribute to the overall surplus between the value in use resulting from the impairment test model and the net asset value of the cash-generating unit. In particular, the Dividend Discount Model (DDM) has been used for the determination of the value in use. Only established insurance companies, pension companies and funds are considered to be cash-generating units for the purpose of goodwill allocation (corresponding to entities with allocated goodwill in Note F.1).

The Dividend Discount Model is based on the hypothesis that the value of a cash-generating unit is equal to the present value of the post-tax cash flows available for its shareholders. These cash flows are supposed to be equal to the flows derived from the distributable dividends, while maintaining an adequate capital structure as required by the laws in force and the entity's economic nature and to maintain its expected future development.

According to this method, the value of the cash-generating unit is equal to the sum of the discounted value of future dividends plus the terminal value of the cash-generating unit itself.

The application of this criterion has generally entailed the following phases:

- For forecasting the future cash flows of each cash-generating unit, the detailed information included in the last available Rolling Plan 2021 – 2023 has been considered. The main economic-financial data has been calculated for two additional years (2024 and 2025) on the basis of the growth rate in the last year of the Rolling Plan (2023) to extend the forecast period. Concerning non-life cash-generating units, the combined ratios considered are included within the range 73.2% – 99.5%.
- Explicit forecasting of the future cash flows to be distributed to shareholders in the planned time frame, taking into account limits requiring the maintenance of an adequate capital level.
- Calculating the cash-generating unit's terminal value, which is the expected value of the cash-generating unit at the end of the latest year planned.
- Regarding the terminal value, applying a growth rate of 2.0% on the cash flows of the latest Plan year.
- The discount rate of the future cash flows (between 7.10% and 10.59%) has been derived from the return rate of risk-free investments (between 0.14% and 5.51%), annual cost of capital (5.00%), size premium (1.00%) and beta (1.17).

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

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

Assumptions used in the impairment test of goodwill for the year 2020

	Combined ratio	Long term growth rate	Discount rate
Generali Česká pojišťovna a.s. – Life	-	2.0%	8.09%
Generali Česká pojišťovna a.s. – Non-life	88.3%	2.0%	8.09%
Generali Towarzystwo Ubezpieczeń S.A.	86.1%	2.0%	8.09%
Generali Zycie Towarzystwo Ubezpieczeń S.A.	-	2.0%	8.09%
Generali poist'ovňa, a.s. – Life*	-	2.0%	6.33%
Generali poist'ovňa, a.s. – Non-life*	99.5%	2.0%	6.33%
Generali Osiguranje Srbija A.D.O. – Life	-	2.0%	10.25%
Generali Osiguranje Srbija A.D.O. – Non-life	73.2%	2.0%	10.25%
Generali Penzijní Společnost a.s.	-	2.0%	8.09%
Generali Zavarovalnica d.d. - Life	-	2.0%	6.66%
Generali Zavarovalnica d.d. – Non-life	89.7%	2.0%	6.66%
Generali Investments, družba za upravljanje	-	2.0%	6.60%
Generali Investments TFI	-	2.0%	7.80%

* Since 2022 renamed to GSK Financial, a. s.

During impairment test of goodwill as at year-end 2021 we have not identified the need of impairment for any of cash-generating units.

During impairment test of goodwill as at year-end 2020 we have identified the need of impairment for cash-generating unit Generali Osiguranje Srbija A.D.O. – Life. The impairment in the amount of €1 million has been recognized.

The impact of Covid-19 pandemic situation is reflected in rolling plans of each cash-generating unit. Plans for years 2022, 2023 and 2024 were closely monitored and discussed between management of the Group and particular business units. The uncertainty about development of Covid-19 pandemic is also reflected in higher discount rates applied in comparison to prior year impairment testing. We have performed internal stress testing and did not identify any risk of impairment.

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

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

In 2020 there was a merger of Adriatic Slovenica and Generali Slovenia. As a result of this event, goodwill originally allocated during the acquisition of Adriatic Slovenica has been recognized at the CGU of Generali Slovenia proportionally split between life and non-life segment. Since 2020 goodwill is tested for impairment at the level of merged entity divided into life and non-life.

F.1.2 Other intangible assets

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

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

(€ million)	Software	Present value of future profits	Other	Total
2020				
Gross book value as at beginning of reporting period	470	1,447	21	1,938
Accumulated amortization and impairment as at beginning of reporting period	(366)	(928)	(4)	(1,298)
Carrying amount as at beginning of reporting period	104	519	17	640
Increases	47	1	-	48
Foreign currency translation effects	(5)	(18)	-	(23)
Amortisation and impairment of the period	(35)	(62)	(3)	(100)
Gross book value as at end of reporting period	491	1,404	21	1,916
Accumulated amortization and impairment as at end of reporting period	(380)	(964)	(7)	(1,351)
Carrying amount as at end of reporting period	111	440	14	565

On 19 December 2021, Česká pojišťovna a.s. acquired in an under common control transaction the insurance portfolios Slovak insurance companies - Generali Poistovňa a.s.

F.2 Tangible assets

(€ million)	31.12.2021	31.12.2020
Land and building (self-used)	260	81
Land and building subject to leasing	30	55
Other tangible assets	30	30
Other tangible assets subject to leasing	4	2
Total	324	168

F.2.1 Land and buildings (self-used)

(€ million)	31.12.2021	31.12.2020
Gross book value as at beginning of reporting period	122	126
Accumulated depreciation and impairment as at beginning of reporting period	(41)	(42)
Carrying amount as at beginning of reporting period	81	84
Foreign currency translation effects	4	(3)
Increases	2	4
Acquisitions	110	-
Reclassifications	55	-
Decreases	1	-
Other changes	11	(1)
Depreciation of the period	(4)	(3)
Gross book value as at end of reporting period	307	122
Accumulated depreciation and impairment as at end of reporting period	(47)	(41)
Carrying amount as at end of reporting period	260	81
Fair value	304	96

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

F.2.2 Land and buildings subject to leasing

(€ million)	31.12.2021	31.12.2020
Gross book value as at beginning of reporting period	92	90
Accumulated depreciation and impairment as at beginning of reporting period	(37)	(20)
Carrying amount as at beginning of reporting period	55	70
Increases	4	12
Renewals	2	3
Disposals	(1)	(1)
Depreciation of the period	(22)	(22)
Foreign currency translation effects	1	(4)
Other changes	(11)	(2)
Gross book value as at end of reporting period	61	92
Accumulated depreciation and impairment as at end of reporting period	(31)	(37)
Carrying amount as at end of reporting period	30	55

F.2.3 Other tangible assets

(€ million)	31.12.2021	31.12.2020
Gross book value as at the beginning of reporting period	96	95
Accumulated depreciation and impairment as at the beginning of reporting period	(67)	(68)
Carrying amount as at the beginning of reporting period	30	27
Increases	10	14
Decreases	-	(2)
Other changes	(2)	3
Depreciation of the period	(8)	(12)
Gross book value as at end of reporting period	91	96
Accumulated depreciation and impairment as at end of reporting period	(61)	(67)
Carrying amount as at end of reporting period	30	30
Fair value	31	30

F.2.4 Other tangible assets subject to leasing

(€ million)	31.12.2021	31.12.2020
Gross book value as at beginning of reporting period	5	4
Accumulated depreciation and impairment as at beginning of reporting period	(3)	(1)
Carrying amount as at beginning of reporting period	2	3
Increases	3	1
Depreciation of the period	(2)	(2)
Other changes	1	-
Gross book value as at end of reporting period	8	5
Accumulated depreciation and impairment as at end of reporting period	(4)	(3)
Carrying amount as at end of reporting period	4	2

F.3 Investments

F.3.1 Investment properties

(€ million)	31.12.2021	31.12.2020
Gross book value as at beginning of reporting period	502	592
Accumulated depreciation and impairment as at beginning of reporting period	(54)	(58)
Carrying amount as at beginning of reporting period	448	534
Foreign currency translation effects	15	(22)
Increases	3	1
Reclassifications	(55)	-
Decreases	(2)	-
Disposals of subsidiaries	(21)	(54)
Depreciation of the period	(8)	(10)
Net impairment loss of the period	(2)	(1)
Gross book value as at end of reporting period	439	502
Accumulated Impairment and impairment as at end of reporting period	(61)	(54)
Carrying amount as at end of reporting period	378	448
Fair value	441	514

In May 2020, the group sold out the City Empiria, a building with offices and retail premises located in Prague. The value of this transaction is presented in line Disposal of subsidiaries.

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

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

The fair value of investment property is based on valuations of independent experts who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.

The key variables used in this method are estimated market rental income (calculated including the inflation rate), capacity utilisation, maintenance and renewal expenses (based on the acquisition price, technical condition, useful life and discount rate).

Investment properties are mainly valued on the basis of inputs of similar assets in active markets or of discounted cash flows of future income and expenses of the rental considered as part of the higher and best use by a market participant.

Based on the analysis of inputs used for valuations, considering the limited cases where the inputs would be observable in active markets, the Group proceeded to classify the whole category at level 3.

For investment income, see Note F.19, for investment expense, see Note F.23.

F.3.2 Investments in associates and joint ventures

(€ million)	31.12.2021	31.12.2020
Investments in associates and joint ventures consolidated at equity	25	18
VÚB Generali d.s.s., a.s.	18	11
Europ Assistance s.r.o.	1	1
Europ Assistance Magyarország Befektetési Tanácsa dó Kft .	1	1
Nama d.d. Ljubljana	5	5
Other investments	14	11
Total	39	29

Changes in associates and joint ventures consolidated at equity

(€ million)	2021	2020
Balance as at beginning of reporting period	18	19
Other changes	7	(1)
Balance as at end of reporting period	25	18

Summarised financial information for significant associates consolidated at equity

Summarised statement of financial position

(€ million)	VÜB Generali d.s.s., a.s.	
	31.12.2021	31.12.2020
Total assets	41	23
Investments	30	16
Cash and cash equivalents	2	3
Other assets	9	4
Current assets	41	23
Total liabilities	5	1
Payables and other liabilities	5	1
Current liabilities	5	1
Net assets	36	22

(€ million)	Nama d.d.	
	31.12.2021	31.12.2020
Total assets	16	14
Investments	6	5
Cash and cash equivalents	3	1
Other assets	7	8
Current assets	16	14
Total liabilities	5	3
Payables and other liabilities	5	3
Current liabilities	5	3
Net assets	11	11

Summarised statement of comprehensive income

(€ million)	VÜB Generali d.s.s., a.s.	
	2021	2020
Net gains/(losses) from the fees and commission	27	11
Other operating expense	(2)	(2)
Earnings before tax	25	9
Tax	(5)	(2)
Net profit of the year	20	7

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

F.3.3 Held to maturity investments

(€ million)	Book Value		Fair value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Quoted bonds	29	29	32	34
Total	29	29	32	34
Current portion	7	5		
Non-current portion	22	24		

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)	31.12.2021			
	Level 1	Level 2	Level 3	Level
Quoted bonds	32	-	-	32
Total	32	-	-	32

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Level
Quoted bonds	34	-	-	34
Total	34	-	-	34

Maturity of held to maturity investments – bonds

(€ million)	Book Value	
	31.12.2021	31.12.2020
Up to 1 year	7	5
Between 1 and 5 years	20	18
Between 5 and 10 years	-	4
More than 10 years	2	2
Total	29	29

F.3.4 Loans and receivables

(€ million)	Book Value		Fair value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Other loans and receivables	225	619	225	619
Term deposit with credit institutions	86	103	86	103
Reverse repurchase agreement (Reverse REPO)	89	468	89	468
Other loans	50	48	50	48
Total	225	619	225	619
Current portion	194	589		
Non-current portion	31	30		

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

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Level
Other loans and receivables	-	571	48	619
Term deposit with credit institutions	-	103	-	103
Reverse repurchase agreement (Reverse REPO)	-	468	-	468
Other loans	-	-	48	48
Total	-	571	48	619

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)	31.12.2021	31.12.2020
Equities at fair value	848	791
Quoted	193	116
Unquoted	655	675
Bonds	5,806	10,255
Quoted	5,750	10,213
Unquoted	56	42
Investments in fund units	292	246
Total	6,946	11,292
Current portion	581	738
Non-current portion	6,365	10,554

Significant change in value of quoted bonds was caused by the deconsolidation of Transformed fund in 2021. The amount of bonds related to Transformed fund in 2020 was €4,205 million.

Maturity of available for sale financial assets – bonds

(€ million)	Fair value	
	31.12.2021	31.12.2020
Up to 1 year	581	738
Between 1 and 5 years	2,814	4,028
Between 5 and 10 years	1,722	3,759
More than 10 years	689	1,730
Total	5,806	10,255

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

(€ million)	Realised gains		Realised losses		Impairment losses	
	2021	2020	2021	2020	2021	2020
Equities	5	8	(2)	(10)	(3)	(10)
Bonds	32	31	(55)	(7)	(1)	-
Investments in fund units	13	23	-	(7)	(1)	(4)
Total	50	62	(57)	(24)	(5)	(14)

Fair value measurement at the end of the reporting period

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

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Level
Equities at fair value	116	-	675	791
Quoted	116	-	-	116
Unquoted	-	-	675	675
Bonds	8,828	1,219	208	10,255
Quoted	8,828	1,187	198	10,213
Unquoted	-	32	10	42
Investments in fund units	243	1	2	246
Total	9,187	1,220	885	11,292

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

(€ million)	2021	2020
Transfers into Level 1 from Level 2	201	14
Transfers into Level 2 from Level 1	4	2
Transfers into Level 2 from Level 3	28	15
Transfers into Level 3 from Level 1	51	-
Transfers into Level 3 from Level 2	419	9

In 2021 government bonds in the amount of €196 million and corporate bonds in the amount of €5 million were transferred from Level 2 to Level 1 because it was possible to use newly available relevant quotations from the market.

In 2021 government bonds in the amount of €10 million and corporate bonds in amount €18 million (2020: €15 million) were transferred from level 3 to level 2. The main driver was the fact that on the market there were more observable market inputs available.

In 2021 the reclassification of the instrument into level 3 in the amount of € 470 million (2020: €9 million) was caused by a lower volume of observable market data within the process of expert valuation. This significant amount of transfer in 2021 is caused by the change of parameters in our methodology which are stricter than in 2020.

In 2020 government (€7 million) and corporate bonds (€7 million) were reclassified from level 2 to level 1 because the market became more active, so it was possible to use values from this market. And vice versa for some instruments market became less active so entities changed the technique of valuation (model using market indicators) and there was the transfer from level 1 to level 2 in the amount of €2 million as a result of this change.

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)	2021	2020
Balance as at beginning of reporting period	885	905
Transfers from Level 3	(28)	(15)
Increases	112	59
Disposals of subsidiaries	(36)	-
Decreases and maturities	(21)	(14)
Transfers to Level 3	470	9
Net unrealised gains recognised in OCI	9	66
Net unrealised losses recognised in OCI	(73)	(133)
Amortization	2	2
Other changes	25	6
Balance as at end of reporting period	1,345	885
Realised gains/losses for the period recognised in profit and loss	-	-
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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Bonds	-	-	8	9	8	9
Quoted	-	-	8	8	8	8
Unquoted	-	-	-	1	-	1
Investments in fund units	-	-	158	154	158	154
Derivatives	77	77	-	-	77	77
Unit-linked investments	-	-	2,615	2,422	2,615	2,422
Total	77	77	2,781	2,585	2,858	2,662
Current portion					181	166
Non-current portion					2,677	2,496

Derivatives are valued based on generally accepted valuation techniques depending on the product (i.e., discounted expected future cash flows, Black-Scholes model, etc.).

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

Fair value measurement at the end of the reporting period:

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

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Total
Bonds	4	2	3	9
Quoted	4	2	2	8
Unquoted	-	-	1	1
Investments in fund units	154	-	-	154
Derivatives	-	77	-	77
Unit-linked investments	2,207	106	109	2,422
Total	2,365	185	112	2,662

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

(€ million)	2021	2020
Transfers into Level 1 from Level 2	2	-
Transfers into Level 1 from Level 3	66	-
Transfers into Level 2 from Level 1	12	-
Transfers into Level 2 from Level 3	18	-
Transfers into Level 3 from Level 1	39	-
Transfers into Level 3 from Level 2	5	62

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

In 2021 unit-linked investments in amount €16 million were transferred from Level 3 to Level 2. The main driver was the fact that on the market there were more observable market inputs available.

In 2021 the reclassification of the instrument into Level 3 in the amount of €44 million was caused by a lower volume of observable market data within the process of expert valuation. This significant amount of transfer in 2021 is caused by the change of parameters in our methodology which are stricter than in 2020.

For some instruments in 2021 market became less active so entities changed the technique of valuation (model using market indicators) and there was the transfer from Level 1 to Level 2 in the amount of €12 million (€4 million of government bonds and €8 million of corporate bonds) as a result of this change.

In 2020 structured notes in the amount of €62 million were reclassified from Level 2 to Level 3. The reason was that prices are published by issuer and active market doesn't exist.

The following table presents the changes in Level 3 instruments:

(€ million)	Financial assets held-for-trading		Financial assets designated as at fair value through profit and loss		Total financial assets at fair value through profit and loss	
	2021	2020	2021	2020	2021	2020
Balance as at beginning of reporting period	-	-	112	50	112	50
Transfers from Level 3	-	-	(84)	-	(84)	-
Increases	-	-	14	6	14	6
Decreases and maturities	-	-	(31)	(4)	(31)	(4)
Transfers to Level 3	-	-	44	62	44	62
Net unrealized gains and losses recognized in P&L	-	-	(1)	(1)	(1)	(1)
Other changes	-	-	5	(1)	5	(1)
Balance as at end of reporting period	-	-	59	112	59	112
Realised gains/losses for the period recognised in P&L	-	-	-	-	-	-

F.4 Reinsurance assets

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Non-life insurance liabilities	329	288	202	74	531	362
Provisions for unearned premium	76	63	22	20	98	83
Provisions for outstanding claims	251	223	180	54	431	277
Other insurance liabilities	2	2	-	-	2	2
Life insurance liabilities	61	60	-	-	61	60
Provisions for outstanding claims	17	17	-	-	17	17
Mathematical provision	44	43	-	-	44	43
Total	390	348	202	74	592	422
Current portion	296	268	102	39	398	307
Non-current portion	94	80	100	35	194	115

The amounts included in reinsurance assets represent expected future claims to be recovered from the Group's reinsurers and the reinsurers' share of unearned premiums.

Item Mathematical provision includes also Provision for unearned premiums for life segment of €4 million (2020: €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)	31.12.2021	31.12.2020
Receivables arising out of direct insurance operations	364	305
Amounts owed by policyholders	322	278
Amount owed by intermediaries and others	42	27
Receivables arising out of reinsurance operations	123	78
Trade and other receivables	79	78
of which receivables from derivatives collateral	19	27
Current income tax receivables	30	28
Total receivables	596	489
Current portion	551	473
Non-current portion	45	16

Significant change of Receivables arising out of reinsurance operations was caused by the increase of Receivables from reinsurers on ceded business in GPR in the amount of €34 million.

F.6 Other assets

(€ million)	31.12.2021	31.12.2020
Deferred acquisition costs	308	264
Deferred tax assets	223	91
Other assets	59	40
Prepaid rent	1	-
Other accrued income	15	13
Other prepayments	27	24
Assets – other	16	3
Other assets total	590	395
Current portion	355	250
Non-current portion	235	145

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

F.6.1 Deferred acquisition costs (DAC)

(€ million)	Gross amount		Reinsurance		Net amount	
	2021	2020	2021	2020	2021	2020
Carrying amount as at beginning of reporting period	284	265	(20)	(17)	264	248
Change of DAC	47	19	(3)	(3)	44	16
Carrying amount as at end of reporting period	331	284	(23)	(20)	308	264

F.7 Cash and cash equivalents

(€ million)	31.12.2021	31.12.2020
Cash at banks	322	320
Total	322	320

Short term deposits are included in line Cash at banks in the amount of €30 million (2020: €23 million).

F.8 Shareholder's equity

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

(€ million)	31.12.2021	31.12.2020
Shareholder's equity attributable to the Group	4,968	4,894
Not available for distribution to shareholders	402	452
Share capital	-	-
Revaluation – financial assets AFS	198	424
Currency translation reserve	61	(109)
Cash flow hedge reserve/(deficit)	-	(6)
Other capital reserves	143	143
Available for distribution to shareholders	4,566	4,442
Additional paid-in capital	3,602	3,602
Retained earnings	964	840
Shareholder's equity attributable to non-controlling interests	196	224
Total	5,164	5,118

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

(€ million)	2021	2020
Beginning reporting period	374	360
– attributable to the Group	424	370
– attributable to non-controlling interests	(50)	(10)
Gross revaluation as at the beginning of the year	432	404
Tax on revaluation as at the beginning of the year	(58)	(44)
Revaluation gain/(loss) in equity – gross	(313)	56
Revaluation gain/loss on realisation reclassification in income statement – gross	9	(38)
Impairment losses	5	11
Change in deferred policyholder liabilities	24	(1)
Sales and disposals from consolidation group	(15)	-
Tax on revaluation	41	(14)
Gross revaluation as at the end of the year	142	432
Tax on revaluation as at the end of the year	(17)	(58)
End of reporting period	125	374
– attributable to the Group	198	424
– attributable to non-controlling interests	(73)	(50)

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

(€ million)	2021	2020
Carrying amount as at the beginning of the reporting period	(6)	(1)
Fair value gains of the year	6	(5)
Carrying amount as at the end of the reporting period	-	(6)

The following table provides details of authorized and issued shares:

	31.12.2021	31.12.2020
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

F8.1 Dividends

The vast majority of the cash inflow of Generali CEE Holding is generated by dividends from subsidiaries. Following some temporary dividend bans introduced by some local insurance regulators in 2020 due to the COVID-19 outbreak, these were gradually lifted across the region. All directly owned insurance entities paid dividends during 2021.

The total outgoing dividend to the shareholder during 2021 was €389 million (2020: €426 million).

F.9 Other provisions

(€ million)	31.12.2021	31.12.2020
Provisions for commitments	15	6
Provision for restructuring charges	2	2
Other provisions	48	43
Total	65	51
Current portion	60	49
Non-current portion	5	2

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

(€ million)	31.12.2021	31.12.2020
Carrying amount as at 1 January	51	42
Foreign currency translation effects	-	(2)
Variations	14	11
Carrying amount as at end of reporting period	65	51

Provisions for Commitments

(€ million)	2021	2020
Carrying amount as at the beginning of the reporting period	6	5
Variations	9	1
Carrying amount as at end of reporting period	15	6

Provision for commitments in 2021 mainly consist of provision for liabilities of Slovak Bureau of Insurers and provision for remuneration.

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

Companies belonging to the Group, having obtained a license to write contractual MTPL insurance in the Czech Republic and Slovakia, are members of the Bureau (see Note F.31.5).

All members of the Bureaus guarantee the appropriate portion of their liabilities, based on the member's market share for this class of insurance. Based on information publicly available and provided to Bureau members, the Group created a provision adequate to cover the cost of claims likely to be incurred in relation to the liabilities ceded. However, the final and exact amount of the incurred cost of claims will only be known after several years.

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

F.10 Insurance liabilities

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Non-life insurance liabilities	3,424	3,167	167	80	3,591	3,247
Provisions for unearned premium	1,136	999	10	9	1,146	1,008
Provisions for outstanding claims	2,255	2,125	155	70	2,410	2,195
Other insurance liabilities	33	43	2	1	35	44
Life insurance liabilities	4,835	4,730	4	2	4,839	4,732
Provisions for outstanding claims	222	198	-	-	222	198
Mathematical provision	2,091	2,098	4	2	2,095	2,100
Unit-linked provision	2,449	2,211	-	-	2,449	2,211
Other insurance liabilities	73	223	-	-	73	223
Provisions for liability adequacy test	10	14	-	-	10	14
Ageing provision	18	17	-	-	18	17
Deferred policyholder assets/liabilities	5	153	-	-	5	153
Other	40	39	-	-	40	39
Total	8,259	7,897	171	82	8,430	7,979
Current portion					3,584	3,276
Non-current portion					4,846	4,703

Item Mathematical provision also includes Provision for unearned premiums for life segment of €31 million (2020: €30 million).

Other life insurance liabilities represents among other items stated above provision of €20 million for amounts expected to be paid by Generali Česká pojišťovna, a.s. on top of the value of basic life assurance liability.

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

In 2020 Generali Osiguranje d.d. acquired portfolio of Izvor osiguranje d.d. The effect of acquisition is reflected in movement tables of respective items within the row Business combinations.

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	
	2021	2020	2021	2020	2021	2020
Carrying amount as at beginning of reporting period	1,008	977	(84)	(87)	924	890
Movements of the year	124	63	(14)	(1)	110	62
Foreign currency translation effects	14	(37)	-	4	14	(33)
Business combinations	-	5	-	-	-	5
Carrying amount as at end of reporting period	1,146	1,008	(98)	(84)	1,048	924

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	
	2021	2020	2021	2020	2021	2020
Carrying amount as at beginning of reporting period	2,195	2,340	(276)	(303)	1,919	2,037
Change related to claims incurred in current year	876	656	(207)	(43)	669	613
Change related to claims incurred in previous years	(701)	(715)	58	58	(643)	(657)
Business combinations	-	6	-	-	-	6
Foreign currency translation effects	39	(96)	(6)	12	33	(84)
Other changes	1	4	-	-	1	4
Carrying amount as at end of reporting period	2,410	2,195	(431)	(276)	1,979	1,919

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

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Motor	1,360	1,338	9	1	1,369	1,339
Non Motor	895	787	146	69	1,041	856
General liability	346	327	20	19	366	346
Property	409	327	124	49	533	376
Accident, Health and Disability	70	68	1	-	71	68
Marine, Aviation and Transport	40	31	1	1	41	32
Other	30	34	-	-	30	34
Total	2,255	2,125	155	70	2,410	2,195

F.10.2 Life insurance liabilities

Provisions for outstanding claims

(€ million)	Direct insurance	
	2021	2020
Carrying amount as at beginning of reporting period	198	191
Foreign currency translation effects	7	(7)
Change of the period	17	14
Carrying amount as at end of reporting period	222	198

Mathematical provisions

(€ million)	Direct insurance	
	2021	2020
Carrying amount as at beginning of reporting period	2,098	2,203
Foreign currency translation effects	61	(53)
Premiums and payments	(119)	(101)
Interests and bonuses credited to policyholders	52	56
Other changes	(1)	(7)
Carrying amount as at end of reporting period	2,091	2,098

Unit-linked provisions

(€ million)	Direct insurance	
	2021	2020
Carrying amount as at beginning of reporting period	2,211	2,268
Foreign currency translation effects	38	(103)
Premiums and payments	(31)	(11)
Changes related to movements in the value of underlying assets	208	57
Other	23	-
Carrying amount as at end of reporting period	2,449	2,211

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.

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

Deferred policyholders' liabilities

(€ million)	Direct insurance	
	2021	2020
Carrying amount as at beginning of reporting period	153	153
Foreign currency translation effects	3	(5)
Premiums and payments	-	6
Change of the period without impact on income statement	(26)	(1)
Impacts of deconsolidation	(125)	-
Carrying amount as at end of reporting period	5	153

In 2021 Transformed fund was deconsolidated which caused decrease of provision in the amount of €125 million.

Remaining movement is explained mainly by change in the portfolio value which 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	
	2021	2020
Insurance contracts	4,410	4,201
Investment contracts with discretionary participation feature	104	82
Total insurance provisions	4,514	4,283
Investment contracts fair valued	171	209
Investment contracts at amortised cost	1	4,327
Total investment contracts	172	4,536

Total insurance liabilities include the following items – all net of reinsurance: mathematical provisions of €2,047 million (2020: €2,055 million), provisions for policies where the investment risk is born by the policyholders of €2,449 million (2020: €2,211 million) and ageing provisions for the life segment, which amounted to €18 million (2020: €17 million).

Decrease of financial liabilities related to investment contracts valued at amortised cost is related to deconsolidation of Transformed fund.

F.11 Financial liabilities

(€ million)	31.12.2021	31.12.2020
Financial liabilities at fair value through profit or loss	216	279
Financial liabilities at fair value through profit or loss related to investment contracts	172	209
Financial derivatives	42	68
Other liabilities at fair value through profit or loss	2	2
Financial liabilities at amortised cost	108	4,535
Financial liabilities at amortised cost related to investment contracts	1	4,326
Lease liability	37	59
Net asset value attributable to unit holders	61	47
Other liabilities at amortised cost	9	103
Total	324	4,814
Current portion	95	1,679
Non-current portion	229	3,135

Financial liabilities at amortised cost in 2020 related to investment contracts primarily represent on demand financial liabilities towards participants of the Transformed Fund. The decrease of these liabilities was caused by the fact that Transformed Fund was deconsolidated in 2021.

Other liabilities at amortised cost are in 2021 represented by reinsurance deposits in the amount of €9 million (2020: €7 million). In 2020 this item contained also subordinated liability of €50 million and REPO operations amounting to €45 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)	31.12.2021			Total
	Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss	164	52	-	216
Financial liabilities at fair value through profit or loss related to investment contracts	162	10	-	172
Financial derivatives	-	42	-	42
Other liabilities at fair value through profit or loss	2	-	-	2

(€ million)	31.12.2020			Total
	Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss	162	94	23	279
Financial liabilities at fair value through profit or loss related to investment contracts	160	26	23	209
Financial derivatives	-	68	-	68
Other liabilities at fair value through profit or loss	2	-	-	2

There were no transfers between levels of fair value measurement categories in 2021 and 2020.

The following table presents the changes in Level 3 instruments:

(€ million)	Financial liabilities designated as at fair value through profit and loss		Total financial liabilities at fair value through profit and loss	
	2021	2020	2021	2020
Balance as at beginning of reporting period	23	1	23	1
Increases	-	22	-	22
Other changes	(23)	-	(23)	-
Balance as at end of reporting period	-	23	-	23
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)	31.12.2021			
	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised cost	-	111	22	133
Financial liabilities at amortised cost related to investment contracts	-	-	1	1
Lease liability	-	41	21	62
Net asset value attributable to unit holders	-	61	-	61
Other liabilities at amortised cost	-	9	-	9

(€ million)	31.12.2020			
	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised cost	-	148	4,416	4,554
Financial liabilities at amortised cost related to investment contracts	-	-	4,326	4,326
Lease liability	-	48	30	78
Net asset value attributable to unit holders	-	47	-	47
Other liabilities at amortised cost	-	53	50	103

There were no significant transfers between levels of fair value measurement categories in 2021 and 2020.

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

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

F.12 Payables

(€ million)	31.12.2021	31.12.2020
Payable arising out of direct insurance operations	224	216
Payable arising out of reinsurance operations	226	219
Current income tax payables	31	68
Other payables	225	211
Payables to employees	38	34
Payables to clients and suppliers	36	39
Social security	7	7
Other payables	144	131
Total	706	714
Current portion	586	694
Non-current portion	120	20

F.13 Other liabilities

(€ million)	31.12.2021	31.12.2020
Deferred tax liabilities	128	119
Other liabilities	290	239
Other accrued expenses	200	187
Deferred expenses	5	6
Other liabilities	85	46
Total	418	358
Current portion	317	269
Non-current portion	101	89

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

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

F.14 Net earned premiums revenue

(€ million)	Gross amount		Reinsurers' share		Net amount	
	2021	2020	2021	2020	2021	2020
Non-life earned premium	3,009	2,814	(331)	(305)	2,678	2,509
Premiums written	3,133	2,874	(342)	(306)	2,791	2,568
Change in the provision for unearned premium	(124)	(60)	11	1	(113)	(59)
Life premium	1,100	1,033	(66)	(73)	1,034	960
Total	4,109	3,847	(397)	(378)	3,712	3,469

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

(€ million)	2021	2020
Fee and commission income from asset management activity	88	78
Fee and commission income related to investment contracts	4	4
Fee and commission income related to pension funds management	61	14
Total	153	96

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	
	2021	2020	2021	2020	2021	2020	2021	2020
Financial assets	3	7	224	66	30	(13)	257	60
Interest income and other income	3	3	16	11	1	1	20	15
Realised gains	2	-	48	41	-	-	50	41
Realised losses	(2)	-	(20)	(73)	-	-	(22)	(73)
Unrealised gains	5	6	237	254	29	2	271	262
Unrealised losses	(5)	(2)	(57)	(167)	-	(16)	(62)	(185)
Financial liabilities	(9)	(5)	(10)	(3)	8	(37)	(11)	(45)
Interest expenses	(2)	(2)	-	-	(6)	(16)	(8)	(18)
Other income	3	2	-	-	-	7	3	9
Realised gains	3	1	1	6	-	-	4	7
Realised losses	(6)	(5)	(7)	(4)	(1)	-	(14)	(9)
Unrealised gains	3	1	8	5	16	3	27	9
Unrealised losses	(10)	(2)	(12)	(10)	(1)	(31)	(23)	(43)
Total	(6)	2	214	63	38	(50)	246	15

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 €10 million (2020: €3.5 million), results of Europ Assistance s.r.o. and Europ Assistance Magyarország Befektetési Tanácsa dó Kft amounting to €0.1 million (2020: €0.2 million).

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

(€ million)	2021	2020
Income	2	17
Dividends and other income	1	-
Realized gains	1	17
Expenses	(2)	(2)
Impairment	(2)	(2)
Net income	-	15

In 2021, realized gains includes gains from sale of British Corner which was sold out of group as at 10 November 2021. In 2020, realized gains includes gains from sale of City Empiria which was sold out of group as at 20 May 2020.

F.19 Income from other financial instruments and investment properties

(€ million)	2021	2020
Interest revenue calculated using the effective interest rate method	134	239
Interest revenue from held to maturity financial assets	1	1
Interest revenue from loans and receivables	2	12
Interest revenue from available for sale financial assets	129	224
Interest revenue from cash and cash equivalents	2	2
Income - other	40	39
Income from investment properties	21	29
Other income from available for sale financial assets	19	10
Realised gains	50	62
Realised gains on available for sale financial assets	50	62
Unrealised gains	-	51
Unrealised gains from hedged instruments	-	51
Reversal of impairment losses	4	14
Reversal of impairment of loans and receivables	1	2
Reversal of impairment of other receivables	3	12
Total	228	405

Significant decrease of unrealized gains from hedged instruments compared to 2020 is mainly caused by the deconsolidation of Transformed fund in 2021.

F.20 Other income

(€ million)	2021	2020
Income from sale of tangible assets	2	2
Income from service and assistance activities and recovery of charges	18	20
Recovery of charges	5	7
Income from service and assistance activities	13	13
Other technical income	37	29
Income - other	16	26
Total	73	77

Income from recovery of charges includes service charge income from investment properties and amounts to €5 million (2020: €7 million).

F.21 Net insurance benefits and claims

(€ million)	Gross amount		Reinsurers' share		Net amount	
	2021	2020	2021	2020	2021	2020
Non-life net insurance benefits and claims	1,693	1,414	(303)	(117)	1,390	1,297
Claims paid	1,515	1,471	(152)	(138)	1,363	1,333
Change in technical provisions	178	(57)	(151)	21	27	(36)
Life net insurance benefits and claims	924	742	(38)	(43)	886	699
Claims paid	794	739	(36)	(35)	758	704
Change in technical provisions	130	3	(2)	(8)	128	(5)
Total	2,617	2,156	(341)	(160)	2,276	1,996

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

(€ million)	2021	2020
Fee and commission expenses from asset management activity	25	20
Total	25	20

F.23 Expenses from other financial instruments and investment properties

(€ million)	2021	2020
Interest expense	7	66
Interest expense on subordinated liabilities	2	4
Interest expense on loans, bonds and other payables	-	57
of which: Interest expenses on financial liabilities at amortised cost related to investment contracts	-	54
Interest expense for lease payments	5	5
Other expenses	11	13
Depreciation of investment properties	8	10
Expenses from investment properties	3	3
Realized losses	59	26
Realized losses on available-for-sale financial assets	57	24
Realized losses on other receivables	2	2
Unrealized losses	36	1
Unrealized losses on hedged instruments available for sale	36	1
Impairment losses	16	45
Impairment of investment properties	2	1
Impairment of loans and receivables	8	28
Impairment of available-for-sale financial assets	5	14
Impairment of other receivables	1	2
Total	129	151

The significant decrease of interest expenses on financial liabilities at amortised cost related to investment contracts is related to deconsolidation of Transformed fund in 2021.

F.24 Acquisition and administration costs

(€ million)	Non-life segment		Life segment		Financial segment		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Commission and other acquisition costs	603	572	179	156	-	-	782	728
Gross acquisition costs and other commission	659	614	196	169	-	-	855	783
Reinsurance commission	(56)	(42)	(17)	(13)	-	-	(73)	(55)
Investment management expenses	3	3	3	4	-	-	6	7
Other administration costs	188	179	80	78	33	32	301	289
Total	794	754	262	238	33	32	1,089	1,024

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

F.25 Other expenses

(€ million)	2021	2020
Amortisation of intangible assets	91	97
Impairment of goodwill and other intangible assets	-	4
Depreciation of tangible assets	11	11
Depreciation of tangible assets subject to leasing	23	24
Expenses from tangible assets	2	1
Expenses from tangible assets subject to leasing	1	1
Losses on foreign currencies	-	3
Restructuring charges and allocation to other provisions	9	20
Change in provision for commitments	9	1
Expenses from service and assistance activities and charges incurred on behalf of third parties	6	5
Other technical expenses	99	85
Holding costs	34	32
Other charges	64	69
Total	349	353

In 2021 Other technical expenses includes among others the fire brigade charge amounting to €16 million (2020: €15 million), contributions paid to insurance regulators of €7 million (2020: €6 million), charges relating to government guaranteed funds of €3 million (2020: €1 million) used to cover MTPL injuries from unknown or uninsured drivers, and cancellation of premiums written in previous years amounting to €3 million (2020: €3 million).

F.26 Income taxes

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

(€ million)	2021	2020
Current income taxes	135	133
Czech Republic	57	82
Bulgaria	18	22
Hungary	6	6
Poland	14	7
Slovakia	26	8
Other countries	14	8
Income taxes related to previous period	(3)	(1)
Czech Republic	(2)	(1)
Other countries	(1)	-
Deferred income taxes	(86)	(54)
Czech Republic	(88)	(40)
Bulgaria	4	(1)
Hungary	(1)	(1)
Poland	-	(8)
Slovakia	-	(1)
Other countries	(1)	(3)
Total	46	78

The tax authorities of the territories in which Group entities operate may inspect the books and records of Group entities at any time within a general period from 3 to 10 years (depending on the tax jurisdiction), subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances that might give rise to a potential material liability in this respect.

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

Lower current income tax expense in the Czech Republic is linked to the change of tax base of insurance liabilities calculated in accordance with the European Solvency II Directive, replacing the current accounting value reported under the Accounting Act and to the one-off positive impact of the solvency amount of insurance liabilities related to Business combination.

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

The table below shows tax rates in selected countries:

	2021	2020
Czech Republic	19%	19%
Bulgaria	10%	10%
Hungary	9%	9%
Poland	19%	19%
Slovakia	21%	21%
Romania	16%	16%
Serbia	15%	15%
Slovenia	19%	19%

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

(€ million)	2021	2020
Expected income tax rate	19.0%	19.0%
Earnings before taxes	554	537
Expected income tax expense (benefit)	105	102
Effect of foreign tax rate differential	(5)	7
Effect of special (lower) tax rate	(3)	(18)
Tax exempt income and other tax decreasing items	(43)	(31)
Tax non-deductible expenses and other tax increasing items	4	6
Effect of tax losses	(1)	-
Foreign income tax	3	3
Income taxes for prior years	(2)	(1)
Other	(12)	10
Tax expense	46	78
Effective tax rate	8.3%	14.5%

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

F.26.1 Deferred tax

(€ million)	Deferred tax assets		Deferred tax liabilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Intangible assets	59	32	(77)	(82)
Land and buildings	-	-	(11)	(11)
Financial assets available-for-sale	57	29	(71)	(76)
Financial assets at fair value through profit and loss	2	1	(9)	(10)
Receivables	5	4	-	-
Deferred acquisition costs	-	-	(16)	-
Insurance provisions	120	43	(5)	(5)
Payables	26	27	-	-
Fiscal losses carried forward	3	6	-	-
Accrued income and prepayments	1	4	(6)	(5)
Other	19	20	(2)	(5)
Total deferred tax asset/liability before set off	292	166	197	(194)
Set off of tax	(69)	(75)	69	75
Net deferred tax asset/liability	223	91	(128)	(119)
Current portion	-	-	-	-
Non-current portion	223	91	(128)	(119)

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

Increase of the deferred tax asset from insurance provisions in 2021 is mainly due to change in tax value of insurance provisions in the Czech Republic in the amount of €49 million and different tax rules in Slovakia and Czech Republic in relation to tax base of insurance provisions in the amount of €14 million.

Increase of deferred tax asset from intangible assets relates to difference between net assets acquired by Generali Česká pojišťovna from Generali Poistovňa, a.s. and purchase price paid which compensates current income tax expense paid in Slovakia.

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

(€ million)	Net deferred tax asset/liability	
	2021	2020
Balance as at beginning of reporting period	(28)	(61)
Deferred income tax for the period	86	54
Deferred tax recognised directly in equity	41	(14)
Total deferred tax income for the period	127	40
Currency translation differences	(4)	(7)
Balance as at end of reporting period	95	(28)

The Group did not recognise deferred tax assets of €30 million (2020: €33 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	
	31.12.2021	31.12.2020
Expire in 1 year	2	9
Expire between 1 and 3 years	3	3
Expire between 3 and 5 years	11	5
Expire in more than 5 years	13	16
Expire in indefinite time	1	-
Total	30	33

F.27 Share-based payments

Selected members of management of the Group are beneficiaries of a Generali Group's long-term incentive (LTI) plan.

LTI represents the long-term variable remuneration which takes the form of multi-year plans, approved from time to time by the competent bodies and may be addressed to directors, managers with strategic responsibilities and other Generali Group employees; they may be based on cash disbursement or financial instruments.

The plan LTI 2018 has fully accrued its relevant cost component in the first half of the year, coming to a close with the equity instruments assignment upon verification of the Group's performance levels in terms of Operating ROE and relative TSR.

The LTI plans 2019 and 2020, currently in progress, may result in shares' granting respectively in 2022 and 2023, subject to the Group performance level (determined by the comparison of ranges of Operating ROE, Net ROE, EPS growth and relative TSR) and the overcoming of the minimum level, where requested in terms of Regulatory Solvency Ratio.

A new long-term incentive plan based on Assicurazioni Generali S.p.A. shares – Group Long Term Incentive (LTI) 2021 - has been submitted for the approval of the Shareholders' Meeting.

In line with market practices and investor expectations, shares are assigned and made available to beneficiaries over a deferred long-term time span, subject to the achievement of Group's performance conditions (Net Holding Cash Flow and relative TSR) and the achievement of a minimum level of Regulatory Solvency Ratio, as the only access threshold, as detailed below.

The Plan is based on the following essential aspects:

- the incentive connected with the achievement of the targets is paid through the grant of Assicurazioni Generali S.p.A. ordinary shares;
- the right to receive the shares is subject to an entry threshold, defined annually by the Board of Directors and which represents a condition precedent;
- the targets to which payment of the incentive is subject are Group financial ones and are defined at the beginning of the performance period and kept consistent with the strategic long-term plans of the Group.

The maximum number of shares that can be assigned is determined at the start of the plan. The maximum potential bonus to be disbursed in shares equals to 175% of the gross fixed remuneration of the Global Leadership Group (GLG) members (or a different percentage considering the role of the beneficiary); therefore, the maximum number of shares that can be assigned is the result of the ratio of the maximum bonus and the share value, with the latter calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Parent Company and the consolidated financial statements for the year prior to that when the Plan is started.

With reference to methods and time frame for granting the shares, they are differentiated by:

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

- the remaining key employees, GLG, Directors and talents:
 - at the end of the three-year performance period, 100% of the shares accrued will be granted, of which 50% are immediately available (to allow the beneficiaries to bear the tax charges connected with the grant), while the remaining 50% are subject to a two-year lock-up period.

The performance level is expressed as a percentage of the level of Net average ROE, EPS Growth and relevant TSR reached, and it is determined with reference to two independent baskets. The final results in each basket are calculated using a linear interpolation approach. Moreover, starting from the 2021 plan, a multiplier/reducer has been introduced, the value of which can be comprised between 0.8 and 1.2 and reflects the Generali Group's positioning in two main market benchmark sustainability indices.

During each year of the plan and at the end of the three-year performance period, the Board of Directors evaluates the degree to which access threshold has been achieved, defined in terms of Regulatory Solvency Ratio equal to 130% - the limit set considering the hard limit level defined in the Group Risk Appetite Framework - or an alternative percentage as may be chosen from time to time by the Board of Directors. This evaluation is a malus mechanism based on which the number of shares to grant definitively may be reduced or set at zero by the Board of Directors should the Regulatory Solvency Ratio be lower than the set threshold. The Board of Directors is also entitled to set a reduced number of shares to grant definitively should the Regulatory Solvency Ratio be lower than the soft limit level established by the Risk Appetite Framework, that is 150% - but in any case, higher than 130%.

In any case, no incentive will be paid in the event of a significant worsening of the capital and financial situation of Generali. Any amount disbursed will be subject to claw-back if the performance considered should later be found to be non-lasting or ineffective as a result of willful misconduct or gross negligence.

In line with what has already been established for the existing plans, the 2021 Plan has a dividend equivalent mechanism on the basis of the dividends distributed during the performance period. In particular, should the shareholders' meeting resolve upon the distribution of dividends in favour of the shareholders during the three-year reference period, at the expiry of such three-year reference period, an additional number of shares determined in relation to the overall dividends distributed during the three-year reference period will be assigned in favour of the beneficiaries. The additional number of shares thus determined shall be assigned simultaneously and in relation with the other shares assigned in favour of each beneficiary, subject to the same restrictions (holding period) and determined considering the shares' value at the assignment of the plan, to be calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Parent Company and the consolidated financial statements for the year before that when the Plan is started.

The maximum number of shares that can be granted is 12,100,000 accounting for 0.77% of the current share capital.

In line with the previous plans, the 2021 LTI plan can be treated as an equity-settled share-based payment falling under IFRS 2 scope, which provides a grant date measurement model seeking to capture the value of the contingent right to shares promised at grant date, to the extent that promises become an entitlement of the counterparty, rather than the value of any shares finally delivered.

The condition related to relative TSR configures as a market condition, other conditions mentioned above are considered whether as performance or as service condition.

The fair value of the right to receive free shares related to the market condition is estimated at grant date using a statistical model which estimates the statistically probable positioning of relative TSR of the Generali share compared to a peer group of selected companies.

The fair value of the bonus right linked to market condition is made by multiplying the forward price of assignable shares (taking into account the lock-up period set by the plan for the different beneficiary types) to the grant date with the pay-out ratio of the relative TSR. Such pay-out is determined as the average of the pay-outs resulting from the processing of a series of scenarios using a statistical model. The pay-out of the single simulation is zero in the case of the TSR of Generali's shares positioning below the median of the panel peer group, while it is positive in the case of the TSR of Generali's shares positioning above the median of the panel peer group. The maximum pay-out is recognized in the case of the relative TSR value of Generali shares positioning above the 90th percentile.

The estimated fair value of LTI 2021 plan at the grant date of the bonus right related to the performance level in terms of relative TSR is €10.17 with reference to the members of the GLG category.

The related cost on the overall plan is obtained by multiplying the fair value mentioned above by the number of rights related to the market condition, to be assigned based on the satisfaction of the vesting condition.

A similar calculation was applied to the bonus portion linked to Net Holding Cash Flow (NHCF), identifying the pay-out through the linear interpolation applied to the level of performance considered most probable. The range applied to the linear interpolation of NHCF is included between the maximum pay-out, granted in case of level equal to or greater than €8.1 billion and a pay-out equal to 0 in case of a level equal or lower than €6.6 billion. The value assumed by the ESG multiplier/reducer is obtained by applying a linear interpolation, based on which, depending on the Group's positioning within the main sustainability indices, assigns to the factor a value between 0.8 and 1.2.

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 2018, 2019, 2020 and 2021, the share plan for the benefit of the Managing Director/Group CEO and the share plan for Group employees (We SHARE) is allocated over the period of maturity (vesting period) starting from the first financial year on which the performance levels are assessed, with a corresponding increase in equity.

The costs associated with the above mentioned outstanding plans recognized during the period amounted to €4 million (2020: €4 million) and the equity reserve for share based payments as at 31 December 2021 to €8 million (2020: €9 million).

F28 Information on employees

The number of employees is presented in the following table:

	31.12.2021	31.12.2020
Managers	266	277
Employees	9,482	9,636
Sales attendants	2,618	2,826
Others	11	11
Total	12,377	12,750

The staff expenses are presented in the following table:

(€ million)	2021	2020
Wages and salaries	281	271
Compulsory social security contributions	62	66
of which State-defined contribution pension plan	22	20
Others	25	26
of which Contribution to private pension funds	2	2
Total	368	363

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).

F29 Hedge accounting

F29.1 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 31.12.2021	FX gain/loss for the period from 1.1. to 31.12.2021
Hedged items		
Equities, bonds, investment funds units	1,453	(10)
Term deposits, current bank accounts and other	60	(2)
Insurance liabilities	(321)	(1)
Hedging instruments		
Derivatives	19	15
Financial liabilities (Sell-buy operations)	321	(1)

(€ million)	Fair value as at 31.12.2020	FX gain/loss for the period from 1.1. to 31.12.2020
Hedged items		
Equities, bonds, investment funds units	1,348	2
Term deposits, current bank accounts and other	26	2
Insurance liabilities	(39)	-
Hedging instruments		
Derivatives	29	17
Financial liabilities (Sell-buy operations)	(8)	(21)

Assessment of hedging effectiveness and possible adjustment of the dynamic hedging strategy is performed by subsidiaries on a monthly basis. In every month of 2021 and 2020, 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 31.12.2021	Change in fair value attributable to interest rate risk for the period from 1.1. to 31.12.2021
Fixed income instruments	574	(37)
Derivatives	18	36

(€ million)	Fair value as at 31.12.2020	Change in fair value attributable to interest rate risk for the period from 1.1. to 31.12.2020
Fixed income instruments	1,528	55
Derivatives	(58)	(49)

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

F.29.2 Cash-flow hedge

Foreign currency risk hedging

Subsidiaries of 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 31 October 2019 and hedged cash flows are expected to occur until the end of December 2056.

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 2021:

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

Prospective hedge effectiveness test as at 31 December 2020:

(€ 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)	31.12.2021	31.12.2020
Hedged rents	3	4
Actual rents received	5	4
Hedged rents =< Actual rents received	Yes	Yes
Change in spot component of hedging instrument	6	(4)
Change in spot component of hedged item	(6)	4
Ratio of change in hedging instrument to change in hedged item	100%	100%

During 2021, profit of €6 million (2020 loss: €4 million) was recognized in Other comprehensive income out of which €2 million loss (2020: €3 million profit) was reclassified into income statement.

F.30 Offsetting financial instruments

The following tables provide details relating to the effect or potential effect of netting arrangements, including the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities.

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

(€ million)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial assets	362	(285)	77	(30)	(48)	(1)
Receivable from derivative collateral paid	19	-	19	(19)	-	-
Total	381	(285)	96	(49)	(48)	(1)

As at 31 December 2020, financial assets were as follows:

(€ million)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial assets	363	(286)	77	(40)	(31)	6
Receivable from derivative collateral paid	27	-	27	(27)	-	-
Total	390	(286)	104	(67)	(31)	6

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

(€ million)	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral paid	
Derivative financial liabilities	(327)	285	(42)	30	19	7
Total	(327)	285	(42)	30	19	7

As at 31 December 2020, financial liabilities were as follows:

(€ million)	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral paid	
Derivative financial liabilities	(354)	286	(68)	40	27	(1)
Total	(354)	286	(68)	40	27	(1)

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.

F31 Off-balance sheet items

F31.1 Commitments

As at 31 December 2021, the Group had a commitment under investment agreements of €112 million (2020: €132 million) to make an additional contribution into the private equity funds.

F31.2 Pledged assets and collaterals

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

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

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

As at 31 December 2021, the Group had pledged €22 million (2020: €88 million) of assets as collateral.

Furthermore, as at 31 December 2021 the Group has received financial assets as collateral for €152 million. This amount mainly consist of collateral held in reverse repurchase agreement in the amount of €87 million and collateral held in derivatives in the amount of €48 million.

F31.3 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.

F31.4 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.

F31.5 Other contingencies

Participation in nuclear pools

The Generali entities as a member of the National Nuclear Pools have to sign solidarity agreement where they are jointly and severally liable for obligation to the National Nuclear Pool in case that other members will not be able to fulfill their obligations. The Generali entities would take over the uncovered part of this liability, pro-rata to its own net retention for the contracts in question. Management does not believe that the risk of another member being unable to meet its obligations to the pool to be material to the financial position of the Group. In addition, the potential liability of the Group for any given insured risk is contractually capped.

The subscribed country net retention is as follows:

Czech Republic and Slovakia

(€ million)	31.12.2021	31.12.2020
Liability including transport liability	12	14
Property	32	32
Total	44	46

Hungary

(€ million)	31.12.2021	31.12.2020
Liability including transfer liability	1	1
Property	2	2
Technical insurance and breakdown of operations	-	2
Total	3	5

Bulgaria

(€ million)	31.12.2021	31.12.2020
Liability including transfer liability	1	1
Total	1	1

Croatia

(€ million)	31.12.2021	31.12.2020
Property	1	1
Liability including transport liability	-	1
Total	1	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.32 Related parties

This chapter contains information about all important transactions with related parties, excluding those which are described in other parts of the notes.

F.32.1 Identity of related parties

The ultimate parent company is Assicurazioni Generali S.p.A.

Related parties are Generali CEE's shareholders, entities outside the Group controlled by them, its associates and joint ventures, key management personnel, their close family members and other parties that are controlled, jointly controlled or significantly influenced by such individuals. Entities in which such individuals hold significant voting power are also considered related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

Key management personnel of the Group comprise the members of the Board of Directors.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely to the legal form.

F.32.2 Transactions with key management personnel of the Group

The following table shows the employee benefits for the members of Generali CEE Holding B.V. Board of Directors.

(€ thousands)	Board of Directors			
	Related to the board membership		Related to employment contract	
	2021	2020	2021	2020
Short-term employee benefits	-	-	2,679	3,179
Long-term employee benefits	-	-	1,492	1,328
Contribution to State-defined contribution pension plans	-	-	432	459

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.

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

There were no termination benefits paid to the key management personnel of the Group either in 2021 or in 2020.

F.32.3 Related party transactions

Transactions with the parent company

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

(€ million)	31.12.2021	31.12.2020
Total assets	351	131
Investments	69	27
Reinsurance assets	228	87
Receivables	54	17
Total liabilities	88	64
Insurance liabilities	4	5
Financial liabilities	4	3
Payables	58	51
Other liabilities	22	5

(€ million)	31.12.2021	31.12.2020
Total income	(189)	(174)
Net earned premiums revenue	(178)	(165)
Other income	(11)	(9)
Total expenses	257	71
Net insurance benefits and claims	239	54
Expenses from other financial instruments and investment properties	-	(1)
Acquisition and administration costs	18	18

Reinsurance assets are represented by technical provisions ceded to Assicurazioni Generali S.p.A. for €228 million (2020: €87 million) and item Net earned premiums revenue includes ceded premiums to Assicurazioni Generali S.p.A under reinsurance contracts for €192 million (2020: €173 million). There was a significant increase of these items in 2021 reported by GPR in connection with higher number of claims compared to the year 2020.

Other related party transactions

Other transactions with related parties that are part of the Generali group, it means companies controlled by the ultimate parent company Assicurazioni Generali S.p.A., are presented in the following tables:

(€ million)	31.12.2021	31.12.2020
Total assets	471	325
Investments	419	288
Reinsurance assets	23	22
Receivables	17	13
Other assets	12	2
Total liabilities	155	36
Insurance liabilities	112	16
Payables	31	14
Other liabilities	12	6

(€ million)	31.12.2021	31.12.2020
Total income	73	33
Net earned premiums revenue	38	27
Fee and commission income and income from financial service activities	2	2
Net income/(losses) from financial instruments at fair value through profit or loss	22	-
Share of results of joint ventures accounted for using the equity method	1	1
Income from other financial instruments and investment properties	8	1
Other income	2	2
Total expenses	(149)	(16)
Net insurance benefits and claims	(145)	(6)
Acquisition and administration costs	3	(3)
Other expenses	(7)	(7)

Item Investments comprises investment fund units of €168 million (2020: €72 million) mainly via unit-linked portfolio, equity AFS instruments of €228 million (2020: €193 million) and provided loans of €23 million (2020: €23 million).

Significant increase of Net insurance benefits and claims relates to the fact there was a higher number of claims in 2021 compared to 2020, caused especially by the storm in June 2021 that affected Austria, among others, strongly.

G. SUBSEQUENT EVENTS

G.1 Impacts of crisis caused by Russian military invasion of Ukraine

The management of the Group has evaluated impacts of a war conflict incepted by Russian invasion of Ukraine, especially impacts of sanctions taken by EU and USA in order to stop the invasion. The biggest exposures of the Group are the investment in PJSIC Ingostrakh where Group holds 38.459 % of shares with the fair value of €382 million and investments into corporate bonds issued by companies based in Russia with the fair value of €164 million on which Group is actively monitoring the evolution of single debtor and coupons due.

Based on monitoring of all other potential impacts, including possible non-compliance to sanction regulation, the management is in a position to declare that the impact on the Group's solvency position and 2021 financial statements is remote and there is no needed to undertake any modifications of the Group's 2021 financial statements. The Group has concluded, that the crisis has no significant impact on the business continuity. Therefore the financial statements are prepared assuming that the Group will continue as a going concern.

G.2 Giovanni Liverani appointed as interim Austria & CEE Officer and Generali CEE Holding CEO

On 28 March 2022 Luciano Cirinà was dismissed from the role of Austria & CEE (ACEE) Regional Officer and Generali CEE Holding CEO. Group has appointed Giovanni Liverani, CEO of Generali Deutschland, as interim ACEE Regional Officer and Generali CEE Holding CEO with immediate effect.

III. COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

III. COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY STATEMENT OF FINANCIAL POSITION:

(€ million)	Note	31.12.2021	31.12.2020
Non-current assets		4,630	4,721
Intangible assets		1	1
Financial fixed assets	D.1	4,629	4,720
Investments in group companies		4,629	4,720
Current assets	D.2	359	226
Receivables	D.2.1	5	45
Loans	D.2.2	174	49
Securities	D.2.3	166	119
Cash and cash equivalents	D.2.4	10	8
Other assets	D.2.5	4	5
Total assets		4,989	4,947
Shareholder's equity	D.3	4,968	4,894
Paid-up capital and share premiums reserve	D.3	3,935	3,935
Other reserves	D.3	1,033	959
Current liabilities	D.4	21	53
Financial liabilities	D.4.1	6	38
Other liabilities	D.4.2	15	15
Total equity and liabilities		4,989	4,947

COMPANY INCOME STATEMENT:

(€ million)	Note	2021	2020
Result from investments in Group companies after tax		543	498
Other income and expenses after tax	E.1	(34)	(38)
Result of the period		509	460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION

The Company financial statements of Generali CEE Holding B.V. should be read in conjunction with the consolidated financial statements.

A.1 Description of the Company

Generali CEE Holding B.V. or "the Company" was incorporated under Dutch law as a limited liability company on 8 June 2007. The Company is listed in the Commercial Register kept by the Chamber of Commerce of the city of Amsterdam under Registration Number 34275688 and is based in De Entree 91, 1101 BH Amsterdam, The Netherlands.

Generali CEE Holding was established under the laws of the Netherlands and as at 31 December 2021 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 2021 as follows:

Members: Giovanni Liverani
Carlo Schiavetto
Jaime Anchustegui Melgarejo
Cristiano Borean
Heike Otteman-Toyza

The Company incorporated a branch (Generali CEE Holding B.V., organizační složka) in the Czech Republic which was entered into the Commercial Register kept by the Municipal Court in Prague, Section A, Insert 59992 on 30 January 2008 under Identification Number 28239652 and is situated in Na Pankráci 121/1658, 140 21 Prague 4, Czech Republic. As at 31 December 2021, the Chief Executive Director of the branch was Mr. Luciano Cirinà who was dismissed in March 2022 and Giovanni Liverani was appointed as a new member of The Board of Directors.

The Company is subject to Dutch and Czech corporate income taxation, due to its branch in the Czech Republic. Since all the assets and activities of the Company have been transferred to the Czech branch, Czech tax law has primacy for the Company's tax status.

B. BASIS OF PREPARATION

These financial statements are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. The principles of valuation and determination of results described in the consolidated financial statements prepared under International Financial Reporting Standards (IFRS) as endorsed by the European Commission are also applicable to the individual financial statements. Investments in Group companies and investments in associates are initially recognised at cost and subsequently accounted for by the equity method of accounting.

The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Netherlands Civil Code. The income statement has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code.

The financial statements will be adopted by the Annual General Meeting which is expected to take place in April 2022. 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.

A.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)	31.12.2021	31.12.2020
Investments in group companies	4,629	4,720
Total investments in subsidiaries and associates	4,629	4,720

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)	2021	2020
Carrying amount as at beginning of reporting period	4,720	4,718
Additional investments in group companies	-	13
Dividend distribution	(546)	(379)
Other movements in group companies equity	(88)	(130)
Result of group companies	543	498
Carrying amount as at end of reporting period	4,629	4,720

In 2020 the Company increase its participation in Generali osiguranje d.d. and Romanian pension fund.

Other movements in group companies equity primarily comprise of changes in the share premium reserve, the revaluation reserve arising from changes in the fair value of available for sale financial instruments held by the Group companies and changes in the currency translation reserve arising from differences between functional currencies and the presentation currency.

The list of Group companies is presented in the consolidated financial statements (see Note C.1 in the consolidated financial statements). In majority of entities where the Company has direct participation its share exceeds 50%, except for Generali Alapkezelő Zrt. (share 26%) and GW Beta (49%).

D.2 Current assets

D.2.1 Receivables

Receivables comprise the following:

(€ million)	31.12.2021	31.12.2020
Receivables from clients and suppliers	5	45
Total	5	45

All receivables are due within one year.

D.2.2 Loans

(€ million)	31.12.2021	31.12.2020
Loans	174	49
Total	174	49

Loans consist of cash-pooling operated by Assicurazioni Generali S.p.A. of €68 million (2020: €25 million), reverse repurchase agreement of €8 million (2020: €16 million) and loan provided to Generali Real Estate Fund CEE, a.s. of €88.5 million (2020: €0 million) and GW Beta B.V. of €8.5 million (2020: €8 million).

Changes in company loans provided were as follows:

(€ million)	2021	2020
Balance as at beginning of reporting period	49	177
Redemptions	(532)	(152)
Increases	653	32
Exchange differences	4	(8)
Balance as at end of reporting period	174	49

In 2021 there was an redemption of €529 million (2020: €124 million) related to reverse repurchase agreement.

D.2.3 Securities

Securities as at 31 December comprise:

(€ million)	31.12.2021	31.12.2020
Quoted securities	67	31
Equities	67	29
Corporate bonds	-	2
Unquoted securities	91	84
Equities	91	84
Derivatives	8	4
Total	166	119

Changes in company securities were as follows:

(€ million)	2021	2020
Balance as at beginning of reporting period	119	109
Investments	27	-
Revaluation in equity	4	7
Revaluation in income statement	26	1
Exchange differences	8	2
Sales	(18)	-
Balance as at end of reporting period	166	119

The investments in 2021 were represented by acquisition of equities.

D.2.4 Cash and cash equivalents

Cash and cash equivalents are as follows:

(€ million)	2021	2020
Balance as at beginning of reporting period	8	10
Increase in cash at bank and in hand	2	-
Decrease in cash at bank and in hand	-	(2)
Balance as at end of reporting period	10	8

No restrictions are applicable to cash balances.

D.2.5 Other assets

Other assets comprise the following:

(€ million)	31.12.2021	31.12.2020
Accrued income and prepayments	-	1
Tax receivables	4	4
Total	4	5

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 31.12.2019	-	3,935	321	80	(1)	400	275	5,010
Transfer of net gain 2019						275	(275)	-
Balance after transfer	-	3,935	321	80	(1)	675	-	5,010
Revaluation - financial assets AFS			6					6
Currency translation differences				(24)				(24)
Other movements in subsidiaries equity			48	(179)	(5)			(136)
Other comprehensive income	-	-	54	(203)	(5)	-	-	(154)
Net gain 2020							460	460
Total comprehensive income for the period	-	-	54	(203)	(5)	-	460	306
Allocation to reserve for share-based payments						4		4
Dividends to shareholders						(426)		(426)
Balance as at 31.12.2020	-	3,935	375	(123)	(6)	253	460	4,894
Transfer of net gain 2020						460	(460)	-
Balance after transfer	-	3,935	375	(123)	(6)	713	-	4,894
Revaluation - financial assets AFS			28					28
Currency translation differences				(17)				(17)
Changes in cash flow hedge reserve					6			6
Other movements in subsidiaries equity			(254)	187				(67)
Other comprehensive income	-	-	(226)	170	6	-	-	(50)
Net gain 2021							509	509
Total comprehensive income for the period	-	-	(226)	170	6	-	509	459
Allocation to reserve for share-based payments						4		4
Dividends to shareholders						(389)		(389)
Balance as at 31.12.2021	-	3,935	149	47	-	328	509	4,968

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

(€ million)	31.12.2021	31.12.2020
Not available for distribution to shareholders	455	467
Share premium reserve - portion not available for distribution	157	157
Revaluation reserves	251	439
Currency translation reserve	47	(123)
Cash flow hedge reserve	-	(6)
Available for distribution to shareholders	4,513	4,427
Share premium reserve - portion available for distribution	3,778	3,778
Revaluation reserves	(102)	(64)
Retained earnings	837	713
Total shareholder's equity	4,968	4,894

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 €251 million (2020: €439 million) which is not available for distribution.

D.3.3 Profit distribution

On 26 May 2021, the Sole shareholder (Assicurazioni Generali) adopted a decision to distribute dividends in amount of €614 million, where the amount of €460 million paid out of the 2020 profit and €154 million paid out from retained earnings. Dividends in the amount of €225 million has been already paid on 16 December 2020 as an interim dividend.

Overall dividend payment in year 2021 amounted to €389 million (2020: €426 million)

D.4 Current liabilities

D.4.1 Financial liabilities

Other Financial liabilities consist of the following:

(€ million)	31.12.2021	31.12.2020
Loans from subsidiaries and investment vehicles	-	37
Other hedging derivatives	6	1
Total	6	38

In 2021 the short term loan in the total amount of €37 million from its subsidiary General Biztosító Zrt was paid back.

D.4.2 Other liabilities

Other liabilities consist of the following:

(€ million)	31.12.2021	31.12.2020
Payables to clients and suppliers	3	5
Payables related to taxation	1	1
Accrued charges	11	9
Total	15	15

E. NOTES TO THE COMPANY INCOME STATEMENT

E.1 Other income and expenses

Other income and expenses can be analyzed as follows:

(€ million)	2021	2020
Interests and other investment income	3	2
Currency gains	3	-
Other income	1	1
Total income	7	3
Personnel expenses	(16)	(16)
Expenses for share-based payments	(1)	(2)
Audit and consulting services	(8)	(7)
Currency losses	-	(6)
Other expenses	(12)	(8)
Total expenses	(37)	(39)
Income taxes	(4)	(2)
Other income and expenses after tax	(34)	(38)

E.2 Off-balance sheet items

E.2.1 Commitments

As at 31 December 2021, the Company had a commitment under investment agreements of €19 million (2020: €33 million) to make an additional contribution into the private equity funds.

E.2.2 Pledged assets and collaterals

The Company has received financial assets as collateral for approximately €9 million (2020: €15 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.27 in the consolidated financial statements).

As at 31 December 2021, an expense recognised in relation to this plan amounted to €1 million (2020: €2 million).

E.4 Employees

Number of employees:

	31.12.2021	31.12.2020
Managers	47	47
Employees	99	89
Total	146	136

Employee expenses were €16 million (2020: €16 million) (Note E.1). Further information about employees is provided in Note F.28 of the consolidated financial statements. All employees of the Group work outside the Netherlands.

E.5 Company directors

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

E.6 Transactions with related parties

All investments in the Group companies and other investments disclosed in the consolidated financial statements qualify as related parties. Information on related party transactions is provided in Note F.32 of the consolidated financial statements.

E.7 Audit fees

Audit fees related to the audit of the financial statements for the Company and its subsidiaries for 2021 amounted to €2.3 million, net of VAT and are due to the KPMG network of firms (2020: €2.9 million, net of VAT 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.

26 April 2022

Signed by the Board of Directors:

Giovanni Liverani
(Managing Director)

Jaime Anchústegui Melgarejo
(Managing Director)

Cristiano Borean
(Managing Director)

Heike Ottemann-Toyza
(Managing Director)

Carlo Schiavetto
(Managing Director)

F. OTHER INFORMATION

F.1 Profit appropriation

Provisions in the Articles of Association governing the appropriation of profit (Article 22):

- a) Distributions can only take place up to the amount of that part of the company's net assets which exceeds the aggregate of the issued capital and reserves which must be maintained by virtue of the law.
- b) Distribution of profits shall take place upon adoption of the Annual Accounts from which it appears that such distribution is allowed.



Independent auditor's report

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

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2021 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 2021 and of its result and its cash flows for the year 2021 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 2021 and of its result for the year 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 31 December 2021;
- 2 the following consolidated statements for the year 2021: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- 1 the company statement of financial position as at 31 December 2021;
- 2 the company income statement for the year 2021; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Generali CEE Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Letter from the Chairman and CEO;
- Economic and Insurance Market Development;
- The Holding's Management;
- Board of Directors Report;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code regarding the management report and the other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Board of Directors Report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

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



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. 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.

Utrecht, 26 April 2022

KPMG Accountants N.V.

A.J.H. Reijns RA

