ANNUAL REPORT 2021

Generali Česká pojišťovna a.s.

GENERALI
ČESKÁ POJIŠŤOVNA

CONTENTS

LETTER FROM THE CHAIRMAN

Ladies and Gentlemen,

Last year was the second in which our personal and professional lives were upturned by the restrictive measures imposed to contain the spread of the coronavirus. The fact that we at Generali Česká pojišťovna a.s. had already been able to respond flexibly in 2020 made us well-placed once again, in the circumstances, to run our operations seamlessly and without having to make comprises. This reaffirmed our position as a strong, reliable, and lifelong partner for our customers.

It is our customers around whom all our work and efforts revolve. For us, customer satisfaction is a key indicator that we are constantly working on and are keen to keep improving. It is essential for us to know who our customers really are. We want to get to know what situations they are facing in their lives and what needs they have so we can offer them the exact solution they currently require. But in the insurance industry it is not just about making tailored offers, or dealing with requests quickly and efficiently. It is also very important to choose the right empathetic approach so that customers feel truly understood and supported by us.

The days when only front office staff took care of customers have been consigned to the past. Nowadays, activities geared towards the promotion of customer satisfaction cut across the entire company, from colleagues at branches and call centres, to co-workers in claims, IT, product management, and even HR, for example, where our recruitment policy is to seek out candidates with specific skills, such as the ability to empathise and listen, and an ability to resolve conflicts. All managers and board members regularly call customers to find out what they are or are not satisfied with. They then have an opportunity to translate this direct feedback into their day-to-day work. Because it is only through feedback that we can monitor and respond proactively to our customers' needs. I would say that, courtesy of all this far-reaching work, 2021 could be called the year of the customer.

Last year also saw life in our country literally paralysed by the extreme raging of the elements and the very rare sight of a tornado at the end of June. The tornado, combined with extraordinarily fierce storms, resulted in nearly 14,000 claims from our customers. However, our company is very well prepared for these situations, so it was able to switch immediately to its special disaster mode. From the outset, our crisis team oversaw the organisation of all activities and made sure that internal processes were streamlined. This approach enabled us to handle claims very efficiently and quickly – we were able to settle half of the reported claims within three weeks of the devastation. Call centre operators, working around the clock, were on hand to assist clients at all times. In the disaster zones, we extended our branches' opening hours and were the first insurance company to pitch up directly in the tornado- and storm-hit communities, where we established mobile kiosks to provide much-needed assistance to the people here. As a result, our customers and others were able to see for themselves that we truly are a lifelong partner they can rely on in any situation!

The excellent way in which Generali Česká pojišťovna a.s. handled the summer disasters did not go unnoticed, as its quality also earned it plaudits from the professional public in a number of competitions. For example, in the second half of the year the company dominated the prestigious Best Insurance Company competition, winning three out of the five categories for insurers. Never before had such a feat been achieved by any insurance company in this competition. Generali Česká pojišťovna a.s. claimed top spot in the categories of Best Non-Life Insurance Company, Most Customer-Friendly Non-Life Insurance Company, and Most Customer-Friendly Life Insurance Company. It rounded that off with third place in the category of Best Life Insurance Company. This is a truly historic success story!

LETTER FROM THE CHAIRMAN

Besides being a year to remember on account of the extensive damage caused by the rampaging elements in the summer, 2021 will also go down as a year in which we consolidated our business operations quite considerably. On 17 December 2021, representatives of Generali Česká pojišťovna a.s. and the Slovak Generali signed a “Business Sale Contract”, under which the two insurers merged the organisation of their operations. Our goal is to exploit the best that both companies have to offer. By combining Generali Česká pojišťovna a.s.’s size and strength with the Slovak Generali’s agility and innovative drive, we can work together to provide second-to-none services to our customers and business partners. I am quite sure that this unique transformation will fortify our position as leaders on both markets and I am very excited to see what we achieve together!

In closing, I would like to extend my heartfelt thanks to everyone who contributed to our successes in 2021. I very much appreciate the work and energy of all my colleagues, both at head office and in the regions, because it is thanks to them that we achieved so much in 2021, a year that was far from easy. I also value the excellent cooperation we enjoyed with our business partners, and I am confident that we will take this another step further in the year ahead. Above all, I very much appreciate the trust our customers place in us. They are the ones who give our work meaning and whose positive feedback provides us with the immense pleasure of a job well done.

Roman Juráš
Chairman of the Board of Directors

GENERALI ČESKÁ POJIŠŤOVNA – WHO WE ARE

GENERALI ČESKÁ POJIŠŤOVNA PROFILE

Generali Česká pojišťovna a.s. (“Generali Česká pojišťovna”) is a composite insurer providing a comprehensive range of services, encompassing life and non-life personal lines, insurance for small, mid-sized, and large customers covering industrial and business risks, and agriculture.

Generali Česká pojišťovna is part of Generali Group, which is structured for optimal management of a spectrum of services connected with the provision of private insurance, retirement savings, and investment. It leverages the advantages of this structure to the full, while exploiting the fact that, since 2008, the Company and its subsidiaries have been part of Generali Group.

Thus, in addition to their core business activities, most Generali Česká pojišťovna Group companies also provide services to their affiliates within Generali CEE Holding in the form of capacity-sharing and the mutual provision of assistance on an arm’s-length basis.

COMPANY HISTORY

In 2021, Generali Česká pojišťovna marked the 194th anniversary of its foundation. Its history is littered with eminent statesmen, Czech cultural luminaries, and aristocrats. Generali Česká pojišťovna has survived numerous regimes, wars, monarchs and presidents, and stood witness to a whole litany of events. It has stayed true to its customers in good times and bad. It has never wavered from its mission to provide help in difficult situations.

The Company’s main founders were two counts, Franz Joseph von Vrtba and Joseph Matthias von Thun und Hohenstein, both of whom also held office as managing directors. The Company subsequently changed its name, rebranding itself První česká vzájemná pojišťovna (First Bohemian Mutual Insurance Company) for the next few decades. It evolved over time, building on its experience of fire and hail insurance to move into the coverage of property, cattle, individuals and self-propelled vehicles (i.e. cars).

1827	The Company initially operated out of one room in the apartment of Franz Joseph von Vrtba’s secretary, a place it “inhabited” from 1827 to 1829. Though this room in Prague's New Town was only a makeshift solution, it was at an address that was both prestigious and, it might be said, symbolic – Spálená [Scorched] 76.
1881	Arguably the best-known and largest claim in the Company's history was the National Theatre fire in 1881. The Company paid out 297,869 Guldens for the reconstruction of the theatre, incurring a major financial loss in the process, but also gaining considerable prestige in the eyes of the Czech nation. By the 1920s, the Company was offering almost all kinds of insurance, including the still seldom seen motor insurance. In 1945, the insurance sector was nationalised, resulting in five insurance companies which, in 1948, were transformed into the single Československá pojišťovna (Czechoslovak Insurance Company).
1992	In 1992, the National Property Fund of the Czech Republic transformed Česká pojišťovna, as the Company was known by then, into a public limited company, and a year later the Company’s shares were listed on the Main Market of the Prague Stock Exchange. The Company was delisted on 31 August 2005 in conjunction with a squeeze-out of minority shareholders.
1991	In 1991, the Company set up the subsidiary K I S a.s. kapitálová investiční společnost České pojišťovny, now known within Generali CEE Holding as Generali Investments CEE, investiční společnost, a.s., which provides services on the collective investment and asset management market. In 1993, Česká pojišťovna and its partner Vereinte Krankenversicherung AG Munich founded Česká pojišťovna ZDRAVÍ. Five years later, Česká pojišťovna became the company’s sole shareholder. Nineteen years after that, it merged with Generali Česká pojišťovna. In the 1990s, the Group entered the supplementary pension market by establishing Penzijní fond České pojišťovny, a.s. (now Generali penzijní společnost, a.s.), the largest supplementary pension provider in the Czech Republic. On 1 April 2017, in the wake of the implementation of Solvency II, which resulted in an amendment to the Insurance Act that prevented insurance companies from distributing financial products other than insurance products within the scope of their “related operations”, the Company transferred the internal distribution of the then Česká pojišťovna to a separate subsidiary. That subsidiary, Generali Česká distribuce, is now the largest financial advisory entity on the Czech market.
2008	A notable date in the modern history of the Company and its subsidiaries was 17 January 2008, when the Joint Venture Agreement between Assicurazioni Generali and PPF Group N.V. took effect, giving rise to Generali PPF Holding B.V., in which Generali Group had a 51% stake and the remaining 49% was held by PPF Group. This saw Česká pojišťovna and its subsidiaries become part of one of the largest insurance groups in Central and Eastern Europe. Since January 2015, Generali Česká pojišťovna and its subsidiaries have been fully owned by Generali Group.

2019	Generali Group's strategy of concentrating and streamlining its operations naturally led to the merger of the portfolio of Generali Pojišťovna a.s. and Česká pojišťovna ZDRAVÍ a.s. with the portfolio of Generali Česká pojišťovna in 2019 and 2020, followed by a portfolio merger with Generali Poisťovňa a.s. in Slovakia in 2021.
2021	The highlight of 2021 was when representatives of the Czech insurer Generali Česká pojišťovna and the Slovak insurer Generali signed a "Business Sale Contract" at Villa Tugendhat in Brno, under which the two companies merged the organisation of their operations. The Business Sale Contract took effect at the stroke of midnight on 19 December 2021. Since 20 December 2021, the operations of Generali Poisťovňa in Slovakia have been continued by an organisational unit of Generali Česká pojišťovna going by the official name of Generali Poisťovňa, pobočka poisťovňa z iného členského státu. Generali Česká pojišťovna's subsidiaries currently also include real estate investment companies and the service organisation Acredité a.s., which primarily covers the administration of selected agendas of Generali Česká pojišťovna.

GENERALI ČESKÁ POJIŠŤOVNA – HIGHLIGHTS

JANUARY 2021

Generali Česká pojišťovna's call centre won two Czech Contact Center Awards – first place in the Technology category went to CHATBOT LEO, while call centre operator Veronika Kašpříková was runner-up in the Personality category.

FEBRUARY 2021

Generali Česká pojišťovna made it on to the winners' rostrum twice in the milestone 10th year of the Financial Product competition organised by the Finparáda portal. Special Term Life Insurance for Healthcare Professionals took third place in the Term Life Insurance category, while third place in the Mortgage Loan Payment Protection Insurance category went to UniCredit Bank's mortgage insurance.

In 2021, the Company once again did well in the Students and Graduates Association's TOP Employers poll, conducted among students of Czech universities, by coming first in the Insurance category for the seventh time in a row.

MARCH 2021

Generali Česká pojišťovna introduced the Comfort PLUS Package, a new version of MTPL that provides comprehensive cover (MTPL combined with collision insurance). This convenient package also includes several new features, such as GAP insurance for older vehicles up to 6 years old. Claims for partial damage are guaranteed to be settled within three days, otherwise the customer does not pay the excess.

MAY 2021

Generali Česká pojišťovna rolled out Medik Leo, the first Czech application developed to provide a tentative diagnosis or indication of the cause of health problems. It helps people to determine the origin of medical conditions that may arise. Generali Česká pojišťovna is the first and only insurance company on the Czech market to offer such a service to its customers.

JUNE 2021

In the aftermath of extreme storms and, in particular, the devastating tornado that struck in south Moravia, Generali Česká pojišťovna's customers reported 13,962 claims aggregating an estimated CZK 1.7 billion. Most damage was caused by windstorms and hail. The elements were most rampant in the South Moravian Region, specifically in and around the town of Břeclav. The Company's employees spent a number of weeks working in "disaster mode". Call centre operators, working around the clock, were on hand to assist customers at all times. In the disaster zones, branches' opening hours were extended, and Generali Česká pojišťovna was the first insurance company to pitch up directly in tornado- and storm-hit communities, where its employees staffed mobile kiosks in order to provide much-needed assistance.

Generali Česká pojišťovna was the first major insurance company to introduce bank identity verification for its customers. Digital identity verification made activating the client zone simpler for Generali Česká pojišťovna's customers. Further uses are in the pipeline.

In the inaugural year of its SME EnterPRIZE competition, Generali Česká pojišťovna recognised the most sustainable companies in the Czech Republic. The top spot went to CleverFarm, a company that develops smart solutions for farmers.

JULY 2021

A significant move forwards in the consolidation of insurance operations was completed when the merger of ČP ZDRAVÍ and Pojišťovna Patricia with Generali Česká pojišťovna was registered.

SEPTEMBER 2021

Generali Česká pojišťovna, together with the Slovak Generali, started partnering Czechoslovak Legionnaires (ČSOL), the largest and oldest veteran organisation in the Czech Republic. This cooperation will enable the ČSOL to intensify its activities as it charts seminal moments in Czechoslovak history and makes them accessible to all generations. The partnership with the ČSOL was a symbolic act for Generali Česká pojišťovna and the Slovak Generali as they prepared to merge their operations in December 2021.

DECEMBER 2021

Representatives of the Czech insurer Generali Česká pojišťovna and the Slovak insurer Generali signed a “Business Sale Contract” at Villa Tugendhat in Brno, under which the two companies merged the organisation of their operations. The Business Sale Contract took effect at the stroke of midnight on 19 December 2021. Since 20 December 2021, the operations of Generali Poisťovňa in Slovakia have been continued by an organisational unit of Generali Česká pojišťovna going by the official name of Generali Poisťovňa, pobočka poisťovňa z iného členského státu.

FEBRUARY 2022

For the eighth time in a row, the Company came first in the TOP Employers poll’s Insurance category. It also topped the special EKONOM category, in which the ranking is determined on the basis of questionnaires filled in by students of economic faculties at universities with the best study results.

AWARDS

In 2021, Generali Česká pojišťovna dominated the prestigious Best Insurance Company competition, winning three out of the five categories for insurers. Never before had such a feat been achieved by any insurance company in this competition.

Generali Česká pojišťovna claimed top spot in the categories of Best Non-Life Insurance Company, Most Customer-Friendly Non-Life Insurance Company, and Most Customer-Friendly Life Insurance Company. It rounded that off with third place in the category of Best Life Insurance Company.

FIRST PLACE

Nejlepší neživotní pojišťovna 2021

BEST NON-LIFE INSURANCE COMPANY

Klientsky nejpřívětivější neživotní pojišťovna 2021

MOST CUSTOMER-FRIENDLY NON-LIFE INSURANCE COMPANY

Klientsky nejpřívětivější životní pojišťovna 2021

MOST CUSTOMER-FRIENDLY LIFE INSURANCE COMPANY

THIRD PLACE

3. MÍSTO Nejlepší životní pojišťovna 2021

BEST LIFE INSURANCE COMPANY

OTHER ACCOLADES

The expert jury of the Bank of the Year survey named Generali Česká pojišťovna the Insurance Company of the Year. The jury, made up of representatives of business, the media, academia, economic experts, and financial analysts, particularly appreciated the Company's great progress in digitalisation.

Generali Česká pojišťovna made it on to the winners' rostrum twice in the milestone 10th year of the Financial Product competition organised by the Finparáda portal. This competition assesses the best products offered by banks, credit unions, building societies, insurance companies, and pension companies.

Generali Česká pojišťovna's Special Term Life Insurance for Healthcare Professionals took third place in the Term Life Insurance category. Third place in the Mortgage Loan Payment Protection Insurance category went to the Company for its innovative UniCredit Bank mortgage insurance.

The Company picked up two awards in the 19th year of the Golden Crown (Zlatá koruna) competition. In the MTPL category, it won a Bronze Crown for its Digitally Assisted MTPL. In the Entrepreneur Award, it earned a Silver Crown for its ProfiPlán insurance.

In the seventh year of the Czech Contact Center Awards, Generali Česká pojišťovna's call centre scored two important successes. In the Technology category, the call centre unit took the win thanks to the Leo chatbot, artificial intelligence deployed in live operation when communicating with customers. In the new Personality category, Veronika Kašpříková, senior call centre operator at Generali Česká pojišťovna, was named as the runner-up. She impressed with her exceptional approach to career development, her willingness to pass on her knowledge and skills to new recruits and, last but not least, her sensitive and extremely empathetic approach to customers and their needs.

At the annual awards ceremony of the Czech Event Association, which appraises the best achievements in the field of event communication every year, Generali Česká pojišťovna's "Advent in Red" took first place in the category of Events Promoting Employee Relations.

Generali Česká pojišťovna defended its first place in the TOP Employer poll among university students. For the seventh time in a row, the Company earned plaudits from university students asked to decide which employer they would most like to join. The milestone tenth anniversary year of the poll attracted votes from 12,008 students.

WE SEE THINGS CLEARLY

We are empathetic and our customers always come first.

KEY FINANCIAL INDICATORS

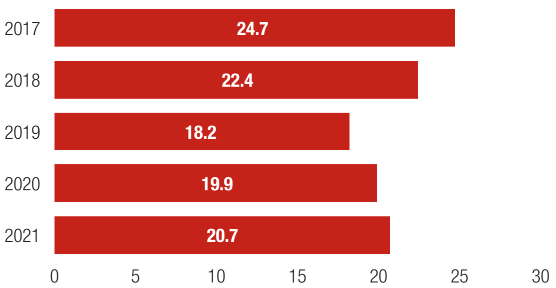
Basic indicators	Units	2021	2020	2019	2018	2017
Highlights from the financial statements						
Total assets*	CZK millions	137,233	116,763	119,267	117,091	124,523
Registered capital	CZK millions	4,000	4,000	4,000	4,000	4,000
Shareholder's equity*	CZK millions	20,671	19,851	18,213	22,390	24,669
Retained earnings	CZK millions	13,454	11,450	9,835	15,805	16,227
Net profit	CZK millions	9,641	4,818	3,216	3,115	3,964
Performance indicators						
Gross earned premiums	CZK millions	38,782	38,347	29,079	28,725	28,003
– non-life insurance	CZK millions	28,211	27,694	21,332	20,650	19,595
– life insurance	CZK millions	10,571	10,653	7,747	8,075	8,408
Gross benefits and claims paid	CZK millions	22,774	22,022	18,096	17,215	17,434
– non-life insurance	CZK millions	14,480	14,277	11,447	10,220	9,656
– life insurance	CZK millions	8,294	7,745	6,649	6,995	7,778
Total insurance provisions in insurance liabilities	CZK millions	91,450	77,624	79,732	60,920	63,164
– life insurance provision	CZK millions	57,621	48,649	50,037	39,230	41,858
– other insurance provisions	CZK millions	33,829	28,975	29,695	21,690	21,306
Other information						
Market share in premiums written[1]	%	26.0	26.7	20.6	21.5	22.1
– non-life insurance	%	28.3	28.9	22.8	23.7	24.4
– life insurance	%	21.2	22.3	16.1	17.1	17.9
Average number of employees number		3,536	3,574	3,462	3,443	3,292
Performance ratios						
ROA* (net profit/total assets)	%	7.0	4.1	2.7	2.7	3.2
ROE* (net profit/equity)	%	46.6	24.3	17.7	13.9	16.1
Equity per share	CZK	516,775	496,282	455,325	559,750	616,725
Earnings per share	CZK	240,025	120,443	80,432	77,826	99,124
Non-life combined ratio	%	84.00	77.3	92.8	85.6	87.4

[1] Czech Insurance Association (ČAP). Statistical data according to ČAP methodology 1-12/2021 [online]. ČAP © 2014
Available at https://www.cap.cz/images/statisticke-udaje/vyvoj-pojisteno-trhu/STAT-2021Q4-CAP-CS-2022-01-27-WEB.pdf

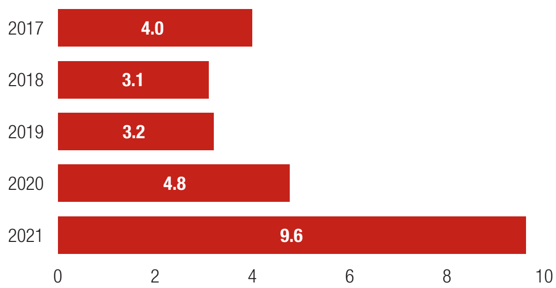
* Affected by the merging of business operations in 2021

KEY FINANCIAL FIGURES

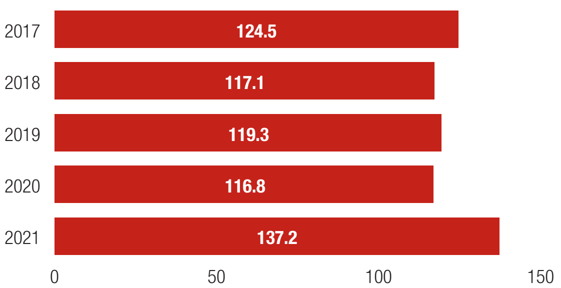
Shareholder's equity (CZK billions)



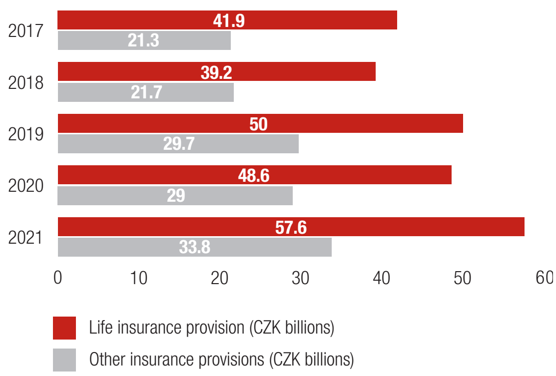
Current period earnings (CZK billions)



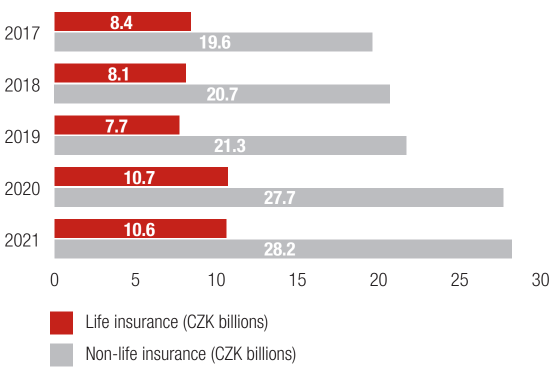
Total assets (CZK billions)



Insurance provisions included in insurance liabilities (CZK billions)



Life and non-life gross premiums earned (CZK billions)



DESCRIPTION OF GROUP STRUCTURE, POSITION OF GENERALI ČESKÁ POJIŠŤOVNA

As at 31 December 2021, Generali Česká pojišťovna was part of a group; the company at the pinnacle of that group's holding structure is Generali CEE Holding B.V. This holding company's consolidated annual report will be published on its website at www.generalicee.com/article/annual-reports.

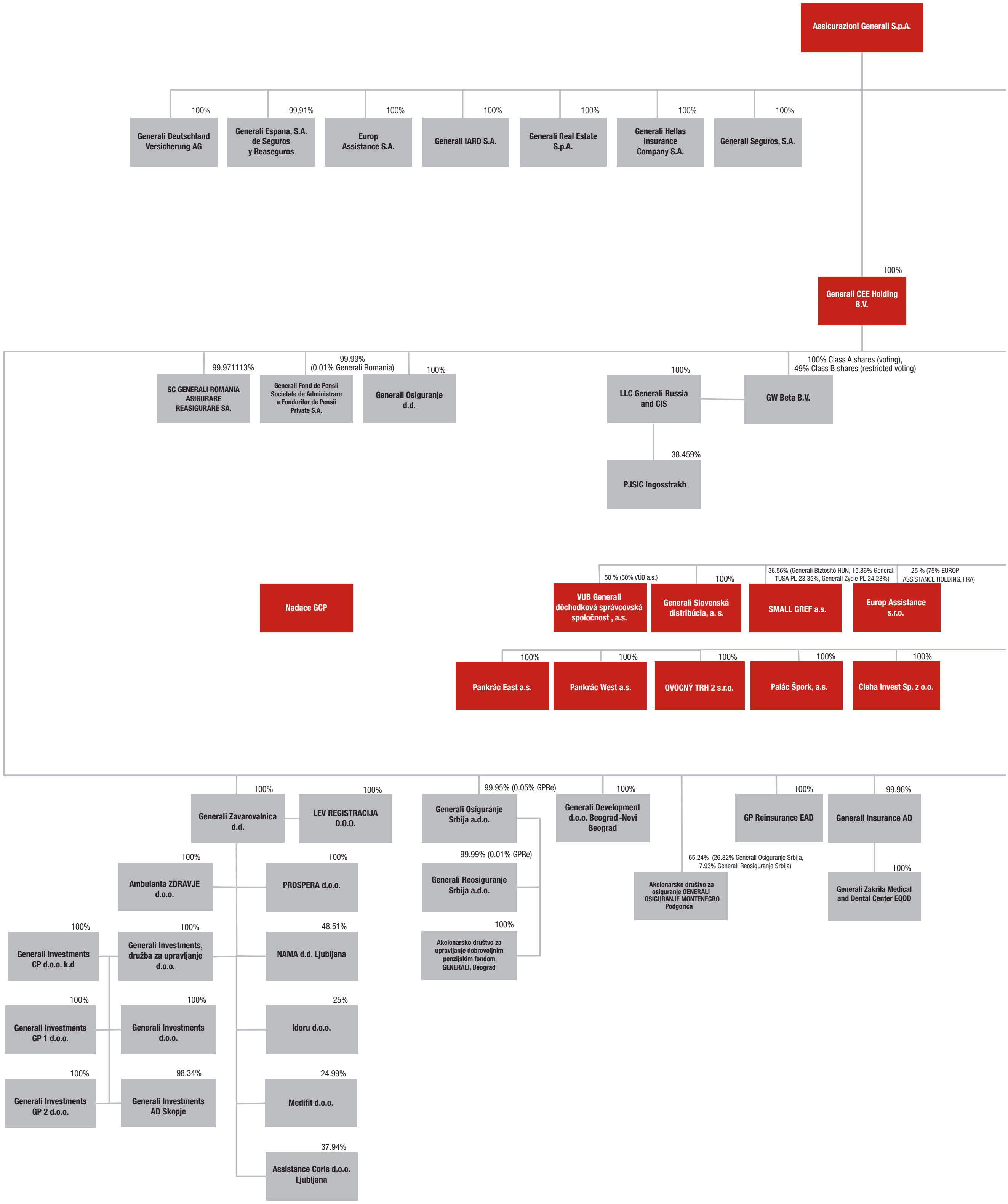
The ultimate controlling entity of Generali Česká pojišťovna is Assicurazioni Generali S.p.A., which held a 100% stake in the voting rights attached to the shares of Generali CEE Holding B.V. as at 31 December 2021. The Company's sole shareholder is Generali CEE Holding B.V.

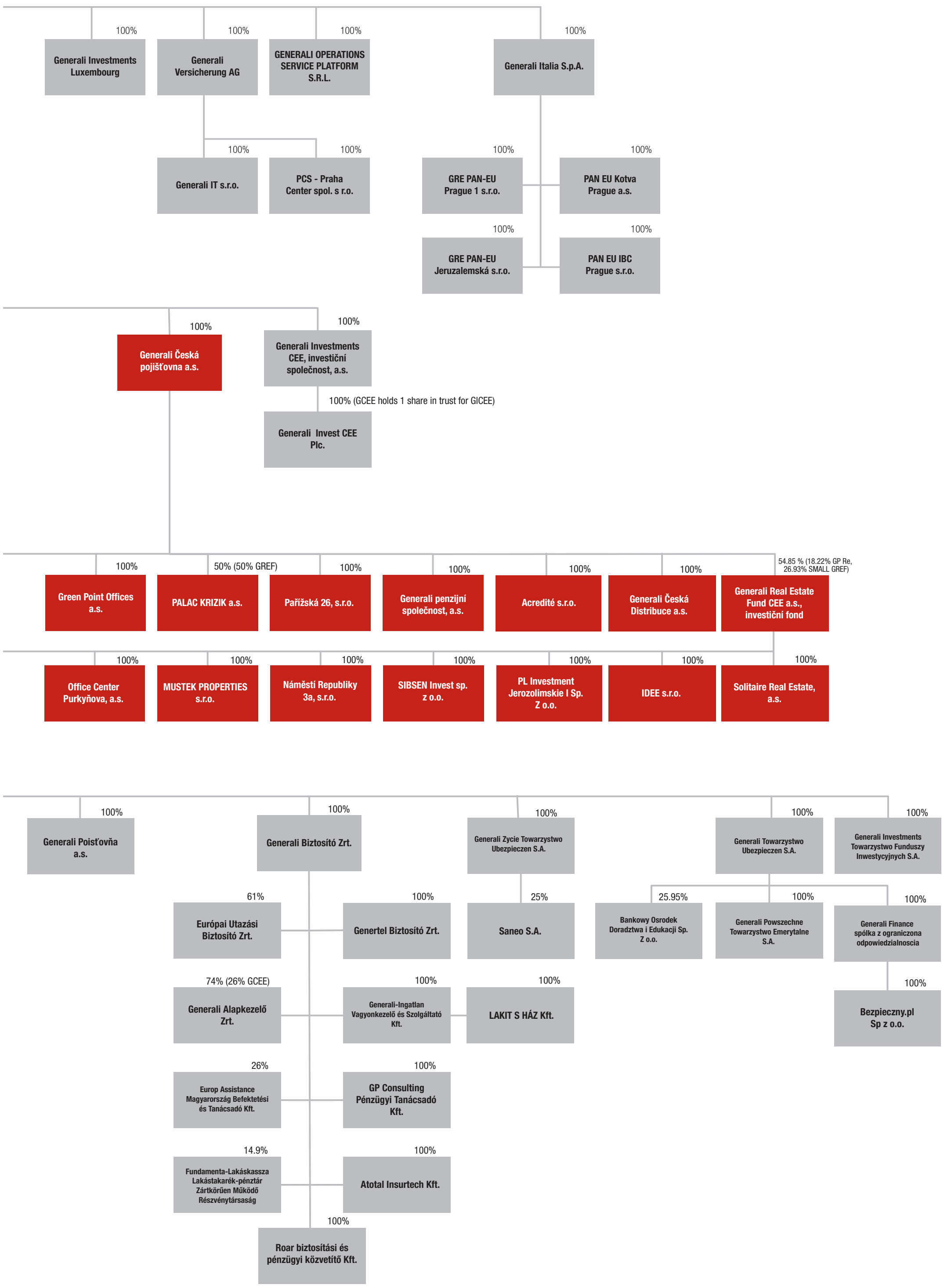
GENERALI CEE HOLDING B.V.

Date of inception:	8 June 2007
Registered office:	De Entree 91, 1101 BH Amsterdam, Netherlands
File number in the Register of the Amsterdam Chamber of Commerce and Industry:	34275688
Registered capital:	EUR 100,000
Principal business:	holding activities

Generali CEE Holding B.V. directs the business of its subsidiaries through an organisational unit based in Prague, Czech Republic. The holding company has operations not only in the Czech Republic, but also in Slovakia, Poland, Hungary, Romania, Bulgaria, Serbia, Slovenia, Montenegro, Croatia, and Austria.

GENERALI CEE HOLDING B.V. GROUP STRUCTURE AS AT 31 DECEMBER 2021




100%
Generali Investments Luxembourg
100%
Generali Versicherung AG
100%
GENERALI OPERATIONS SERVICE PLATFORM S.R.L.
100%
Generali Italia S.p.A.
100%
Generali IT s.r.o.
100%
PCS - Praha Center spol. s r.o.
100%
GRE PAN-EU Prague 1 s.r.o.
100%
PAN EU Kotva Prague a.s.
100%
GRE PAN-EU Jeruzalemská s.r.o.
100%
PAN EU IBC Prague s.r.o.
100%
Generali Česká pojišťovna a.s.
100%
Generali Investments CEE, investiční společnost, a.s.
100% (GCEE holds 1 share in trust for GICEE)
Generali Invest CEE Plc.
100%
Green Point Offices a.s.
50% (50% GREF)
PALAC KRIZIK a.s.
100%
Pařížská 26, s.r.o.
100%
Generali penzijní společnost, a.s.
100%
Acredité s.r.o.
100%
Generali Česká Distribuce a.s.
54.85 % (18.22% GP Re, 26.93% SMALL GREF)
Generali Real Estate Fund CEE a.s., investiční fond
100%
Office Center Purkyňova, a.s.
100%
MUSTEK PROPERTIES s.r.o.
100%
Náměstí Republiky 3a, s.r.o.
100%
SIBSEN Invest sp. z o.o.
100%
PL Investment Jerozolimskie I Sp. Z o.o.
100%
IDEE s.r.o.
100%
Solitaire Real Estate, a.s.
100%
Generali Poisťovňa a.s.
100%
Generali Biztosító Zrt.
100%
Generali Zycie Towarzystwo Ubezpieczen S.A.
100%
Generali Towarzystwo Ubezpieczen S.A.
100%
Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A.
61%
Európai Utazási Biztosító Zrt.
100%
Genertel Biztosító Zrt.
25%
Saneo S.A.
25.95%
Bankowy Osrodek Doradztwa i Edukacji Sp. Z o.o.
100%
Generali Powszechne Towarzystwo Emerytalne S.A.
100%
Generali Finance spólka z ograniczona odpowiedzialnoscia
74% (26% GCEE)
Generali Alapkezelő Zrt.
100%
Generali-Ingatlan Vagyonkezelő és Szolgáltató Kft.
100%
LAKIT S HÁZ Kft.
100%
Bezpieczny.pl Sp z o.o.
26%
Europ Assistance Magyarország Befektetési és Tanácsadó Kft.
100%
GP Consulting Pénzügyi Tanácsadó Kft.
14.9%
Fundamenta-Lakáskassza Lakástakarék-pénztár Zártkörűen Működő Részvénytársaság
100%
Atotal Insurtech Kft.
100%
Roar biztosítási és pénzügyi közvetítő Kft.

CORPORATE GOVERNANCE

(as at the Annual Report compilation date)

BOARD OF DIRECTORS

Chairman
Roman Juráš

Member since: 1 July 2019
Date of appointment: 1 September 2019
Born: 1970
Education: University of Economics, Bratislava
Experience: KPMG Alpen Treuhand GmbH Vienna; VÚB Generali dochodková správcovská spoločnosť, a.s.; Generali Poisťovňa, a.s.; Generali Versicherung AG Vienna; Generali Česká pojišťovna a.s.

Vice-Chairman
Petr Bohumský

Member since: 18 September 2017
Date of appointment: 18 September 2017
Born: 1971
Education: Charles University, Prague – Faculty of Mathematics and Physics; University of Pittsburgh – Joseph M. Katz Graduate School of Business; Advance Healthcare Management Institute
Experience: Česká pojišťovna ZDRAVÍ a.s.; Pojišťovna Patricie a.s., Generali PPF Holding B.V. (from 2015 Generali CEE Holding B.V.); PPF Group; Generali Česká pojišťovna a.s.

Member
Karel Bláha

Member since: 1 June 2020
Born: 1976
Education: Charles University, Prague; Prague University of Economics and Business
Experience: Transgas, a.s.; Pojišťovna Patricie a.s.; Generali Česká pojišťovna a.s.

Member
Katarína Bobotová

Member since: 19 December 2021
Born: 1983
Education: Slovak University of Agriculture, Nitra
Experience: Grafton Recruitment Slovakia; Generali Poisťovňa, a.s.; Generali Česká pojišťovna a.s.

Member
Jiří Doubravský

Member since: 1 July 2019
Born: 1972
Education: University of West Bohemia, Plzeň; Czech University of Life Sciences, Prague; Nottingham Trent University & Brno Business School; Prague University of Economics and Business
Experience: Komerční banka; HVB Bank; Generali Česká pojišťovna a.s.; Generali Poisťovňa, a.s.

Member
Juraj Jurčík

Member since: 19 December 2021
Born: 1977
Education: University of Economics, Bratislava; Nottingham Trent University & Brno Business School
Experience: Generali Poisťovňa, a.s.; Generali PPF Holding B.V.; Generali PPF Russia; Generali Česká pojišťovna a.s.

Member
Andrea Leskovská

Member since: 19 December 2021
Born: 1974
Education: University of Economics, Bratislava
Experience: Ministry of the Interior of the Slovak Republic; Slovenská sporiteľňa, a.s.; Allianz - Slovenská poisťovňa, a.s.; Generali Poisťovňa, a.s.; Generali Česká pojišťovna a.s.

Member
Pavol Pitoňák

Member since: 20 January 2016
Born: 1975
Education: Slovak University of Technology, Bratislava; ESCP-EAP, Berlin
Experience: Allianz - Slovenská poisťovňa, a.s.; Allianz - Slovenská dôchodková správcovská spoločnosť, a.s.; Wüstenrot poisťovňa, a.s.; Wüstenrot stavebná sporiteľňa, a.s.; Poisťovňa TATRA a.s. (Poisťovňa Poštovej banky, a.s.); Generali Poisťovňa, a.s.; Generali Česká pojišťovna a.s..

Member
David Vosika

Member since: 1 January 2020
Born: 1982
Education: Faculty of Informatics and Statistics, Prague University of Economics and Business
Experience: Home Credit Insurance; Allianz Life; Wüstenrot pojišťovna a.s.;
Generali PPF Life Insurance; Generali PPF Russia; Generali PPF Holding B.V.;
Pojišťovna Patricie a.s.; Generali Česká pojišťovna a.s.

FIELDS OF COMPETENCE OF MEMBERS OF THE BOARD OF DIRECTORS

Chief Executive Officer
Roman Juráš

Chief Financial Officer
Petr Bohumský

Chief Corporate and Industrial Insurance Officer
Karel Bláha

Chief HR and Strategy Officer
Katarína Bobotová

Chief Operating Officer
Jiří Doubravský

Chief Sales Officer for the Slovak Republic
Juraj Jurčík

Chief Non-life Insurance Officer
Andrea Leskovská

Chief Retail Sales Officer for the Czech Republic
Pavol Pitoňák

Chief Life Insurance Officer
David Vosika

SUPERVISORY BOARD

Chairman
Miroslav Singer

Member since: 1 February 2017
Date of appointment: 1 May 2017
Born: 1968
Education: Prague University of Economics and Business; University of Pittsburgh
Experience: CERGE-EI; Economics Institute of the Czech Academy of Sciences; Prague University of Economics and Business; Expandia a.s.; PricewaterhouseCoopers Česká republika, s.r.o.; Czech National Bank; MONETA Money Bank, a.s.

Member
Luciano Cirinà

Member since: 3 July 2020
Born: 1965
Education: University of Trieste (Business Administration)
Experience: Generali PPF Holding B.V. (as of 2015 Generali CEE Holding B.V.); Austrian Insurers Federation; Generali Versicherung AG and Generali Holding Vienna AG; Assicurazioni Generali S.p.A., Trieste; Deutscher Lloyd (Generali Group)

Member
Marek Jankovič

Member since: 1 January 2020
Born: 1966
Education: Slovak University of Technology, Bratislava
Experience: Allianz - Slovenská poisťovňa, a.s.; Poisťovňa AIG Slovakia, a.s.; Slovenská poisťovňa, a.s.; Generali Česká pojišťovna a.s.

Member
Marek Kubiska

Member since: 1 January 2019
Born: 1977
Education: Faculty of Social and Economic Studies, Jan Evangelista Purkyně University, Ústí nad Labem
Experience: Pražské pivovary, a.s.; Generali Česká pojišťovna a.s.

Member
Miloslava Mášová

Member since: 1 January 2019
Born: 1957
Education: Prague University of Economics and Business
Experience: Generali Česká pojišťovna a.s.

Member
Antonella Maier

Member since: 1 September 2020
Born: 1960
Education: University of Trieste; University of Rome
Experience: Generali; Generali Italia S.p.A.; Genertellife S.p.A.; Generali CEE Holding

AUDIT COMMITTEE

Chairman
Martin Mančík

Appointment: 2 March 2017
Born: 27 January 1975
Education: Prague University of Economics and Business

Member
Beáta Petrušová

Appointment: 10 February 2017
Born: 21 April 1968
Education: University of Economics, Bratislava

Member
Roman Smetana

Appointment: 1 January 2016
Born: 11 November 1974
Education: Prague University of Economics and Business

MANAGEMENT REPORT

Generali Česká pojišťovna is a modern financial institution with an international background and a profound knowledge of the Czech and Slovak markets. It provides life and non-life personal lines, as well as insurance for small, mid-sized, and large customers covering industrial and business risks and agriculture. Following the reintroduction of competition in 1991, it has consistently been the largest insurer on the Czech insurance market, where it currently holds a 26% market share. On the Slovak market, it is one of the three most influential insurance companies, with a market share of 12%.

The Company's size and stability guarantee that, whatever the circumstances, it will be able to meet its commitments, introduce major technological innovations, and provide fast and professional services. The constantly broadening use of modern technology and advances in robotics and automation also help in situations where customers need to be provided with really effective and fast assistance.

The Company well and truly underscored its strength in this area with its excellent response to the natural disasters that struck during the summer. In the wake of extremely heavy storms, accompanied by a tornado, Generali Česká pojišťovna showed that it was well prepared for such situations and that it knew to deal with them quickly and efficiently. The Company's earnest dedication and well-configured, smoothly running processes illustrated how much customers can truly rely on it at all times.

As a dependable lifelong partner, the Company not only keeps up with the latest technology, but also views customer satisfaction as central to its success story. In this respect, measuring, and especially nurturing, customer satisfaction is an integral part of the everyday work of teams across the Company.

In 2021, numerous steps were taken that could potentially make it more convenient for customers to engage with the Company and, as such, directly affect the key customer satisfaction indicator – the Net Promoter Score. For example, the Company has reduced the number of documents it requires from customers, simplified the reporting of life insurance claims, and was the first major insurer to introduce bank identity verification. As far as products are concerned, it has made significant improvements to motor insurance, and in life insurance it has introduced a "probable cause" health app that is able to identify 600 diagnoses, including COVID-19.

Another key activity underpinning customer satisfaction is the active collection of feedback. It is through feedback that we are able to monitor and respond proactively to customer needs. It is important to work with customers whose feedback is not entirely positive. Company employees – including members of the Board of Directors – personally contact this category of customers on a regular basis in order to determine the root cause of their dissatisfaction as accurately as possible, so that the information thus obtained can be reflected in the Company's daily work and processes.

Customer feedback not only plays a role in the Company's business, but is also echoed in its social responsibility. The Company is seeing customers and the public in general place an increasing emphasis on corporate social responsibility. Helping and contributing to the environment in which the Company operates must therefore be an integral part of its business philosophy. With this in mind, the Company has adopted corporate social responsibility as a natural component of its market operations and has long supported various projects aimed not only at environmental friendliness, but also at helping disadvantaged citizens and non-profit organisations.

In 2021, this was again reflected in the Company's support for numerous charity projects and its active involvement in helping the communities hardest hit by the tornado. The Company is heavily involved in The Human Safety Net, a global initiative organised by its parent Generali Group. In the Czech Republic, the Company is committed, under this initiative, to improving the quality of care at maternity hospitals, tackling neonatal asphyxia, and supporting families whose children face serious consequences after being born prematurely. Then there is a foundation, set up in 2009, under which aid is directed into a multitude of regions through a grant scheme that enables members of the public and non-profit organisations from all over the country to apply for financial support.

In late February, Russia invaded the territory of Ukraine. This military conflict is sure to have a significant impact on the geopolitical and economic situation in the world, especially in Europe. While it is not yet possible to gauge the full impact that this war will have, there are already observable signs, such as rapidly rising inflation, dramatically increasing volatility on financial markets, and the slowdown and likely collapse of economic growth. As important as these economic repercussions are, there will also be social fallout (whether caused by economic problems or by the societal trauma provoked by the war and ensuing humanitarian crisis). We cannot yet reliably estimate the extent of all these shocks, but it is already clear that they will have consequences for the Company's customers and thus affect how its strategy is implemented. At times like this, it is absolutely essential that we stick to Generali's goal and strategy to be a lifelong partner for customers, standing by them whatever life throws at them. The Company is involved in helping people battered by war because that is our social duty. It is providing financial and material assistance to those who have had to abandon their homes and to those who are trying to help them. Generali Česká pojišťovna has donated more than CZK 15 million to organisations that, in Slovakia and the Czech Republic, are helping people fleeing the war. It continues to raise funds and organise collections of materials and supplies.

Since the very beginning of this crisis, the Company has conducted running assessments of its potential impact on the Company's assets, financial situation, operational risks, and business continuity.

THE CZECH INSURANCE MARKET – SITUATION AND OUTLOOK

The Market in 2021

During 2021, there were two changes in the membership base of the Czech Insurance Association. Firstly, there was further market concentration, i.e. AXA was acquired by UNIQA (which bought up AXA and its foreign branches). This move promoted UNIQA to fifth among insurance companies on the Czech market. The other change was the termination of the membership of VZP, which stopped supplying the association with data.
Consequently, VZP is not included in the association's data calculated for 2021.

In 2021, the market was worth CZK 147 billion, reporting growth of 4.4%, an increase of about 1 p.p. compared to the previous year. The main pillar of growth was once again non-life insurance, which expanded by 5.8% to CZK 98.8 billion. This share has continued to grow to the point where it now accounts for two thirds of all premiums. The drivers of this high growth were relatively unconventional segments.

Non-life personal lines, which had been swelling consistently at around 5% for several years in a row, picked up pace at the beginning of the year and were further accelerated in the summer by increased demand in this segment following the tornado in Moravia. Overall, non-life personal lines posted a record increase of almost 9%. Travel insurance was another driver of growth this year, but this was effectively marking a return to its original levels following the critical year that was 2020. It was thanks to the revival of travel insurance that the "other non-life insurance" segment grew by 7%.

Motor insurance, which has dominated the growth of non-life insurance in recent years, slowed down slightly, but is still reporting decent increases in both MTPL (5%) and collision insurance (6.7%). The lowest growth this time was in business insurance (3.4%).

Regular-premium life insurance, which accounts for more than 98% of all life insurance, grew by 1.7%, and in doing so kept more or less to the trend of recent years. Sales of new contracts rose by 6% year on year after a long period of decline. The most significant increase was in the second quarter, which can be attributed to the very weak base from the spring of 2020 when the first wave of the COVID-19 pandemic was in full swing.

Economic Situation

After a sharp downturn in 2020, when activity was hit by the onset of the COVID-19 pandemic, 2021 was characterised by economic recovery. However, the pace and continuity of this recovery was hampered by problems in supplier chains, with the automotive sector in particular facing difficulties. Repeated waves of the pandemic also had a disruptive effect, although not on the same scale as in 2020. In 2022, the impact of these factors should ease and the economic recovery will progress both globally and domestically.

Preliminary data indicates that the Czech Republic recorded GDP growth of 3.3% last year. Household consumption was on the rise, reflecting the improving labour market and the lifting of lockdowns in trade and services. In terms of GDP formation, this easing boosted activity in services. Conversely, supply-side problems were a drag on industrial growth and exports. In 2022, GDP growth is expected to accelerate to a level slightly below 4% as the pandemic releases its grip on economic activity, with improvements emerging in the situation in industry and on the export side.

A combination of global commodity price increases, the rising costs faced by manufacturers due to supply shortages, and strong domestic demand in the Czech economy has fuelled inflationary pressures. The situation is much the same in many other countries. The CNB was one of the first central banks in the EU to respond to rising price pressures by raising interest rates as early as June 2021 and hiking its repo rate by a total of 3.5 percentage points to 3.75% by the end of 2021. CNB interest rates are likely to rise further in the first few months of 2022, but their level should stabilise during the spring. Subsequently, CNB rates may be cut in the second half of the year in line with the forecast decline in inflation and due to the impact of a stronger Czech crown.

REPORT ON FINANCIAL PERFORMANCE

Generali Česká pojišťovna has long been a highly capitalised and stable company, with assets totalling more than CZK 137 billion as at CZK 31 December 2021. Shareholder's equity is almost CZK 21 billion and the share capital stands at CZK 4 billion.

ASSETS

The value of equity investments increased by CZK 4 billion, mainly as a result of transactions to straighten out the organisational structure of Generali Group's activities in the Czech Republic. These transactions saw GČP sell its holding company CP Strategic Investments N.V. to its parent company and subsequently purchase Generali penzijní společnost from it at fair value and thus become that company's direct owner.

The largest asset item by volume is investments, amounting to CZK 85.9 billion as at 31 December 2021 (up by approximately CZK 7.4 billion on 2020).

Reinsurance assets increased mainly due to the merging of business operations, where, on the basis of a business sale agreement with Generali Poisťovňa, the portfolio and related ceded reserves increased by CZK 1.7 billion.

There are two factors behind the hefty CZK 2.8 billion increase in the deferred tax asset compared to 2020: the first is related to a statutory measure regulating the income tax base, which, under rules set out in the European Solvency II Directive, is now linked to the value of insurance liabilities, i.e. CZK 1.9 billion; the second is the deferred tax asset resulting from the merger of business operations, amounting to CZK 633 million.

More details on the Company's asset position are provided in the financials of this Annual Report.

TREASURY STOCK

Generali Česká pojišťovna did not hold any of its own shares during the 2021 accounting period.

EARNINGS

In 2021, Generali Česká pojišťovna reported a post-tax profit of CZK 9.6 billion according to international accounting standards, a CZK 4.8 billion rise on 2020. One significant and exceptional item underscoring this increase is the profit of CZK 4.2 billion made from selling the subsidiary CP Strategic Investments N.V. as part of Generali Group's restructuring activities in the Czech Republic.

Generali Česká pojišťovna's gross premiums written in 2021, reported according to Czech Insurance Association guidelines,1 were CZK 38.1 billion. Of this figure, non-life insurance accounted for CZK 27.9 billion and life insurance for CZK 10.2 billion. The cost of claims increased by CZK 1.8 billion, mainly due to disasters in 2021.

The stark difference in total expenses compared to 2020 can be ascribed primarily to the recognition of an impairment charge on the subsidiary Pojišťovna Patricie in 2020 following the payment of a dividend from that company.

[1] – excluding non-life premiums assigned to Czech Insurance Association members
– with a single premium adjusted for a 10-year basis
– these figures do not include cross-border services provided via branches or as freedom-of-services business

SHARE CAPITAL AND RESERVES

e Company's share capital was unchanged at CZK 4 billion in 2021.
In 2021, shareholder's equity grew by more than CZK 800 million to CZK 20.7 billion.

DIVIDENDS IN PREVIOUS YEARS

In July 2021, the sole shareholder, acting in the capacity of the General Meeting, decided to pay a dividend for 2020 totalling CZK 4.8 billion.

INSURANCE PROVISIONS

The amount of total insurance provisions (excluding the reinsurer's share), calculated according to the Insurance Act, increased by CZK 13.9 billion year on year, mainly due to the merger of business operations involving the acquisition of Generali Poisťovňa's CZK 13.5 billion portfolio.

LIFE INSURANCE PROVISIONS

These provisions account for almost two thirds (63%) of the overall insurance provisions and consist primarily of a life insurance premium provision and a provision for unit-linked life policies (where the investment risk is borne by the policyholder). As at 31 December 2021, gross life insurance provisions totalled CZK 57.6 billion. It increased by CZK 9.5 billion in the wake of the acquisition of Generali Poisťovňa's portfolio; the existing portfolio actually went down year on year by CZK 0.6 billion.

NON-LIFE INSURANCE PROVISIONS

These provisions include a provision for claims reported but not settled (RBNS) and a provision for claims incurred but not reported (IBNR).
As at 31 December 2021, these provisions for non-life insurance claims totalled CZK 24.5 billion, up by CZK 3.5 billion on the previous year, again thanks to the major CZK 2.4 billion influence of acquiring Generali Poisťovňa's portfolio.

Non-life insurance provisions also include a provision for unearned premiums, which increased by CZK 1.7 billion year on year to CZK 8.8 billion.
The impact of the portfolio acquisition was CZK 1.5 billion.

RECEIVABLES AND PAYABLES

The CZK 1.2 billion increase in receivables is primarily related to the merger of business operations with Generali Poisťovňa. Payables, which increased by CZK 6,5 billion, include the obligation to pay CZK 5.9 billion to Generali Poisťovňa as the purchase price for the merger of business operations.

REPORT ON BUSINESS ACTIVITIES

NON-LIFE INSURANCE

Generali Česká pojišťovna continues to maintain its leading position as a provider of non-life insurance services, which was strengthened by the merger of the portfolios of two major insurance companies in the Czech Republic – Česká pojišťovna a.s. and Generali Pojišťovna a.s. – into Generali Česká pojišťovna a.s. at the end of 2019. The merger of the insurance portfolios with Generali Poisťovňa, pobočka poisťovne z iného členského štátu at the end of 2021 will have a positive impact on business in the coming years.

In 2021, Generali Česká pojišťovna accounted for 28.3% of non-life insurance premiums written in the Czech Republic, slightly lower than in 2020, when it accounted for 28.9%.

Generali Česká pojišťovna a.s.'s non-life premium billing came to CZK 28.4 billion in 2021, tantamount to year-on-year growth of CZK 560 million (2.0%). This growth is substantially lower than in 2020, though that year was significantly affected by the purchase of portfolios at the end of 2019.

The year-on-year percentage-based increase in the Company's billing is less than the market growth, i.e. 5.8% according to Czech Insurance Association guidelines. This market growth is consistent with the overall recovery of the Czech market, which had been hit hard by the COVID-19 pandemic in 2020, leading to virtual stagnation.

Claims costs were CZK 2.6 billion higher than in 2020. A major contributor to costs came in the form of the natural disaster claims filed by two large industrial companies, which totalled approximately CZK 1.5 billion for 2021. What is more, there were two natural disasters in 2021. In June, a tornado hit several municipalities, causing CZK 1.7 billion in damage, and in July, a windstorm and hailstorm resulted in damage amounting to CZK 500 million. Both events involved natural disaster insurance for both business and civil property and for agricultural crops.

The increase in costs in personal lines insurance and, especially, in motor insurance reflects the fact that people's behaviour is stabilising, having been significantly affected in 2020 by the irregular circumstances associated with the COVID-19 and lower mobility.

BUSINESS RISK INSURANCE

In business risk insurance (including accepted reinsurance), premiums written climbed by CZK 200 million in 2021. Property insurance for medium-sized enterprises accounted for the largest share of the increase. In corporate business, written premiums decreased slightly.

Costs in the business insurance segment rose by CZK 2.3 billion year on year in 2021.

The nature of the insurance industry, where there can be major fluctuations in the incidence of large claims, is reflected in the considerable differences among the various types of insurance. This is particularly true of large-risk insurance. In 2021, natural hazards insurance related to events in the summer had a major impact on the increase in claims. As mentioned above, last year will go down in modern history as one of the most complex in terms of the insured events that were registered.

At the beginning of the summer, there was a devastating tornado in south Moravia, followed by two property-related losses, each hovering around CZK 1 billion. Generali Česká pojišťovna was the lead insurer for both these claims. The above-mentioned insured events put the way processes had been configured at the Company to the test in terms of claims handling, underwriting, and risk management.

Impacts of the COVID-19 pandemic on transport and financial risks and property insurance in 2021:
A modest recovery was observed in 2021 compared to the previous year. The use of rail freight transport started to increase and the share of goods transported by road also grew. Unfortunately, freight volumes fell short of pre-pandemic levels, which was also partly reflected in the results of transport risk insurance. The sector perhaps bearing the brunt of the coronavirus restrictions – tourism – also saw some improvement. The Company's customers started to travel more, but not as much as some optimistic forecasts had anticipated. The pandemic's persistent negative impact on travel agencies' financial performance, combined with the situation on the reinsurance market, was reflected in the parameters of these businesses' financial failure insurance. In property insurance, the impact of the pandemic caused by a new strain of COVID-19 was reflected in 2021 solely by business interruption claims in the SME segment. Selected insurance policies included a clause on official intervention on health or safety grounds without a link to material damage. As a result of this arrangement, customers could claim financial losses – in the form of loss of earnings and the need to cover fixed costs – caused by government action to contain the spread of the virus. It encompasses activities in the field of retail and trade in goods that do not cover the costs of basic needs and services (restaurants, accommodation facilities, sports centres, etc.).

In total, approximately 70 insured events in this insurance segment were reported to Generali Česká pojišťovna in 2021, with an expected insurance payout of CZK 13 million. The measures taken to ensure customer protection and sustainability were as follows:

- Establishment of guidelines for the settlement of insurance claims (regular updates involving product management and the legal department).
- An adjustment to the contractual arrangement for the coverage of damage stemming from official intervention – this was tied in with material damage caused by natural perils or theft.
- A restriction in increases of sums insured, the addition of a place of insurance for insurance contracts which have the original wording of the official intervention insurance, and gradual replacement of this arrangement by an updated one.
- The termination of policies under which more than one business interruption claim was reported.

In agricultural insurance, there was also a slight CZK 37 million increase in premium billing, Crop insurance recorded a rise in both premiums and expenses. In terms of claims, 2021 was a challenging year. The year's disasters had a major impact on the level of costs, with agricultural insurance costs climbing by approximately CZK 278 million.

Almost the entire territory of the Czech Republic was hit by several waves of heavy storms that caused severe damage, mainly on account of hail and gales, but there was also a tornado in south Moravia. Under agricultural insurance, two level II natural disasters were declared between June and the harvest. Individual claims in 2021 were large in scope. The commodity ravaged particularly hard was hops, though livestock production was also affected by an increased number of major events (there were several outbreaks of avian influenza, damage caused by natural disasters, infectious diseases in fish, etc.).

NON-LIFE PERSONAL LINES

In personal lines insurance, in 2021 there was a year-on-year increase in premiums written by CZK 101 million, while claims costs climbed by CZK 570 million. In both cases, the increase related to personal buildings insurance.

Although the pandemic situation was calming down, one of the most affected sectors – tourism – remained stalled. The pandemic persevere had a very negative impact on travel agencies. Consequently, premiums and costs in personal travel insurance continued to decline.

MOTOR INSURANCE

Although an increase in premiums written by CZK 240 million was registered in 2021, last year was not as positive for motor insurance as in pre-pandemic times. Nevertheless, as in previous years, this segment played a decisive role in the generally positive results reported for non-life insurance. Claims incurred increased by CZK 330 million in 2021.

In 2021, motor third party liability insurance premiums written were CZK 80 million higher than in 2020. The main contributor to this development was fleet insurance, accounting for CZK 56 million. Claims costs fell by CZK 106 million compared to 2020 due to the reversal of provisions (IBNR).

The Czech collision insurance market evolved somewhat faster than the MTPL market compared to the year previous. The same development was experienced at GČP. Premiums written increased by CZK 159 million year on year, spearheaded again by the fleet insurance segment, where the rise was CZK 88 million. Despite an increase in costs, collision insurance had a significant impact on the stabilisation of economic results and on the profitability of non-life insurance in general. Claims costs grew by CZK 432 million in both business and personal motor insurance. The bulk of these costs related to personal lines. This situation can be linked to the increased mobility of individuals.

INNOVATION AND FUTURE DEVELOPMENTS IN NON-LIFE INSURANCE

BUSINESS RISK INSURANCE

In the second half of 2021, the new strategy resulting from the Green Deal initiative, which Generali Group supports, made itself felt somewhat. This policy entailed a reduction of involvement in activities related to the production of energy and heat from fossil fuels, especially coal. The upshot of the policy will be a reduction in premiums written, running to tens of millions of crowns, in this and subsequent years. However, the Company projects that this shortfall in billing will be partially recovered from other sources, such as Construction 360, i.e. insurance for construction projects throughout their life cycle (design, construction and installation insurance, and property and liability insurance after handover to the client). Another initiative is the insurance of international insurance schemes, where Generali Česká pojišťovna accompanies local companies as they expand into foreign markets.

SME PROPERTY AND LIABILITY INSURANCE

The boundaries defining SMEs shifted with effect as of 1 January 2021. ProfiPlán, the property and liability insurance product, has been re-targeted and is now intended for enterprises with revenues of no more than CZK 2 billion. It is possible to negotiate a maximum indemnity limit of CZK 50 million under liability insurance, while the maximum sum insured for property insurance is CZK 600 million.

Phase II of ProfiPlán was launched in March 2021. Under this product, new insurance policies have been introduced:

- Professional indemnity insurance – this insurance is now arranged according to special terms and conditions of professional indemnity insurance (VPPPI-P-01/2021).
- Directors and officers insurance for small businesses – the maximum limit of indemnity is CZK 30 million; the scope is the same as the product negotiated as DS – medium-risk liability insurance (the only difference being that there is a new technological solution).
- Healthcare provider liability insurance – this insurance is now negotiated according to the terms and conditions of general liability insurance. Previously, it was arranged within the framework of professional indemnity insurance.
- Atypical property insurance, under which tailored contracts can be negotiated.
- Construction installation insurance – a framework contract for turnover of up to CZK 100 million covering all works under construction, and a contract of up to CZK 50 million for an individual work under construction.

In June 2021, a new feature was incorporated into the ProfiPlán property and liability insurance product that paved the way, among other things, for systematic work with claims customers. A new insurance policy, assistance services insurance, was also added to the product. In November 2021, another new ProfiPlán feature was introduced – co-insurance and reinsurance.

All parcel insurance riders (endorsements) were completely revised and updated, with a view to simplifying and clarifying the entire parcel insurance product for both insurance intermediaries and customers themselves.

In November 2021, new insurance terms and conditions were also published for the entire transport risk insurance segment (liability insurance for road haulage contractors and freight forwarders, and parcel insurance).

New terms and conditions of insurance were also issued in the financial risk insurance segment (insurance of contractual guarantees, and financial failure insurance for temporary employment agencies and travel agencies).

AGRICULTURAL INSURANCE

Spring frost insurance for fruit (apples and pears) was revised in 2021. The new product modification is a response to climate change and the requirements of fruit-growing operations. This insurance now also covers quality impairment. In addition, the definition of the risk of winterkill was revisited and claims stemming from this risk will no longer be included in the entitlement to a premium refund as of the beginning of 2022.

BUSINESS RISK INSURANCE

During 2022, it will be possible to take out property and liability insurance designed for small businesses and sole traders, branded as **Jistota** (Certainty), as well as **Bytové domy** (Multi-family Buildings) insurance. A new feature will be added so that these products can be biometrically signed. Assistance services will be extended under the Bytové domy product. An upgrade of Jistota and one-off events are planned for autumn 2022. Both products will now be negotiated according to the new terms and conditions of insurance registered as VPPMO-P-02/2020 and the related supplementary insurance terms and conditions.

In agricultural insurance, 2022 will focus on automating the underwriting of agricultural risks and preparing the system for an extension of coverage. In the realm of products, long-term climate data and the possible use of this information in the insurance of new risks will be analysed. Another area that needs to be handled in 2022 is the renegotiation of the contracts of the former Generali Pojišťovna.

NON-LIFE PERSONAL LINES

In November 2020, Generali Česká pojišťovna introduced significant product changes in both property and personal liability lines to the market. In this context, the Company focused mainly on campaigns during 2021, the most important of which centred on the sums insured under buildings and household contents insurance. This campaign was launched after the consequences of the June tornado became fully apparent. Another significant activity in 2021 was the work on a completely new front-end for personal lines insurance.

In professional indemnity insurance, work continued with claims customers, both in individual insurance and under collective policies.

As in 2020, travel insurance was impacted significantly by the pandemic situation, and the decline in the levels of this insurance thus continued. Nevertheless, medical expenses insurance was introduced for the riskiest countries during 2021.

MOTOR INSURANCE

A completely new package was introduced in motor insurance in 2021 that offered customers a guaranteed three-year price for both motor third party liability insurance and collision insurance, plus many other benefits. The Company started offering numerous new supplementary insurance policies responding to the current vehicle market in the Czech Republic. One of these products is GAP insurance for older vehicles, under which, if a vehicle is written off or stolen, the insured receives an insurance payout up to the amount of the sum insured at the time the insurance was taken out. In addition, the Company started to offer a wider range of options for collision insurance excess, including a variant specified as a set sum in crowns with no percentage component.

Numerous product innovations for retail vehicle insurance, and for leasing and fleets, are also planned for 2022.

LIFE INSURANCE

In 2021, Generali Česká pojišťovna a.s. focused primarily on improving the quality of its life and health insurance. It prepared important innovations for its flagship products, **Můj život verze 2** (My Life Version 2) and **Bel Mondo 20**.

Drawing on market monitoring and distribution requirements, the Company improved the quality of selected insurance products, mainly by reducing waiting times, removing certain exclusions, and adjusting the definitions and scope of serious illnesses. It also expanded its range to include new variants of selected supplementary insurance, and introduced a "mortgage package", which includes death and disability insurance and is designed in particular for customers with a mortgage. In addition, in Můj život verze 2, the Company adjusted the price of selected insurance policies and set new rules for premium discounts, with a particular emphasis on life and health add-ons, which are very important in life insurance.

As for Bel Mondo 20, the product development process in 2021 included the improvement and enhancement of the automated process for the online evaluation of data on the health status of an insurance applicant. This process was also applied by distribution partner Moneta Money Bank, a.s. in its sales. These modifications significantly increased the success rate of the online health underwriting process. Besides slashing the time it takes to process newly negotiated contracts, this process also resulted in a higher level of service for customers and external partners.

Faced with the unrelenting COVID-19 pandemic in 2021, in its life insurance products the Company continued its policy of not applying an exclusion for pandemic outbreaks and assuring customers that vaccination against this disease would have no impact on the payment of claims. Incapacity insurance included the payment of claims when customers were ordered to quarantine by their attending physician or a health officer. The Company continued to follow the rules in place for simplified medical evaluations by accepting medical records not more than 12 months old.

As part of its innovation of life products, the Company also updated its group life insurance products. It began offering new exclusive accident-focused packages for companies and their employees in early 2021. Later on in the year, the Company added a group life insurance option to its product range that offered a wide choice of life, health, and accident coverage. The group life insurance innovation thus complemented the portfolio for corporate customers, which also includes employer-subsidised life insurance, the terms of which were also updated.

The life insurance range has been complemented by the single-premium investment product Moje jednorázové pojištění (My Single-Premium Insurance). This product allows customers to insure themselves in case of death and accidental death while seeing a return on the money they have invested in three underlying funds of Generali Investments CEE, investiční společnost, a.s. In 2021, contracts were concluded with aggregate single premiums of CZK 40 million.

FINANCIAL INDICATORS

Following a 1% year-on-year decrease, gross premiums written under new regular-premium life insurance contracts came to CZK 10.6 billion. Single-premium products generated CZK 0.4 billion in premiums written. Regular-premium life insurance products were purchased by 112,000 customers in 2021.

In 2021, life insurance claims paid edged up by 7% year on year to CZK 8.3 billion. This was due to the higher number of maturing contracts. As in previous years, the greatest number of paid claims was in the "death and survival insurance" class. Measured by monetary volume, most funds (CZK 4.1 billion) were released in the form of endowments. In 2021, the Company handled 202,000 claims from the life insurance portfolio.

OUTLOOK

In 2022, the Company will continue to monitor current statutory consumer protection requirements in life insurance distribution, sale, and changes.

During 2022, it will focus on analysing and implementing new requirements under Commission Delegated Regulation (EU) 2021/1257 related to the integration of sustainability factors, risks and preferences into product oversight requirements and into conduct in the provision of advice for insurance-based investment products.

The Company will also update the content of the Key Information Document (KID) in deference to the European Commission's publication of a draft amendment to the regulatory technical standards issued to implement certain provisions of Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (the PRIIPS Regulation).

SALES OF INSURANCE

INTERNAL DISTRIBUTION CHANNELS

Internal distribution channels entered 2021 affected by the coronavirus pandemic. Unfortunately, measures restricting people's movement and activities were reflected in reduced business among Generali Česká distribuce a.s.'s advisers. Therefore, in order to stabilise the income of internal distribution agents, tools were put in place to reduce the potential loss of income for advisers and managers. At the same time, a number of measures were introduced to limit opportunities for the coronavirus to spread. This action was taken to better protect the health of customers and agents themselves.

The end of May was the deadline to pass the IDD examinations under Act No 119/2020 amending Act No 170/2018 on the distribution of insurance and reinsurance. By law, advisers and managers who had not passed these exams by 1 June 2021 would be unable to continue their work. Most advisers and managers did pass the exams, and the number of advisers remained virtually the same.

Property insurance became a hot topic in internal distribution during the summer in response to the rampaging tornado that devastated several villages in south Moravia. Despite the fact that summer is one of the most dormant business periods, campaigns and incentives to promote property insurance were in full swing as many customers (and non-customers) realised the need to take out insurance against sudden natural disasters. In the days following the disaster, representatives of Generali Česká distribuce a.s. displayed immense solidarity as they tried to help the affected areas either on the spot or by contributing to a Company-wide collection within Generali Group, which raised more than CZK 1.2 million.

During September and October, internal distribution representatives were briefed on very important changes to remuneration that would come into effect as of 1 January 2022. This new remuneration concept is closely linked to the Company's vision of a lifelong partnership and aims to support advisers as they provide comprehensive insurance coverage to customers. Dozens of meetings, workshops, and training sessions on this topic were held in September and October. A dedicated website was set up, so advisers and managers had all the information they needed about the new remuneration policy well in advance.

SPECIFIC DISTRIBUTION CHANNELS

EXTERNAL RETAIL PARTNERS – FOCUS ON PERSONAL LINES

Generali Česká pojišťovna continued to deepen its cooperation with external partners in 2021. Under the newly established External Distribution Unit, it not only improved the quality of service provided to all external companies, but also set up synergies for the mutualisation of life and non-life insurance both in brokerage business and at MLM consultancies.

It introduced a great many innovations to its business partners.
In its Bel Mondo life insurance, the Company enhanced the LISA negotiation calculator and the unique online health underwriting, which can not only medically price and accept the customer for a policy, but also directly suggest whether they want to take out insurance with an exclusion or a surcharge. For the agent, this translates into reduced non-collection interventions and zero errors. Another key innovation is the introduction of online reporting for life insurance claims.

The year 2021 was devoted primarily to digital transformation. The Company connected many of its partners through a "Single Sign On" system, which requires no additional logins from the consultancy's systems and allows them to view data about their customer portfolio. The Company intensified this approach by launching a brand new business portal called "San Marco".

In non-life insurance, the Company prepared for the launch of its flagship product Můj majetek 2.0 (My Property 2.0) in early 2022. This will be completely unique in the Czech market in terms of its ease of negotiation and the parameters of the enhanced insurance coverage.

REPORT ON THE FUTURE BUSINESS OPERATIONS OF THE BRANCH IN THE SLOVAK REPUBLIC

Generali Poisťovňa, pobočka poisťovne z iného členského štátu, which joined Generali Česká pojišťovna in December 2021, is one of the top three insurance companies on the Slovak market, with a market share of 12%.

It is steadfastly improving customer satisfaction and the customer experience by innovating its processes and technologies. The modernisation of systems and digitalisation of processes are part and parcel of this, and the branch offers customers an interesting product portfolio and high quality service.

LIFE INSURANCE

In 2022, the branch intends to continue delivering life insurance innovations and to remain responsive to customer requirements and market developments. In line with the Company's strategy and ambition to become a lifelong partner for customers, it is keen to develop opportunities to work with existing insurance policies. At the same time, an emphasis is placed on introducing new and innovative solutions that take into account the current situation and increase customer convenience. In its development of new types of insurance, the Company, through the branch, wants to provide customers with insurance that offers real added value and that responds to their needs and requirements.

NON-LIFE INSURANCE

MOTOR INSURANCE

In motor insurance, the branch will continue to roll out "green" products by expanding the product range to include insurance coverage specifically for electric and hybrid vehicles. In the future, there are also plans to implement, for selected distribution channels in the B2B and B2C segments, a greater number of digital tools that will provide a competitive advantage and make the contracting process more flexible.

PROPERTY INSURANCE

In property insurance, there is a greater emphasis on leveraging the potential online platform by deploying online calculators and online aggregators that can identify and compare insurance prices. There is also a need to respond to the rising cost of construction work and materials, as well as inflation. The indexation of sums insured, or the customisation of calculators to assist in calculating sums insured, is a service that the Company also wants to provide to customers in the future.

BUSINESS INSURANCE

The SME product portfolio for 2022 has been supplemented to include environmental insurance, as this is currently a legal requirement for some SMEs. In line with its strategy of being a lifelong partner for customers, the branch plans to focus on an expanded range of assistance services. An analysis has been prepared for business partners that contains guidance on how to properly insure this particular customer segment.

TRAVEL INSURANCE

The plan for travel insurance is to develop a modular product that will provide quick, easy, and competitive travel insurance.

REPORT ON OPERATIONS

CUSTOMER SERVICES

Customer service units are responsible for serving customers via the communication centre, including insurance contract administration, the entry of contracts in systems, contract amendments, payment processing, and the handling of the entire claim settlement agenda.

In its customer satisfaction measurement, Generali Česká pojišťovna has been using the NPS system via Medallia since the beginning of 2018. Customers are approached with an email questionnaire. They use a scale from 0 (worst) to 10 (best) in assessments of Company services. Customers awarding scores from 0 to 6 are contacted again by a Company employee. The aim of the call is to identify the root cause of the customer's dissatisfaction. This output serves as a reference for improvements in internal processes. The Company determines customer satisfaction at five key points of interaction - insurance contracting, the service, claim settlements, insurance contract renewals, and insurance contract cancellation.

In the Company's claims handling in 2021, it made significant improvements in its remote customer service methods, both in terms of online claims registration and remote inspections. Natural disasters were a major challenge for it, especially the tornado in south Moravia, when it mobilised all its forces to help the affected customers as quickly as possible. Throughout the year, it sought and exploited synergies with the Slovak branch Generali Poisťovňa, pobočka poisťovne z iného členského štátu. In the second half of the year in particular, it made extensive preparations for integration into a single organisation. Throughout the year, both insurers were partners that customers could depend on. This is reflected in their very high Net Promoter Score (NPS) ratings of our approach to handling their claims.

The Company continues to develop and roll out tools designed to streamline the loss adjustment process, reduce the time it takes to settle claims, and enhance the customer experience. In 2021, it deployed a number of process automations to increase efficiency and speed up claims handling. It also invested in improving communication with customers in the form of automated messages reminding them of key milestones in claims handling and a comprehensive training programme focused on empathetic and professional communication.

In 2021, the Company increased the proportion of digital communication with customers to 72%, primarily by introducing conditional printing. Green cards, actually a black-and-white document from autumn 2020, started to be sent via email or a notification email from the customer zone. This invites customers to print the card themselves or be in possession of it electronically at all times via their customer zone account. This significantly speeds up the distribution route to the customer and also results in significant cost savings because there is a lower volume of delivery of these documents via external printing and postal service providers. The gradual redesign of all identified templates was initiated, with a strong focus on creating and implementing a consistent graphic and language style that is easy to understand and simple for the end customer. During the year, over 75% of outgoing correspondence was rewritten into a simplified language.

During 2021, the Company discontinued the cash payment option at its branches and moved to offering a variety of modern payment methods. The removal of this outdated payment method also reduced the potential risk of fraud.

In 2021, GČP operators handled 1.6 million inbound and outbound calls, processed nearly 460,000 electronic documents, and communicated via online chat with nearly 70,000 customers. CHATBOT LEO handled more than 100,000 additional conversations.

The Company purposefully offers its customers alternative communication channels to expedite their requests in certain situations. The aim is to guide customers to make greater use of the customer zone, webforms, and the online chatbot.

New technologies were rolled out that, based on the prediction of certain types of queries, allow customers to move more quickly through the service line's automated voice machine and connect with the operator they need. The process of outbound calling to customers was significantly streamlined and simplified thanks to a predictive dialler. At the end of the year, the Company successfully tested voicebot technology on outbound calls with the aim of extending this technology to other call processes. After deploying the new scheduling software, the Company can ensure optimal service line availability for its customers. In 2021, it adjusted other operator processes and procedures to resolve as many requests as possible during calls.

OMBUDSMAN

The Ombudsman Office at Generali Česká pojišťovna handles all customer complaints and out-of-court consumer dispute resolution invitations from the Czech Trade Inspection Authority and the Ombudsman's Office of the Czech Insurance Association, and participates in the handling of supervisory authorities' demands or proceedings before the Financial Arbitrator. The number of complaints received in 2021 was 11% lower than in 2020. The department duly investigated all complaints and informed the clients of the outcome in writing or by telephone by a set deadline.

The department's assessment of complaints included noting suggestions for improvement in the quality of service provision. These suggestions were subsequently consulted with the relevant departments. In response to suggestions stemming from complaints, departments changed their processes or modified their products. This resulted in greater customer satisfaction.

INVESTMENT POLICY

Financial investments stand alongside insurance and reinsurance as another important area of operations for the Company. They contribute significantly to overall Company assets and are financed primarily from insurance provisions and equity.

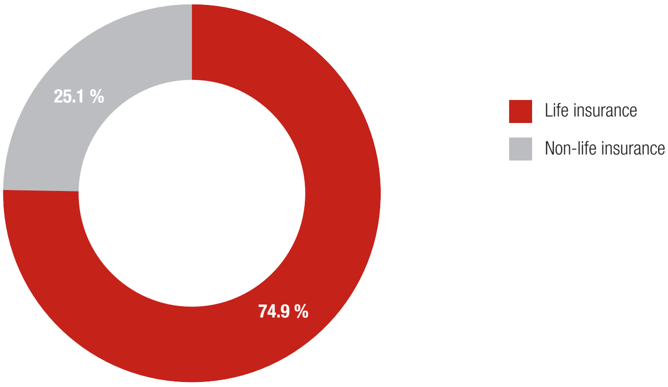
In keeping with an amendment to the Insurance Act that entered into force in September 2016, the Company makes investments based on the principle of prudent investment and a valid investment policy with the aim of achieving safety, liquidity and profitability in order to ensure that the Company is fully capable of meeting its commitments to customers. As required by the Capital Market Act, the Company's investment strategy is published online at generaliceska.cz.

As a long-term institutional investor, an asset manager with a fiduciary duty, and a member of Generali Group, the Company exercises and asserts its shareholder rights in order to mitigate risks and increase its value for its clients and shareholders over the long term. The approach to the exercise of shareholder rights is published in the Engagement Policy at generaliceska.cz.

Financial market performance in 2021 was mixed. While equities performed unprecedentedly well in developed countries, emerging markets mostly lost ground. Losses were also the norm on bond markets, their extent depending on central banks' approach to inflation. The CNB was one of the first central banks to consider inflation a major risk, prompting it to raise the repo rate from 0.25% to 3.75% from the middle of the year. A further 75 bps hike followed in January 2022. This policy resulted in a sharp decline in the value of Czech government bonds. In contrast, the major central banks, spearheaded by the ECB and the Fed, were much more cautious about tightening monetary policy. At the end of 2021, they only reduced bond purchases, with a relatively mild impact on financial markets. However, further tightening of their policies, including interest rate hikes, will follow in 2022, and this is highly likely to have an adverse effect on the performance of financial assets. Czech government bonds, on the other hand, now have the worst behind them, and any further modest increases should not have a major impact on them. Inflation is expected to remain a key determinant of financial market developments at least at the beginning of the year. The conflict between Russia and Ukraine will have limited ramifications for the Czech economy, which will take the form of higher inflation and slightly lower growth. Increased uncertainty will further contribute to the higher volatility forecast on financial markets. In contrast, the risks associated with the spread of COVID-19 are on the wane.

At the end of 2021, the life insurance segment contained a total of CZK 85.9 billion in financial investments, with life insurance accounting for CZK 64.3 billion and non-life insurance the remaining CZK 21.6 billion. For the most part, this money is invested in fixed-income instruments, especially Czech and foreign government bonds and the corporate bonds of issuers that generally have an investment grade rating.

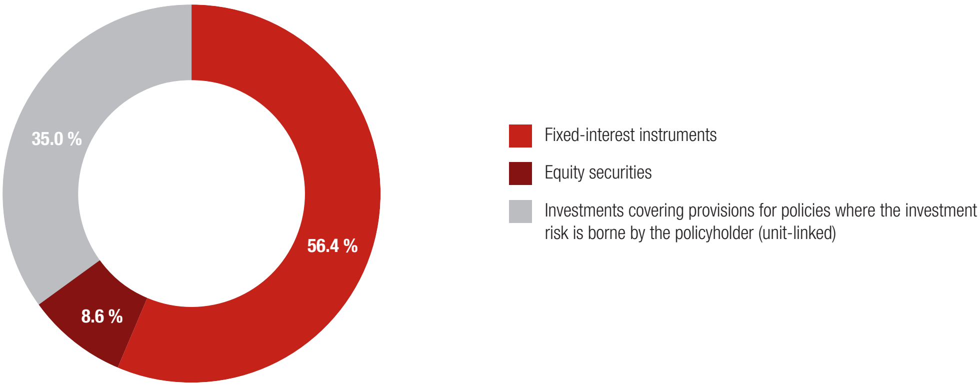
STRUCTURE OF FINANCIAL INVESTMENTS (IFRS, BOOK VALUE), BY BUSINESS SEGMENT



FINANCIAL INVESTMENTS WITHIN THE LIFE INSURANCE SEGMENT

In accordance with a feature typical for life insurance liabilities, i.e. their longer timeframe, debt securities covering life insurance provisions have, on average, longer to maturity. The aim is to safeguard a sufficient and stable yield in the long run that will enable obligations arising from insurance contracts to be met. In terms of accounting classification, all debt securities are classified as available-for-sale financial assets so as to align the reporting of their result with the method used to account for insurance liabilities and reduce earnings volatility resulting from changes in market interest rates.

STRUCTURE OF FINANCIAL INVESTMENTS (IFRS, BOOK VALUE), BY LIFE INSURANCE BUSINESS SEGMENT



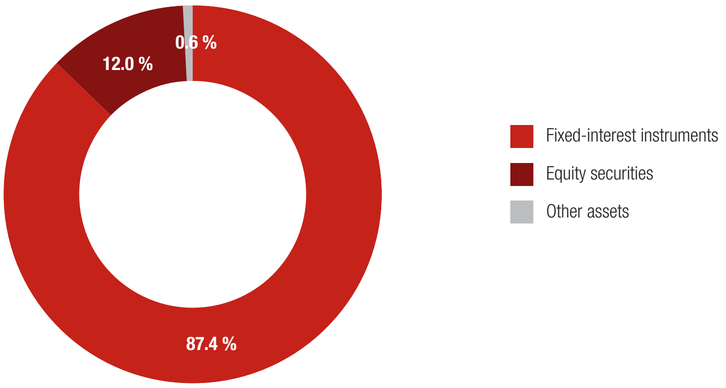
Another significant item in the structure of financial investments is equity securities (shares, unit certificates, and other variable-yield securities). As at 31 December 2021, their book value was CZK 5.5 billion. These instruments are purchased for the portfolio to act as a counterweight to fixed-income instruments for purposes of risk diversification and to optimise overall medium- and long-term returns.

The gross return on life financial investments, before the deduction of management fees, was CZK 2.1 billion. Of this amount, investments covering insurance provisions where the risk is borne by the policyholder accounted for CZK 1.9 billion. The most significant source of income was gains from the appreciation of equity securities.

FINANCIAL INVESTMENTS WITHIN THE NON-LIFE INSURANCE SEGMENT

Investments in the non-life segment are financed by non-life insurance technical provisions and the equity allocated to this segment. Since non-life liabilities are shorter than life liabilities, there are more assets with shorter times to maturity in the portfolio, as well as more liquid instruments, which can be readily converted into cash when needed to pay insurance claims.

STRUCTURE OF FINANCIAL INVESTMENTS (IFRS, BOOK VALUE), BY NON-LIFE INSURANCE BUSINESS SEGMENT



The total loss on financial investments within the non-life insurance segment, before the deduction of management expenses, was CZK 84 million. Losses on the realisation of fixed-interest instruments were the main contributor to this result.

REINSURANCE

Generali Česká pojišťovna's reinsurance programme is a long-term contributor to the Company's balanced earnings and stability. As a risk management tool, reinsurance shields Generali Česká pojišťovna, along with its customers and shareholders, from unexpected isolated or catastrophic events, as well as from random variations in loss frequency. Analyses of reinsurance needs and the optimisation of the reinsurance structure take place using modern dynamic financial analysis tools in collaboration with Holding Company experts and with the support of reinsurance brokers. Each year, the reinsurance programme is modified by the Holding Company to ensure that it reflects changes in the portfolio and the product line.

Generali Česká pojišťovna's principal obligatory reinsurance partner is the Group's captive reinsurer, GP Reinsurance EAD, based in Bulgaria. Through GP Reinsurance EAD, risks are further retroceded into the Group's reinsurance contracts by Assicurazioni Generali. Thanks to this optimisation, Generali Česká pojišťovna can profit from the advantages of Group coverage and thereby further reduce reinsurance costs while expanding coverage terms. Group rules determine the maximum possible exposure that Generali Česká pojišťovna may have to each type of insurance.

Thanks to intensive work detailing individual risks in the portfolio, Generali Česká pojišťovna is able, through the use of sophisticated models, to control its exposure to risks arising from catastrophes. Currently, flood losses are modelled regularly over the personal lines, commercial lines, and large risks portfolios. Gale exposure is modelled in a similar structure.

Generali Česká pojišťovna is perceived by partners and affiliates as a stable and strong reinsurance partner in its own right. This fact is reflected in the volumes of obligatory and facultative reinsurance in the areas of corporate customers and large risks.

As part of the transfer of Generali Poisťovňa's insurance portfolio, its ceded and accepted reinsurance contracts were transferred to Generali Česká pojišťovna, or more precisely the newly established Slovak branch, in December 2021. From the new accounting period onwards, the Generali Česká pojišťovna portfolio, including the Slovak branch, will be reinsured under a common reinsurance programme.

CZECH NUCLEAR INSURANCE POOL

The Czech Nuclear Insurance Pool ("CNIP") is an informal consortium of non-life insurers based on the co-insurance and reinsurance of nuclear risks. For more than 25 years, the CNIP has offered insurance and reinsurance services for liability and property risks, including risks related to the transportation of nuclear material. Insurers on the Czech market do not usually insure nuclear risks on their own due to the specific nature of those risks, which are typically excluded from coverage. The insurers in the CNIP each provide their own net lines, the sum of which forms the overall capacity of the CNIP for individual types of insured risks. Within the CNIP, an Agreement on the Joint and Several Liability of Members is concluded every year to increase security and trust in the CNIP.

Generali Česká pojišťovna a.s. is one of the founding members of the CNIP and, since the outset, has been the lead insurer by agreement with those companies involved. The CNIP's executive body is the CNIP Office, which is incorporated into the Nuclear Pool and International Trade Department within the Corporate and Industrial Insurance Division.

HUMAN RESOURCES

At the end of 2021, employees numbered 4,125, of whom 3,707 were full-time contracted employees and 418 were hired under "agreements on the performance of work" or "agreements on work activities".

The Company annually refines its core appraisal principles, which place an emphasis on positive motivation and on identifying and harnessing the strengths of individuals. The employee development and remuneration systems are linked to the employee appraisal system. Top-rated employees benefit from the most systemic development support.

In employee training and development, Generali Česká pojišťovna mainly concentrates on strengthening insurance expertise and fostering industry know-how. It advocates a platform of internally sourced trainers as this increases the active involvement of employees in the training process according to the principle of a self-learning organisation. It is forging ahead with full-day and afternoon workshops and is continuing its Insurance Academy (Pojišťovácká akademie) cycle, which is important for onboarding and subsequent purposes. The chief supervisor of multiple programmes is the CFO.

In 2021, there were specific programmes for key groups of employees, such as talents, new recruits, the project community, and managers. The programmes were tailored to the needs of these employee groups. In 2021, as in the previous year, all training took place in an online environment, using the latest forms of development, such as video training, streaming, podcasts, and e-learning.

Generali Česká pojišťovna, as a responsible company within the EU, has signed the Diversity Charter, committing it to abide by principles of diversity at the Company. In this activity, it is not just the employment of the health impaired that the Company focuses on – equal opportunities for all groups of employees are absolutely essential for it.

In an effort to retain key employees and to prevent the loss of unique know-how, a scheme aimed at identifying, promoting and retaining employees with unique assets and expertise has been prepared. Mobilita ("Mobility"), a programme designed to broaden career opportunities within the Company and Generali Group, both in the Czech Republic and abroad, has also been continuing successfully.

A company-wide satisfaction survey was conducted in 2021 to monitor employee engagement and satisfaction. Building on the results of an employee poll and in an attempt to improve employee care, the Company continues to develop benefits in areas that reflect the key lifestyle needs of its employees. The aim is to deliver maximum flexibility in order to cover the diverse needs of all employees. Through its employee benefits, the Company strives to look after the health of employees, which is why a new benefit in the form of psychological support was introduced in 2021. Long-term support is invested in the work-life balance of employees. In this respect, Generali Česká pojišťovna permits both flexitime and working from home. A number of investments are also under way to improve the working environment in the Company's offices.

SUPERVISORY BOARD REPORT

The Supervisory Board of Generali Česká pojišťovna a.s. is the Company's oversight body. It oversees the exercise of the responsibilities incumbent upon the Board of Directors and the pursuit of the Company's business activities. Its competence is derived from Czech legislation and the Company's Articles of Association. In particular, the Supervisory Board oversees the functionality and effectiveness of the Company's management and control system, as well as matters related to its strategic direction.

The Supervisory Board of Generali Česká pojišťovna a.s. has six members, two of whom are elected by Company employees. Members of the Supervisory Board are elected and removed by the Company's General Meeting, with the exception of members elected by Company employees. Members of the Supervisory Board serve for terms of five years.

The Supervisory Board's activities are governed by an activity plan, which the Supervisory Board approves for each half-year in advance. Outside of the activity plan, the Supervisory Board discusses such matters as may arise between its meetings, provided that the nature of such issues so requires. Meetings of the Supervisory Board are held as needed, but not fewer than four times per year.

Individual checks, investigations, examinations, and inspections of Company materials, etc., are conducted by members of the Supervisory Board either individually or in groups authorised by the Supervisory Board in a resolution adopted at a Supervisory Board meeting or as separately authorised by the Chairman outside of a Supervisory Board meeting. Afterwards, at the immediately following Supervisory Board meeting, the Supervisory Board is informed of the activities carried out by individual members or delegated groups of the Supervisory Board and of the results thereof. If any serious findings or circumstances arise from the checks, the Chairman of the Supervisory Board is informed of such on an ongoing basis, even between Supervisory Board meetings.

The composition of the Supervisory Board as at the date the Annual Report was published is set forth on page 19 hereof.

Prague, 28 March 2022

Miroslav Singer
Chairman of the Supervisory Board

PERSONS RESPONSIBLE FOR THE ANNUAL REPORT

Declaration
We hereby declare that the information presented in this Annual Report is true to the facts and that no material information has been omitted that could influence an accurate and precise assessment of the Company.

Roman Juráš
Chairman of the Board of Directors

Petr Bohumský
Vice-Chairman of the Board of Directors

Audit of the Financial Statements

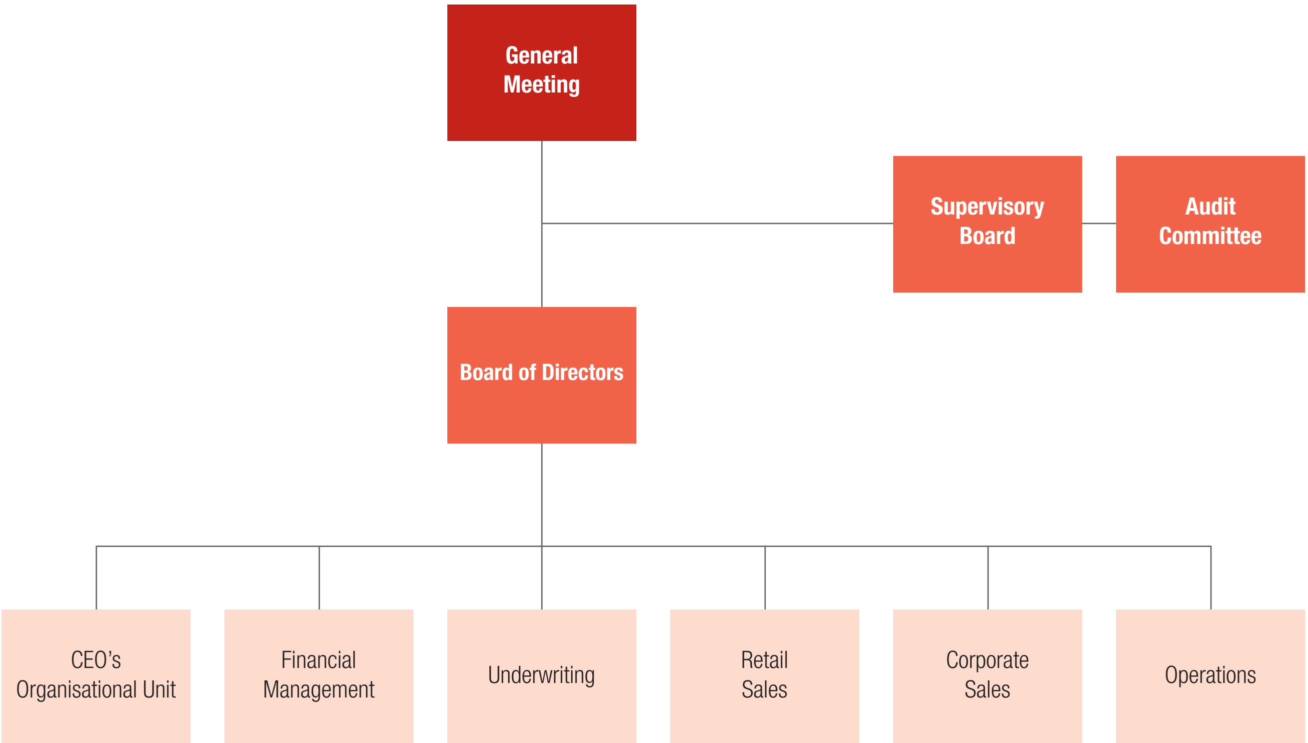
Since 2021, the financial statements have been audited by KPMG Česká republika Audit, s.r.o.
Generali Česká pojišťovna's financial statements were audited on 28 March 2022.
Registration number: 496 19 187
Registered office: Praha 8, Pobřežní 648/1a, 18600
Statutory audit licence number: 71
Auditor-in-charge: Jindřich Vašina
Authorisation number: 2059.

WE SPEAK THE SAME LANGUAGE

We are always clear and straightforward in what we are saying. We don't hide behind complex technical terms.

ORGANISATION AND CONTACT DETAILS

BASIC ORGANISATION CHART OF GENERALI ČESKÁ POJIŠŤOVNA AS AT THE DATE OF THE ANNUAL REPORT



DIRECTORY OF GENERALI ČESKÁ POJIŠŤOVNA HEAD OFFICE AND REGIONS

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Registered office: Spálená 75/16, 110 00 Praha 1
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Telephone: +420,224,550,411
Website: www.generaliceska.cz

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Zbyněk Dostál	Milena Uhříková	milena.uhrikova@generaliceska.cz	Nábř. Přemyslovců 867, Olomouc, 772 00	420 585 571 813
Petr Kleveta	Lenka Protivanská	lenka.protivanska@generaliceska.cz	Purkyňova 2845/101, Brno 612 00	420 542 599 132
Roman Janál	Monika Ondrová	monika.ondrova@generaliceska.cz	Masarykovo nám. 34, Uherské Hradiště, 686 01	420 571 773 113
Petr Kopka	Hana Šulová	hana.sulova@generaliceska.cz	Masarykovo nám. 19, Nový Jičín, 741 01	420 556 770 511
Roman Černý	Radmila Tomisová	radmila.tomisova@generaliceska.cz	28. října 2764/60, Ostrava, 702 65	420 596 271 173

These regional offices are partly served by the subsidiary Generali Česká Distribuce a.s.

ADDITIONAL INFORMATION

SNAPSHOT

Company name	**Generali Česká pojišťovna a.s.**
Legal form	Public limited company (akciová společnost)
Registered office	Spálená 75/16, 110 00 Praha 1
Registration number	452 72 956
VAT number	CZ699001273
Date of incorporation	1 May 1992 The Company was formed for an indefinite duration.
Legal reference	The Company was founded (pursuant to Section 11(3) of Act No 92/1991 on conditions for the transfer of state property to other entities, as amended) by the National Property Fund of the Czech Republic under a memorandum of association dated 28 April 1992, and was incorporated by registration in the Commercial Register on 1 May 1992.
Incorporated at	Municipal Court in Prague, Register entry: B 1464
Date and purpose of most recent change in the Commercial Register	Effective as of 19 December 2021, Katarína Bobotová, Andrea Leskovská and Juraj Jurčík were registered as new members of the Board of Directors.

The Company owns a branch in the Slovak Republic under the name Generali Poisťovňa, pobočka poisťovne z iného členského štátu.

As at 31 December 2021, the approved share capital consisted of 40,000 dematerialised, registered ordinary shares totalling CZK 4,000 million.

Issue (ISIN)	**CZ0009106043**
Security category	ordinary
Form	registered
Type	dematerialised
Nominal value	CZK 100,000
Number of shares issued	40,000
Total volume	CZK 4,000,000,000
Issue date	15 November 2006
Admission to trading on a regulated (public) market	unlisted security (not tradable in public markets)

PRINCIPAL BUSINESS ACCORDING TO THE CURRENT ARTICLES OF ASSOCIATION AND TYPES OF INSURANCE WRITTEN

Generali Česká pojišťovna is a composite insurer offering a wide range of life and non-life insurance classes.

Under Decision of the Ministry of Finance of the Czech Republic Ref. No 322/26694/2002, dated 11 April 2002, which entered into force on 30 April 2002 and which grants the Company a licence to engage in insurance, reinsurance and related activities, under Decision of the Ministry of Finance of the Czech Republic Ref. No 32/133245/2004-322, dated 10 January 2005, which entered into force on 14 January 2005 and which expands the Company's licence to engage in insurance- and reinsurance-related activities, and under Decision of the Czech national Bank Ref. No 2012/11101/570, amending the scope of licensed activities, the Company's principal business is as follows:

1. Insurance activities pursuant to Act No 277/2009 on insurance, comprising
   – the life insurance classes referred to in Annex 1 to the Insurance Act, Part A, I, II, III, VI, VII and IX;
   – the non-life insurance classes referred to in Annex 1 to the Insurance Act, Part B, 1.2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, and 18.
2. einsurance activities, comprising all types of reinsurance activities under the Insurance Act.
3. Insurance- and reinsurance-related activities
   – intermediary services related to insurance and reinsurance activities under the Insurance Act;
   – consultancy services related to the insurance of natural and legal persons under the Insurance Act;
   – investigations into insurance claims conducted under a contract with an insurer under the Insurance Act;
   – the exercise of rights and fulfilment of obligations for and on behalf of the Czech Insurers' Bureau pursuant to Act No 168/1999, as amended;
   – the intermediation of financial services referred to in (a) to (j) below:
     (a) intermediation of the acceptance of deposits and other funds due from the public, including intermediation in building savings schemes and supplementary pension insurance;
     (b) intermediation of loans of all types, including, without limitation, consumer loans, mortgage loans, factoring and the financing of commercial transactions;
     (c) intermediation of finance leases;
     (d) intermediation of all payments and money transfers, including credit and debit cards, travellers' cheques and bank drafts;
     (e) intermediation of guarantees and commitments;
     (f) intermediation of customer trading on individual customer accounts on the stock exchange or other markets, for cash or otherwise, concerning negotiable instruments and financial assets;
     (g) intermediation of the management of assets, such as cash or portfolios, all forms of collective investment management, pension fund management, escrow accounts and custodianships;
     (h) intermediation of payment and clearing services relating to financial assets, including securities, derivatives and other negotiable instruments;
     (i) advisory-based intermediation and other ancillary financial services relating to all activities listed in (a) to (h), including references to loans and analysis thereof, research and consultancy in the field of investments and portfolios, consultancy in the field of acquisitions and restructuring, and corporate strategy;
     (j) intermediation of the provision and transmission of financial information, financial data processing, and relevant software from providers of other financial services.
4. Training activities for insurance intermediaries and independent loss adjusters.

The Company also engages in all activities related to its ownership interests in other legal entities.

PERSONS WITH EXECUTIVE AUTHORITY

In 2021, the Company recorded no loans or guarantees extended to members of the Board of Directors or the Supervisory Board.

No member of the Company's Board of Directors or Supervisory Board is in a conflict of interest due to membership of another company's governing bodies.

No member of the Board of Directors or Supervisory Board has been convicted of any fraud-related crime.

In 2021, the following changes were made to the company's bodies:

Board of Directors
Effective as of 20 January 2021, the term of office of Pavol Pitoňák, a member of the Board of Directors, expired and he was re-elected as a member of the Board of Directors as of 20 January 2021. Effective as of 19 December 2021, the number of members of the Board of Directors was set at nine. Katarína Bobotová, Juraj Jurčík, and Andrea Leskovská were appointed as new members of the Board of Directors.

Supervisory Board:
There were no changes to the Supervisory Board in 2021.

Principal activities of members of the Board of Directors and Supervisory Board in other companies, to the extent they are material for the Company, in 2021:

Karel Bláha:
– Member of the Board of Directors of Pojišťovna Patricie a.s. (until 2 July 2021)

Petr Bohumský:
– Chairman of the Supervisory Board of Pojišťovna Patricie a.s. (until 2 July 2021)
– Vice-Chairman of the Supervisory Board of Generali Česká Distribuce a.s.
– Member of the Supervisory Board of Česká pojišťovna ZDRAVÍ a.s. (until 2 July 2021)
– Member of the Supervisory Board of Generali Penzijní společnost, a.s.
– Member of the Supervisory Board of the GCP Foundation
– Member of the Supervisory Board of Europ Assistance s.r.o. (until 3 June 2021)
– Vice-Chairman of the Executive Committee of the Czech Table Tennis Association
– Vice-Chairman of the Supervisory Board of Generali Slovenská distribúcia, a.s. (from 2 October 2021)

Luciano Cirinà:
– Head of the organisational unit Generali CEE Holding B.V., organizační složka
– Head of the organisational unit Generali Operations Service Platform Czech Branch, odštěpný závod
– Member of the governing body of Generali CEE Holding B.V., Netherlands
– Chairman of the Supervisory Board of Generali Versicherung AG, Austria
– Chairman of the Supervisory Board of Generali Beteiligungverwaltung GmbH, Austria
– Chairman of the Supervisory Board of Generali Insurance AD Bulgaria
– Vice-Chairman of the Supervisory Board of Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A., Poland
– Member of the Supervisory Board of Generali Biztosító Zrt., Hungary
– Member of the Board of Directors of Public Joint-Stock Insurance Company Ingosstrakh, Russia
– Member of the Supervisory Board of Generali zavarovalnica d.d., Slovenia
– Member of the Supervisory Board of Deutsche Vermogensberatung AG, Germany

Marek Jankovič:
– Chairman of the Supervisory Board of Nadační fond pro podporu vzdělávání v pojišťovnictví (Insurance Education Support Foundation)
– Chairman of the Board of Directors of PE Project, cooperative, Slovakia
– Member of the Supervisory Board of ~ move on & Co., SE
– Member of the Supervisory Board of Griffin, s.r.o., Slovakia
– Vice-Chairman of the Board of Directors of Icarus, cooperative, Slovakia

Pavol Pitoňák:
– Vice-Chairman of the Supervisory Board of Generali Česká Distribuce a.s.
– Member of the Supervisory Board of Europ Assistance s.r.o. (until 1 April 2021)
– Member of the Supervisory Board of Generali Penzijní společnost a.s.

Miroslav Singer:
– Vice-Chairman of the Supervisory Board of MONETA Money Bank, a.s.
– Chairman of the Supervisory Board of GSK Financial, a.s., Slovakia (until 20 December 2021)
– Member of the Supervisory Board of Generali zavarovalnica d.d., Slovenia (as of 11 February 2020)

Miloslava Mášová:
– Managing Director of Acredité s.r.o. (as of 1 June 2021)

Marek Kubiska:
– This member of the Supervisory Board engages in no significant activity in other companies

Jiří Doubravský:
– Member of the Board of Directors of Česká pojišťovna ZDRAVÍ a.s. (until 2 July 2021)
– Member of the Management Board of Zemědělská společnost Lípa a.s.
– Member of the Supervisory Board of Pojišťovna Patricie a.s. (until 2 July 2021)

Roman Juráš:
– Chairman of the Management Board of the Czech Insurers' Bureau
– Vice-President of Czech Insurance Association
– Vice-Chairman of the Supervisory Board of VÚB GENERALI DÔCHODKOVÁ SPRÁVCOVSKÁ SPOLOČNOSŤ, A.S., Slovakia
– Member of the Supervisory Board of Generali Beteiligungverwaltung GmbH and Generali Versicherung AG, Austria
– Member of the Supervisory Board of GSK Financial, a.s. (formerly Generali Poisťovňa, a.s.), Slovakia

David Vosika:
– Member of the Board of Directors of Česká pojišťovna ZDRAVÍ a.s. (until 2 July 2021)
– Member of the Board of Directors of Pojišťovna Patricie a.s. (until 2 July 2021)
– Member of the Supervisory Board of Generali penzijní společnost, a.s. (as of 1 July 2021)
– Member of the Supervisory Board of Europ Assistance s.r.o. (as of 4 June 2021)

Antonella Maier:
– Member of the Supervisory Board of Generali Investments CEE, investiční společnost, a.s.
– Chairwoman of the Supervisory Board of Generali penzijní společnost, a.s. (member as of 1 July 2021)

Juraj Jurčík:
– Head of the organisational unit Generali Poisťovňa, pobočka poisťovne z iného členského štátu, Slovakia
– Chairman of the Supervisory Board of GSK Financial, a.s. (formerly Generali Poisťovňa, a.s.), Slovakia
– Member of the Supervisory Board of VÚB GENERALI DÔCHODKOVÁ SPRÁVCOVSKÁ SPOLOČNOSŤ, A.S., Slovakia
– Chairman of the Supervisory Board of Generali Slovenská distribúcia, a. s., Slovakia (as of 2 October 2021)

Andrea Leskovská:
– Member of the Supervisory Board of Europ Assistance s.r.o. (as of 4 June 2021)
– Member of the Board of Directors of GSK Financial, a.s. (formerly Generali Poisťovňa, a.s.), Slovakia (until 20 December 2021)

Katarína Bobotová:
– Member of the Supervisory Board of Generali Slovenská distribúcia, a. s., Slovakia (as of 2 October 2021)
– Chairwoman of the Supervisory Board of the GCP Foundation
– Member of the Supervisory Board of Česká pojišťovna ZDRAVÍ a.s. (until 2 July 2021)
– Member of the Supervisory Board of Pojišťovna Patricie a.s. (until 2 July 2021)

INFORMATION ON RESEARCH AND DEVELOPMENT

Other than innovation activities customary in its line of business, the Company does not carry out any research and development.

NON-FINANCIAL INFORMATION

In accordance with an exemption pursuant to Act No 563/1991, the Company does not present non-financial information in its Annual Report as such details can be found in the consolidated annual report published by Assicurazioni Generali S.p.A., registered office: Piazza Duca degli Abbruzi 2, 34132, Trieste, Italy.

WE PURSUE A POLICY OF SUSTAINABILITY

By digitalising our processes we are protecting the environment.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
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Czech Republic
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www.kpmg.cz

This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of Generali Česká pojišťovna a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Generali Česká pojišťovna a.s. (the "Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2021 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note A.1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT CZ699001996
ID data box: 8h3gtra

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of the life insurance contracts liabilities

As at 31 December 2021, Life insurance contract liabilities: MCZK 57,607.

Refer to additional information disclosed in Note C.1.13, C.2.1, C.2.3.1, D.7.1.3 and E.10; of the Company's financial statements.

Key audit matter	***Our response***
Life insurance contracts liabilities represent significant liability items in the statement of financial position. Measurement thereof is associated with significant estimation uncertainty as it requires management board to exercise judgment and develop complex and subjective assumptions. These assumptions are used as inputs into the valuation model that uses standard actuarial methods. At each reporting date, the Company is also required to perform a liability adequacy test (hereinafter, "LAT") with an aim to determine whether its recognized life insurance contract liabilities are adequate. The test is based on the comparison of the management's current estimates of the present value of future cash flows arising from the in-force insurance contracts with the stated amounts of life insurance contracts liabilities. In case the LAT shows that the amounts of the liabilities are insufficient in light of the estimated future cash flows, the entire deficiency is recognized as additional life insurance contracts liability in correspondence with a profit or loss. Relatively insignificant changes in the assumptions applied by the Company can have a material effect on the	Our procedures in the area, performed, where applicable, with the assistance of our own actuarial specialists, included the following, among other things: — We critically assessed the method and models applied by the Company against current industry practice and relevant regulatory and financial reporting requirements; — We tested the design, implementation and operating effectiveness of selected controls over the Company's process for setting actuarial assumptions and other input data for actuarial models, — We assessed relevance and reliability of key input data used in the LAT model. As part of our procedures, we traced significant data elements to the Company's records and experience analysis; — We assessed the results of the Company's experience studies ('back-testing'), and used those historical results, as well as market data, to challenge the key assumptions used in the measurement of the life insurance

amount of the life insurance contracts liabilities. The assumptions that we consider as those with most significant impact are the ones for discount rates used, policyholders' life expectancy, morbidity and mortality rates, policy lapse rates and expenses. For the above reasons, we considered this area to be associated with a significant estimation uncertainty and a significant risk of material misstatement, which required our increased attention in the audit. As such we considered it to be a key audit matter.	contracts liabilities, such as, among others: (i) policyholders' life expectancy, (ii) morbidity and mortality rates, (iii) policy lapse rates, (iv) expenses, and (v) discount rates. — We performed a retrospective assessment of the Company's liability adequacy test by comparing the predictions of the previous year's model with the actual outcomes; — We assessed the Company's disclosures regarding the life insurance contracts liabilities against the requirements of the relevant financial reporting standards.

Measurement of provisions for outstanding claims (life and non-life insurance)

As at 31 December 2021, provision for outstanding claims: MCZK 26,452 (including provision for insurance claims incurred but not yet reported in the period (IBNR) of MCZK 6,219 and provision for claims incurred and reported, but not yet settled (RBNS) of MCZK 20,233).

Refer to additional information disclosed in Note C.1.13.2, C.2.2, D.7.1.2 and E.10 of the Company's financial statements.

Key audit matter	***Our response***
In measuring the provisions for outstanding claims, particular complexity is associated with the estimate of the amount of the expected ultimate cost of claims incurred but not yet reported ('IBNR'), as well as reported but not yet settled ('RBNS'). A range of methods may be used, and in many cases standard actuarial methods need adjustments specific to the circumstances and such adjustments also require the application of significant judgment.	Our procedures in the area, performed, where applicable, with the assistance of our own actuarial and information technology (IT) specialists, included the following, among other things: - We tested the design and implementation of system (IT-based) and manual controls over measurement of the provisions for outstanding claims, including those over determination of actuarial assumptions. For

For the majority of classes of insurance, the Company uses the chain-ladder method based on the amount of insurance claims incurred or insurance claims paid (based on relevant portfolio). This method is also used for MTPL and annuities. IBNR is calculated with implicit prudency level. Part of IBNR provision is calculated separately in simplified way.

Key inputs in determining the provision represent data on claims incurred in actual and in prior periods.

Relatively minor changes in management's assumptions can have a significant effect on the recognized amounts of the claim provisions.

Due to the above factors, we considered measurement of the provisions for outstanding claims to be our key audit matter.

selected controls we also tested the operating effectiveness.;

- In respect of the IBNR provision we:
  - critically assessed the method and model applied in measuring the amount of the provision against the relevant requirements of the financial reporting standards and market practice.
  - assessed the key assumptions applied, such as development of claims incurred. We compared the development factors with previous year and analysed significant deviations based on information provided by the Company. We also assessed the implicit prudency in IBNR provision by independent recalculation of the provision.
  - analysed significant year-to-year variations in the amount of the provisions and made relevant inquiries of the Company's actuarial experts. We also carried out own independent recalculations of key elements of the IBNR provisions;
- In respect of the RBNS provision we:
  - reconciled the database of RBNS provision to the general ledger
  - for a sample of RBNS provisions, we assessed the accuracy and completeness of the provision based on information obtained from the Company about particular claims;
- We analysed significant year-to-year variations in the amount of

	the provisions, assessed the development of claims ratio and made relevant inquiries of the Company's actuarial experts and employees of claims liquidation department; - We evaluated the reasonableness of the provisions for outstanding claims by performing the comparison of the actual experience to previously expected results; - In addition, we assessed the Company's disclosures regarding the provisions for outstanding claims against the requirements of the relevant financial reporting standards.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

The statutory body is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process. The Audit Committee is responsible for monitoring the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body;
- Conclude on the appropriateness of the statutory body'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,

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to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 24 June 2021 and our uninterrupted engagement has lasted for 1 year.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 25 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

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Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Generali Česká pojišťovna a.s. as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague, 29 March 2022

KPMG Česká republika Audit, s.r.o.
Registration number 71

Jindřich Vašina
Partner
Registration number 2059

WE THINK OF EVERYTHING

Our products and services respond to current circumstances and always give our customers that little bit more.

CONTENT OF FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS

ACRONYMS:

Acronym	
ACEER	Austria, central and Eastern Europe, Russia
AFS	Available-for-sale
ALM	Asset-liability Management
CASCO	Motor Insurance
CAT	Catastrophic Excess of Loss Reinsurance Contract
CCS	Cross Currency Swap
CDO	Collateralized Debt Obligation
CDS	Credit Default Swap
CEE	Central and Eastern Europe
CNB	Czech national bank
CRO	Chief Risk Officer
CZK	Czech Crown
CzNIP	Czech Insurance Nuclear Pool
D&O	Directors and Officers Liability
DPF	Discretionary Participation Features
ECAI	External Credit Assessment Institutions
ECL	Expected Credit Loss
EIOPA	European Insurance and Occupational Pensions Authority
EIR	Effective Interest Rate
ESMA	European Securities and Markets Authority
EU	European Union
EUR	Euro
FO&G	Financial Options and Guaranties
FV	Fair Value
FVH	Fair Value Hierarchy
FVO	Fair Value Option
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GCEE	Generali CEE Holding
GIRG	Generali Group Investments Risk Guidelines

ACRONYMS:

Acronym	
GP Re	GP Reinsurance EAD
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred But Not Reported
ID Number	Identification Number
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
ISO/IEC	International Organization for Standardization/International Electrotechnical Commission
LAT	Liability Adequacy Test
MCEV	Market Consistent Embedded Valuation
MTPL	Motor Third Party Liability
NAV	Nett Asset Value
No	Number
OCI	Other Comprehensive Income
PPE	Property, Plant and Equipment
RBNS	Reported But Not Settled
ROE	Return on Equity
RON	Romania Leu
rTSR	relative Total Shareholder´s Return
SAA	Strategic Asset Allocation
SFCR	Solvency and Financial Condition Report
SIC	Standard Interpretations Committee
TC	Total Cycle Cost
UPR	Unearned Premium Reserves
USD	United States Dollar
VOBA	Value of business acquired
X/L	Excess of Loss Reinsurance

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

In CZK million	Note	2021	2020
Investments to subsidiaries and associates	B	14,173	10,387
Intangible assets	E.1	1,790	1,526
Tangible assets	E.2	691	745
Right-of-use assets	E.2	533	602
Investments		85,930	78,452
Investment properties	E.3	170	295
Loans	E.3.1	2,897	6,962
Available-for-sale	E.3.2	58,917	53,043
Financial assets at fair value through profit or loss	E.3.3	23,946	18,152
Reinsurance assets	E.4	17,298	14,240
Receivables	E.5	7,250	6,008
of which: current income tax receivables	E.5	51	-
Non-current assets held for sale	E.6	691	756
Deferred tax receivable	E.25.1	4,492	1,686
Accruals and prepayments	E.8	2,257	1,735
of which: deferred acquisition costs	E.8.1	1,900	1,397
Cash and cash equivalents	E.7	2,661	1,228
Total assets		**137,233**	**116,763**
Share capital		4,000	4,000
Retained earnings and other reserves		16,671	15,851
Total equity	**E.9**	**20,671**	**19,851**
Insurance liabilities	E.10	91,450	77,624
Other provisions	E.11	304	67
Financial liabilities	E.12	2,980	4,266
Payables	E.13	18,944	12,411
of which: current income tax payables		-	1,403
Accruals and deferred income	E.14	2,884	2,544
Total liabilities		**116,562**	**96,912**
Total equity and liabilities		**137,233**	**116,763**

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

In CZK million	Note	2021	2020
Net earned premium revenue	**E.15**	**24,410**	**24,284**
Insurance premium revenue		38,782	38,347
Insurance premium ceded to reinsurers		(14,372)	(14,063)
Interest and other investment income	E.16	1,266	1,316
Income from subsidiaries and associates	E.17	5,828	5,762
Other income from financial instruments and other investments	E.16	326	1,061
Net income/loss from financial instruments at fair value through profit or loss	E.18	2,627	(202)
Other income	E.19	3,192	4,774
Total income		**37,649**	**36,995**
Net insurance benefits and claims	**E.20**	**(15,700)**	**(13,911)**
Gross insurance benefits and claims		(23,815)	(19,808)
Reinsurers' share		8,115	5,897
Expenses from subsidiaries and associates	E.22	-	(4,861)
Other expenses for financial instruments and other investments	E.21	(1,926)	(815)
Acquisition costs	E.23	(3,665)	(3,226)
Administration costs	E.23	(2,410)	(2,291)
Other expenses	E.24	(4,570)	(6,088)
Expenses from discontinued operations	E.6	(65)	-
Total expenses		**(28,336)**	**(31,192)**
Profit before tax		9,313	5,803
Income tax expense	E.25	328	(985)
Net profit for the year		**9,641**	**4,818**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

In CZK million	Note	2021	2020
Net profit for the year		**9,641**	**4,818**
Other comprehensive income **- elements which may be recycled to profit or loss**			
Currency translation differencies	E.9	(11)	-
Available-for-sale financial assets revaluation in equity	E.9	(2,051)	169
Available-for-sale financial assets revaluation realised in income statement	E.9	385	(297)
Available-for-sale impairment losses/Reversal of impairment losses	E.9	99	163
Other comprehensive income before tax effects		(1,578)	35
Tax on items of Other comprehensive income	E.9	299	(7)
Other comprehensive income/loss, net of tax		**(1,279)**	**28**
Total comprehensive income		**8,362**	**4,846**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

In CZK million	Note	Share capital	Revaluation - financial assets AFS	Reserve fund	Translation reserve	Other funds	Retained earnings	Total
Balance as at 1 January 2020	**E.9**	**4,000**	**3,526**	**800**	**-**	**52**	**9,835**	**18,213**
Net profit for the year		-	-	-	-	-	4,818	4,818
Available-for-sale financial assets revaluation in equity		-	169	-	-	-	-	169
Available-for-sale financial assets revaluation realised in income statement		-	(297)	-	-	-	-	(297)
Available-for-sale impairment losses		-	163	-	-	-	-	163
Tax on items of other comprehensive income		-	(7)	-	-	-	-	(7)
Total Comprehensive income		**-**	**28**	**-**	**-**	**-**	**4,818**	**4,846**
Dividends to shareholder		-	-	-	-	-	(3,217)	(3,217)
Share-based payment reserve		-	-	-	-	(5)	31	26
Effect of business combination transaction	A.5	-	-	-	-	-	(17)	(17)
Balance as at 31 December 2020		**4,000**	**3,554**	**800**	**-**	**47**	**11,450**	**19,851**
Net profit for the year		-	-	-	-	-	9,641	9,641
Currency translation differencies		-	-	-	(11)	-	-	(11)
Available-for-sale financial assets revaluation in equity		-	(2,051)	-	-	-	-	(2,051)
Available-for-sale financial assets revaluation realised in income statement		-	385	-	-	-	-	385
Available-for-sale impairment losses/Reversal of impairment losses		-	99	-	-	-	-	99
Tax on items of other comprehensive income		-	299	-	-	-	-	299
Total Comprehensive income		**-**	**(1,268)**	**-**	**(11)**	**-**	**9,641**	**8,362**
Dividends to shareholder		-	-	-	-	-	(4,817)	(4,817)
Share-based payment reserve		-	-	-	-	(18)	34	16
Other		-	-	-	-	-	(24)	(24)
Merger	A.5	-	(4)	112	-	-	(116)	(8)
Effect of business combination transaction	A.5	-	-	-	-	5	(2,714)	(2,709)
Balance as at 31 December 2021	**E.9**	**4,000**	**2,282**	**912**	**(11)**	**34**	**13,454**	**20,671**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

In CZK million	Note	2021	2020
Cash flow from operating activities			
Profit before tax	E.25	9,313	5,803
Adjustments for:			
Depreciation and amortisation	E.21,E.24	763	792
Impairment and reversal of impairment of current and non-current assets		192	5,160
Profit/Loss on disposal of PPE, intangible assets and investment property		3	6
Profit/Loss on sale and revaluation of financial assets		273	(194)
Gains/losses on disposal of subsidiaries and associated companies	E.17	(4,233)	-
Dividends income		(1,714)	(5,852)
Interest expense		38	126
Interest income		(1,091)	(1,246)
Other income/expenses not involving movements of cash		(189)	(915)
Share based compensation		15	27
Total cash flow from operating activities from non-changeable items		**(5,943)**	**(2,096)**
Change in loans and advances to banks		4,064	159
Change in loans and advances to non-banks		52	(32)
Change in receivables		(738)	1,171
Change in reinsurance assets		(1,310)	196
Change in other assets, prepayments and accrued income		(266)	468
Change in payables		1,149	(640)
Change in liabilities for investment contracts with DPF		6	(33)
Change in liabilities to banks		(1,162)	(3,249)
Change in liabilities to non-banks		(127)	-
Change in insurance liabilities (excluding DPF)		304	(2,397)
Change in other liabilities, accruals and deferred income		(220)	412
Change in other provisions	E.11	45	10
Interest on securities received		1,224	1,233
Dividends received		1,714	1,652
Purchase of financial assets at FVTPL	E.3	(2,902)	(4,783)
Purchase of financial assets available-for-sale	E.3	(16,375)	(9,473)
Proceeds from financial assets at FVTPL		3,621	4,454
Proceeds from financial assets available-for-sale		16,095	10,223
Short-term lease payments, payments for leases of low-value assets and variable lease payments	E.23	-	-
Income taxes paid		(2,529)	(525)
Net cash flow from operating activities		**6,015**	**2,553**

In CZK million	Note	2021	2020
Cash flow from investing activities			
Interest on loans received		(8)	201
Purchase of tangible assets and intangible assets		(647)	(739)
Acquisition of subsidiaries and associated companies		(512)	-
Loans granted		-	-
Proceeds from disposals of tangible and intangible assets		67	127
Proceeds from sale of investment property		-	2
Purchase of investment property	E.3	(38)	(94)
Proceeds from disposal of subsidiaries and associated companies and other proceeds from subsidiaries		309	-
Repayment of loans granted		38	1,114
Net cash flow from investing activities		**(791)**	**611**
Cash flow from financing activities			
Payment of other liabilities evidenced by paper		-	-
Payment of lease liability		(197)	(336)
Interest paid		-	-
Interest paid on lease liability		(25)	(36)
Dividends paid to shareholders	E.9.2	(4,817)	(3,217)
Net cash flow from financing activities		**(5,039)**	**(3,589)**
Net decrease in cash and cash equivalents		**185**	**(425)**
Cash and cash equivalents as at 1 January	**E.7**	**1,228**	**1,653**
Cash in consequence in Business Combination		**1,248**	**-**
Cash and cash equivalents as at 31 December	**E.7**	**2,661**	**1,228**

NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

A.1 Description of the Company
Generali Česká pojišťovna a.s. ("Generali Česká pojišťovna" or "the Company") is a composite insurer offering a wide range of life and non-life insurance products and is domiciled in the Czech Republic. The Company was incorporated on 1 May 1992 as a joint stock company and is the successor to the former state-owned insurance company Česká státní pojišťovna.

The Company has established a branch in Slovakia, Generali Poisťovňa, pobočka poisťovne z iného členského štátu (the Branch). The Branch was registered into the Slovak Commercial Register on 11 November 2021.Financial data of the Branch are, in accordance with a legislation of the Czech Republic, an integral part of the financial statements of the Company. Activities of the Branch are identical to those of the founder and are subject to supervision of the Czech National Bank.

On 19 December 2021 Generali Poisťovňa, a. s. (on 11 January 2022 renamed to GSK Financial, a. s.) sold and the Company acquired 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 (see A.5.1).

Structure of Shareholders
Since 20 May 2020, the Company's sole shareholder is Generali CEE Holding B.V., registered office De Entrée 91, 1101BH, Amsterdam, the Netherlands; registered on 8 June 2007, identification number 34275688. Before, the Company's sole shareholder was CZI Holdings N.V., registered office De Entrée 91, 1101BH, Amsterdam, the Netherlands; registered on 5 April 2006, identification number 34245976.

Ultimate parent of the Company is Assicurazioni Generali S.p.A. ("Generali Group"). Consolidated financial statements of Generali Group are publicly available on www.generali.com. Generali Group is registered in the Group Insurance Register maintained by Institution for the Supervision of Insurance (IVASS) under No. 026.

Registered Office of the Company:
Spálená 75/16
110 00 Prague 1
Czech Republic
ID number: 45 27 29 56

Registered Office of the Branch:
Lamačská cesta 3/A,
841 04 Bratislava
Slovakia
ID number: 54 228 573

The Directors authorised the financial statements for issue on 28 March 2022. The financial statements are subject to an approval of the sole shareholder.

A.2 Statutory bodies

Chairman:	Roman Juráš, Liptovský Hrádok
Vice Chairman:	Petr Bohumský, Prague
Member:	David Vosika, Hovorčovice
Member:	Karel Bláha, Prague
Member:	Pavol Pitoňák, Prague
Member:	Jiří Doubravský,Černošice
Member:	Katarína Bobotová, Dunajská Streda
Member:	Andrea Leskovská, Kostolište
Member:	Juraj Jurčík, Lozorno

On 19 December 2021 Katarína Bobotová, Andrea Leskovská and Juraj Jurčík were elected a new members of the Board.

At least two members of the Board of Directors must act together in the name of the Company in relation to third parties, courts and other bodies. When signing on behalf of the Company, the signatures and positions of at least two members of the Board of Directors must be appended to the designated business name of the Company.

Supervisory Board as at the end of the reporting period:

Chairman:	Miroslav Singer, Prague
Member:	Luciano Cirinà, Prague
Member:	Antonella Maier, Mogliano Veneto
Member:	Marek Jankovič, Bratislava
Member:	Miloslava Mášová, Pardubice
Member:	Marek Kubiska, Nový Rychnov

A.3 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The management has reviewed those standards and interpretations adopted by the EU at the date of issue of the financial statements but which were not effective as at that date. An assessment of the expected impact of these standards and interpretations on the Company is shown in Note C.5.

A.4 Basis of preparation

The shareholders of the Company decided in accordance with Act. No. 563/1991 Sb., section 3, § 19a, that the financial statements for the period ended 31 December 2021 will be drawn up in accordance with International Financial Reporting Standards ("IFRS"). In accordance with IFRS 10 "Consolidated Financial Statements" and in accordance with Act. No. 563/1991 Sb., section 3, § 19a and § 22aa the Company does not prepare consolidated financial statements and does not prepare consolidated annual report. Consolidated financial statements and consolidated annual report is prepared by its parent company Generali CEE Holding B.V. and will be presented on its website www.generalicee.com.

The financial statements are presented in Czech Crowns ("CZK") which is the Company's functional currency. The functional currency of the branch in Slovakia is Euro ("EUR").

The financial statements have been prepared on the 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.

The preparation of the financial statements requires that management make 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 the judgements about 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.

More information about assumptions and judgements is described in Note C.4.

A.5 Transactions under common control

A.5.1 Generali Poisťovňa, a. s. (GSK Financial, a. s.)– Acquisition of business

On 17 December 2021 the Company ("the Acquirer") and Generali Poisťovňa, a. s. (GSK Financial, a. s.) ("the Seller") had signed an agreement on sale of the business. In accordance with conditions set by the agreement and with an approval of the regulator, National Bank of Slovakia, the Seller sold on 19 December 2021 and the Company acquired, insurance and reinsurance contracts, rights, obligation, debts, employees, other assets and liabilities, all other rights and obligations, receivables and liabilities that have arisen or will arise in the future and which relate to the Seller's Company as defined in the agreement ("The Business combination transaction" or "The Business combination").

On 11 November 2021 the Company established the Branch (see A.1), in which the business acquired will be managed.

Accounting treatment

The transactions is considered to be a business combination and accounted for using the pooling of interest method, used when all companies involved in the transaction are, before and after the transaction, under full control of one parent company.

Newly acquired assets and liabilities were recognised in the books of the acquire using the carrying amounts recognized by the transferred business. No adjustments were made to reflect their fair values and no new assets (goodwill or VOBA) or liabilities arose. There were adjustments made to align accounting policies and deferred acquisition costs on life business and VOBA were derecognised.

The difference between the consideration paid for the business and the value of the assets acquired and obligations assumed was recognised in retained earnings.

The acquired assets and liabilities at their respective carrying amounts in the book of the Acquiree:

In CZK million	As at 20 December
Intangible assets	154
VOBA	344
Tangible assets	174
Investments	12,532
Available-for-sale	8,217
Financial assets at fair value through profit or loss	4,315
Reinsurance assets	1,748
Receivables	1,518
Deferred acquisition cost – life insurance	1,915
Deferred acquisition cost – non-life insurance	232
Accruals and prepayments	23
Cash and cash equivalents	1,164
Total assets	**19,804**
Retained earnings and other reserves	5
Insurance liabilities	13,477
Other provisions	188
Financial liabilities	127
Payables	1,099
Accruals and deferred income	554
Total equity and liabilities	**15,450**
Net total assets acquired	**4,354**

A purchase price of this transaction was CZK 5,881 million (see Note E.13).

A difference between the purchase price and the value of the assets acquired and obligations assumed is recorded in the retained earnings in amount of CZK 3,786 million ("The Difference"). For tax purposes, The Difference is in accordance with relevant local tax rules treated as an intangible asset and for tax purposes amortized. A respective deferred tax asset has been recorded as a result in amount of CZK 720 million and will adjust retained earnings.

A deferred tax asset has been also recognised on difference between the value of an insurance liabilities acquired and its tax base.

In CZK million	As at 20 December
Purchase price	5,881
Net total assets acquired (see the table above)	(4,354)
Adjustment to align accounting policies	2,259
The Difference	3,786
Deferred tax impact on The Difference	(720)
Deferred tax impact on Insurance liabilites	(352)
Retained earnings	**2,714**

A.5.2 Merge with Pojišťovna Patricie and Česká pojišťovna ZDRAVÍ

Following the transfer of insurance portfolios perfomed in 2019 and in 2020 (see note A.5.3), the Company as a sole shareholder of Pojišťovna Patrice a.s. ("PP") and Česká pojišťovna ZDRAVÍ a.s. ("CPZ") has signed on 12 April 2021 a project of a merger of PP and CPZ with the Company. On 2 July 2021 the merger has been registered and the Company took over a control over the merged companies. Effective date of the Merger (corresponding with Act No. 89/2012 Sb., § 176 par. 1 and Act 125/2008 Sb., § 10 par. 1 and § 70 par. c) is 1 January 2021.

Accounting treatment

The transaction is considered to be an asset acquisition. Newly acquired assets and liabilities were recognised at their carrying amounts in the books of the acquire using the carrying amounts recognized by the transferred business. No adjustments were made to reflect their fair values and no new assets (goodwill or VOBA) or liabilities arose.

Equity of the merged companies is reported in the following table:

In CZK million	CPZ	PP	Total	GČP
Share capital	105	500	605	Retained earnings
Share premium	-	383	383	Retained earnings
Revaluation - financial assets AFS	(2)	(2)	(4)	Revaluation - financial assets AFS
Statutory reserve fund	20	92	112	Retained earnings
Other funds	5	-	5	
Retained earnings	48	383	431	Retained earnings
Profit of the year	(4)	18	14	Retained earnings
Subtotal	**-**	**-**	**1,546**	
Other (interunit matching)	-	-	(2)	
Adjustment for book value of subsidiaries	-	-	(1,552)	
Total			**(8)**	

Following table shows assets and liabilities of merged companies:

In CZK million	CPZ	PAT	Total
Intangible assets	3	-	3
Investments	152	1,266	1,418
Receivables	21	41	62
Deffered tax assets	1	8	9
Accruals and prepayments	2	-	2
Cash and cash equivalents	20	64	84
Total assets	**199**	**1,379**	**1,578**
Insurance liabilities	16	-	16
Other provisions	-	5	5
Payables	6	1	7
Accruals and deferred income	4	-	4
Total liabilities	**26**	**6**	**32**

A.5.3 Prior year transactions

On 9 July 2020, Generali Česká pojišťovna finished the acquisition of the insurance portfolio of PP and CPZ and signed the agreements on insurance contract portfolio transfer based on which and in accordance with conditions set by the agreements, including an approval of the Czech National Bank, the regulator, ČPZ and PP sold on 21 December 2020 and the Company acquired the remaining part of their insurance contract portfolio and portfolio of reinsurance contracts. The transaction followed the major part of the sale made in precedent year in December 2019.

The Business combination consisted of insurance contracts concluded by ČPZ or PP as an insurance companies, including contracts whose term has already expired, and assets and liabilities related to the insurance portfolio and reinsurance contracts concluded by PP as a reinsurance company including contracts whose term has already expired and assets and liabilities related to the reinsurance portfolio.

The acquisition of these businesses was an important step driven by the strategy of the Generali Group and was followed by a merger of the companies which took place on 2 July 2021. See Note A.5.2.

B. SUBSIDIARIES AND ASSOCIATES

The following table provides details about the Company's subsidiaries and associates:

In CZK million, for the year ended 31 December 2021	Country	Cost of investment	Accumulated impairment	Net cost of investment	Proportion of ownership interest (%)	Proportion of voting power (%)	Accounting treatment	Note
Acredité s.r.o.	Czech Republic	8	-	8	100.00	100.00	Cost less impairment	1.
Europ Assistance s.r.o.	Czech Republic	30	-	30	25.00	25.00		
Generali Česká Distribuce a.s.	Czech Republic	14	-	14	100.00	100.00		2.
Generali penzijní společnost, a.s.	Czech Republic	6,905	-	6,905	100.00	100.00		3.
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	4,500	-	4,500	54.85	54.85		4.
Generali Slovenská Distribúcia a.s.	Slovak Republic	23	-	23	100.00	100.00		5.
Nadace GCP	Czech Republic	6	-	6	100.00	100.00		
PALAC KRIZIK a.s.	Czech Republic	527	-	527	50.00	50.00		
Pařížská 26, s.r.o.	Czech Republic	346	-	346	100.00	100.00		
SMALL GREF a.s.	Czech Republic	934	-	934	36.56	36.56		6.
VÚB Generali dôchodková správcovská spoločnosť, a.s.	Slovak Republic	880	-	880	50.00	50.00		7.
TOTAL		**14,173**	**-**	**14,173**				

Detailed information on transactions with subsidiaries of the Company is provided below:

1. Merger of Acredité s.r.o. and Direct Care s.r.o.
On 10 February 2021 the representatives of Acredité s.r.o. and Direct Care s.r.o. signed a Project on a Merger whereby the Direct Care s.r.o. merged into Acredité s.r.o. The merger was approved by Generali Česká pojišťovna, a.s. as the shareholders of the involved entities on 22 March 2021. Effective date of the merger is 1 January 2021.

2. Decrease of share in Generali Česká Distribuce a.s.
On 1 October 2021 the sole shareholder approved the repayment of the surplus outside the share capital back to the Company as a sole shareholder and thus reduction of the equity of Generali České Distribuce a.s. by CZK 115 million. The investment was repaid to the Company on 11 October 2021.

3. Sale of CP Strategic Investments N.V. and purchase of Generali penzijní společnost a.s.
To narrow the organisational structure of Czech operations of the Group, the Company on 1 April 2021 sold 225 000 shares of CP Strategic Investments N.V. to CZI Holdings N.V. The sale price amounted to CZK 7,099 million and the realised gain from this operation was booked in the amount of CZK 4,233 million (see Note E.17). Subsequent to a merger of CZI Holdings N.V. with Generali CEE Holding B.V. the Company acquired on 24 May 2021 50 000 shares of Generali penzijní společnost a.s. from Generali CEE Holding B.V. Sale price was CZK 6,905 million. The transactions are part of the process of consolidating the Generali Group operations.

4. Increase of share in Generali Real Estate Fund CEE a.s., investiční fond
SMALL GREF a.s. as one of the shareholders of Generali Real Estate Fund CEE a.s., investiční fond (GREF) has increased its share in the capital of GREF by CZK 505 million. As a consequence, the interest of the Company in the subsidiary has decreased to 54,85%.

5. Generali Slovenská Distribúcia a.s
On 31 August 2021, The Company established new subsidiary Generali Slovenská Distribúcia a.s. and on 19 December increased its investment in a form of the non-monetary surplus outside the share capital of the company. The surplus had a form of assets and liabilities related to operations of internal distribution network of the Branch.

6. Acquisition of a share in SMALL GREF
The Company acquired on 11 November 2021 from Generali Poisťovňa, a. s. (GSK Financial, a. s.) a share in SMALL GREF a.s. The purchase price was MCZK 511 million. The interest of the Company in the subsidiary has increased to 36.56%.

7. Acquistion of a share in VUB Generali dôchodková správcovská spoločnost', a.s
On 2 November 2021 the Company acquired from Generali Poisťovňa, a. s. (GSK Financial, a. s.) a 50% share in VÚB Generali dôchodková správcovská spoločnost', a.s. The purchase price was CZK 880 million.

8. Merger of Pojišťovna Patricie and Česká pojišťovna ZDRAVÍ to Generali Česká pojišťovna
On 2 July 2021 a merger of the Company and Pojišťovna Patricie a.s. and Česká pojišťovna ZDRAVÍ was registered in the commercial register. See the note A.5.2.

In CZK million, for the year ended 31 December 2020 Name	Country	Cost of investment	Accumulated impairment	Net cost of investment	Proportion of ownership interest (%)	Proportion of voting power (%)	Accounting treatment	Note
Acredité s.r.o.	Czech Republic				100.00	100.00	Cost less impairment	1.
CP Strategic Investments N.V.	Netherlands	2,866	-	2,866	100.00	100.00		3.
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	196	-	196	100.00	100.00		8.
Direct Care s.r.o.	Czech Republic	65	(58)	7	100.00	100.00		1.
Europ Assistance s.r.o.	Czech Republic	30	-	30	25.00	25.00		
Generali Česká Distribuce a.s.	Czech Republic	129	-	129	100.00	100.00		
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	4,500	-	4,500	56.88	56.88		
Nadace GCP	Czech Republic	6	-	6	100.00	100.00		
PALAC KRIZIK a.s.	Czech Republic	527	-	527	50.00	50.00		
Pařížská 26, s.r.o.	Czech Republic	346	-	346	100.00	100.00		
Pojišťovna Patricie a.s.	Czech Republic	6,621	(5,265)	1,356	100.00	100.00		8.
SMALL GREF a.s.	Czech Republic	424	-	424	21.21	21.21		
TOTAL		**15,710**	**(5,323)**	**10,387**				

C. SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

C.1 Significant accounting policies

C.1.1 Intangible assets

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

The Company owns no software with indefinite useful life. Intangible assets with finite useful lives are amortised on a straight-line basis over an average period of 3 - 5 years. 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.

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 income statement when the asset is derecognised.

C.1.1.1 Goodwill

The excess of the consideration transferred, over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

The purpose of the impairment test on 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 to sell 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. Cash-flow projections for a period longer than five years is equal to terminal value calculated based on Gordon Growth Model. Key assumptions used for calculation of value in use are estimated growth rate and a discount rate reflecting the risk free rate adjusted to take specific risks into account.

Should any previous impairment losses allocated to goodwill no longer exist, they cannot be reversed.

C.1.2 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 expenditure that is 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Item	Depreciation rate (%)
Buildings (including technical appreciation)	10.00 – 20.00
Other tangible assets and equipment	5.88 – 33.33

The leasehold improvements (technical appreciation) performed on leased asset is 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 component 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.

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 income statement in other income.

C.1.3 Subsidiaries and associates

Except as stated below, all subsidiaries are measured at cost less any impairment losses (see C.1.30.2).

Distributions of profits (dividends) from subsidiaries are recognised as income in the income statement when the Company's right to receive the payment is established.

C.1.4 Investments

Investments per balance sheet include financial assets at fair value through profit or loss, financial assets available-for-sale, financial assets held-to-maturity, loans and receivables, cash and cash equivalents.

For spot purchases and sales of financial assets, the Company’s policy is to recognise them using settlement-date accounting. Other financial assets are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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 would be accounted for subsequent measurement for the respective measurement category. Financial instruments are measured initially at fair value plus, with the exception of financial instruments at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

Subsequent measurement is described in Notes C.1.4.2 to C.1.4.5.

A financial asset is derecognised when the Company 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.

C.1.4.1 Investment property

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

To measure the value of investment properties, the Company 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 (C.1.2) for information about the criteria used by the Company. 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 income statement in the period of derecognition.

C.1.4.2 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 loans and receivables are measured at amortised cost using the effective interest rate method, less provision for impairment.

C.1.4.3 Financial assets held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Company has the positive intent and ability to hold to maturity.

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

The fair value of an individual security within the held-to-maturity portfolio may temporarily fall below its carrying value, but, provided there is no risk resulting from significant financial difficulties of the debtor, 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, 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.

C.1.4.4 Financial assets available-for-sale

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

After initial recognition, the Company 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, with the exception of AFS equity securities 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 and, in the case of monetary items such as debt securities, foreign exchange gains and losses. 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 income from financial instruments and other investments – see C.1.22. When available-for-sale assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement (Other income from financial instruments and other investments / Other expenses for financial instruments and other investments).

C.1.4.5 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 as 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 certain purchased loans 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 the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), the financial assets can only be reclassified out of the fair value through profit or loss category in rare circumstances.

The Company designates non-trading financial assets according to its investment strategy as financial assets at fair value through profit or loss, if the fair value can be reliably measured. The fair value option is only applied in any one of the following situations:

– 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.
– When 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 embedded derivatives is prohibited.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at their fair values (Note C.1.30.7). Gains and losses arising from changes in the fair values 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 (other instruments).

C.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 Company records an impairment charge for estimated irrecoverable reinsurance assets, if any.

C.1.6 Receivables

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

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

Other receivables include all other receivables not of an insurance or tax nature. They are initially recognised at fair value and subsequently measured at amortised cost reflecting their presumed recoverable amounts.

C.1.7 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sales rather than through continuing use are classified as held-for-sale. Immediately before being classified as held-for-sale, the assets are measured in accordance with the applicable IFRS. Thereafter, generally, the assets 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, employee benefit assets and investment property, 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 remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

C.1.8 Cash and cash equivalents

Cash consists of cash on hand, demand deposits with banks and other financial institutions and term deposit 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.

C.1.9 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 Company has about 339 lease contracts as at 31 December 2021 (2020: 468) which represent real estate interests held on a leasehold basis. The real estates serve mainly as the head office buildings and a network of branches. Part of the leased property is subleased mainly to subsidiaries of the Company. The income is recognised in the line Other income.

There are no material exposures in the lease contracts relating to variable lease payments, extension and termination options or residual guarantees. There are no commitments to future leases and no restrictions or covenants imposed by leases. The Company did not make any sale and leaseback transaction during the accounting period.

At the commencement of a lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets is recognised.

Right-of-use-assets

The Company 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

– Right-of-use assets (buildings): 1 to 8 years
– Right-of-use asset (car): 4 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment testing.

Lease liabilities

At the commencement date of the lease, the Company 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 by the Company and payments of penalties for terminating the lease, if the lease term reflects the option to terminate.

Right-of-use assets are presented in balance sheet as Tangible assets if self-used (Note E.2) and as Investments (Note E.3) if not used for own use. Lease liabilities are presented in Financial liabilities (Note E.12). Depreciation charge of self-used right-of-use assets is reported in Other expenses (Note E.24). Interest expense on lease liability and depreciation charge of Investment property are disclosed in Other expenses for financial instruments and other investments (Note E.21).

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement when the interest rate implicit in the lease is not readily determinable. The leases are of similar characteristics (similar class of underlying assets (properties) in similar economic environment and the discount rates are as at 31 December 2021 as follows:

Lease term	2021	2020
Less or equal 3 years	4.81%	1.10%
3-5 years	5.12%	1.50%
Over 5 years	5.48%	1.90%

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short term and low value assets leases
Lease payments associated with short term and low value assets leases are recognised in the income statement as the administration costs.

C.1.10 Non-current assets held-for-sale
Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sales rather than through continuing use are classified as held-for-sale. 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, employee benefit assets and investment property, 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.

C.1.11 Equity

C.1.11.1 Share capital issued
The share capital is the nominal amount approved by a shareholder's resolution. Ordinary shares are classified as equity.

C.1.11.2 Retained earnings and other reserves
This item comprises the following reserves:

Reserve fund
The Company created the reserve fund. The reserve fund is not available for distribution to the shareholders, unless approved by General Meeting.

Retained earnings
The item includes retained earnings or losses adjusted for the effect due to changes arising from the first application of IFRS and reserves for share-based payments.

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 policyholders' liabilities.

Translation reserve
The item includes unrealised gains or losses arising from revaluation of the financial statements of the Branch from its functional currency which is Euro to the reporting currency Czech Crowns (see C.1.30.1).

Result of the period
This item refers to the Company's result for the period.

C.1.11.3 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.

C.1.12 Insurance classification

C.1.12.1 Insurance contracts
In accordance with IFRS 4, policies of the life segment are classified as insurance contracts or investment contracts based on the significance of the underlying insurance risk. As a general guideline, the Company 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:
- identification of the characteristics of products (option, discretionary participation feature, etc.) and services rendered;
- determination of the level of insurance risk in the contract; and
- determination of classification in accordance with IFRS 4

C.1.12.2 Insurance contracts and investment contracts with DPF
Premiums, payments and change in the insurance liabilities 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 case of death significantly higher than the value of the fund) or investment contracts with discretionary participation feature – DPF – (e.g. policies linked to segregated funds, contracts with additional benefits that are contractually based on the results of the company) are recognised in the Income Statement.

C.1.12.3 Investment contracts
IInvestment contracts without DPF mainly include unit/index-linked policies and pure capitalisation contracts. The Company did not classify any contracts as investment contracts without DPF in 2021 and 2020.

C.1.13 Insurance liabilities

C.1.13.1 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, computed separately for each insurance contract using the pro rata temporis method, adjusted to reflect any variation in the incidence of risk during the period covered by the contract. The provision for unearned premiums is created for both life insurance and non-life insurance.

C.1.13.2 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.

With the exception of annuities, the Company 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 assurance liabilities.

Whilst the Board of Directors considers that the gross provision for claims and the related reinsurance recoveries are stated fairly, 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 the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

C.1.13.3 Other insurance liabilities

Other insurance liabilities contain other insurance technical provisions that are not mentioned above, such as the provision for unexpired risks (also referred to as "premium deficiency") in non-life insurance (see also C.2.3.3), the ageing provision in health insurance, 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 reduction of policyholder payments, which are a result of past performance. This provision is not recognised for those contracts, where future premium is reduced by bonuses resulting from favourable past policy claim experience and such bonus 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 distribution of past surpluses.

C.1.13.4 Mathematical provision

The mathematical provision comprises the actuarially estimated value of the Company's liabilities under life insurance contracts. The amount of the mathematical 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 remain unchanged except where a liability inadequacy occurs. A liability adequacy test (LAT) is performed as at each end of the reporting period by the Company's actuaries using current estimates of future cash flows under its insurance contracts (see C.2.3). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in the Income statement with a corresponding increase to the other life insurance technical provision.

C.1.13.5 Unit link provision

The unit link provision represents liabilities for insurance contracts where investment risk is borne by the policyholder, liabilities are linked to number of units and the market value of the unit.

C.1.13.6 Liabilities for investment contracts with DPF

Liabilities for investment contracts with DPF represents liabilities for contracts that do not meet the definition of insurance contracts, because they do not lead to the transfer of significant insurance risk from the policyholder to the Company, but which contain DPF (as defined in C.1.30.3). Liabilities arising from investment contracts with DPF are accounted for in the same way as insurance contracts.

C.1.13.7 DPF liability for insurance contracts

DPF liability represents a contractual liability to provide significant benefits in addition to the guaranteed benefits that are at the discretion of the issuer over the timing and amount of benefits and which are based on performance of defined contracts, investment returns or the profit or loss of the issuer. For more details, see C.1.30.3.

C.1.14 Other provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, 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 Company, among the other similar classes of potential legal disputes, monitors and assesses thoroughly whether some liabilities should be recognized under Act No. 229/2002 Coll. as amended by subsequent changes.

C.1.15 Financial liabilities to banks and non-banks

Financial liabilities to banks and non-banks and deposits received from reinsurers are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost. 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.

C.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, which include primarily derivative liabilities that are not hedging instruments. Related transaction costs are immediately expensed. Financial liabilities at fair value through profit or loss are measured at fair value (see C.1.30.7) and the relevant gains and losses from this revaluation are included in the Income statement (Net income from financial assets at fair value through profit or loss). Financial liabilities are removed from the 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.

C.1.17 Payables

Accounts payable represent 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.

C.1.18 Net insurance premium revenue

Net insurance premium revenue includes gross earned premiums from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

Gross premiums comprise all amounts due during the financial year in respect of insurance contracts regardless of the fact that such amounts may relate in whole or in part to a later financial year. Gross premiums are recognised in respect of contracts meeting the definition of an insurance contract or an investment contract with DPF.

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

Premiums are recognised when an unrestricted legal entitlement is established. For contracts where premiums are payable in instalments, such premiums are recognised as written when the instalment becomes due.

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 those contracts for which the period of risk differs significantly from the contract period, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

The change in the unearned premium provision is represented by the difference in the balance of the provision for unearned premium as at the beginning of the year and the balance as at the year-end.

C.1.19 Net insurance claims and benefits

Insurance claims and benefits include claims (benefit) expenses, the change in technical provisions and rebates and profit sharing, net of amounts ceded to reinsurers.

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 represents change in provisions for claims reported by policyholders, change in provision for IBNR, change in mathematical and unit-linked provisions and change in other technical provisions.

Bonuses comprise all amounts chargeable for the financial year representing an allocation of surplus or profit arising from business as a whole or from a section of business, after the deduction of amounts provided in previous years. Rebates comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

C.1.20 Benefits from investment contracts with DPF (investment contract benefits)

Investment contract benefits represent changes in liabilities resulting from investment contracts with DPF (for definition of DPF see C.1.13.7) and are included in the Income statement in Net insurance claims and benefits.

The change in liabilities for investment contracts with DPF involves guaranteed benefits credited, change in DPF liabilities for investment contracts with DPF and change in liability resulting from a liability adequacy test of investment contracts with DPF.

C.1.21 Interest and similar income and interest and similar expense

Interest income and interest expense are recognised in the Income statement using the effective interest rate method. Thus 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 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 is reported as Interest and other investment income or as Interest expense in the Income statement.

C.1.22 Other income and expense from financial instruments and other investments

Other income and expenses from financial assets comprise realised and unrealised gains/losses, dividends and net impairment loss or reversals of impairment (see C.1.30.2).

A realised gain/loss arises on derecognition 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 directly through OCI.

Net fair value gains 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.

C.1.23 Income and expense from investment property

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

C.1.24 Other income and other expense

The main part of other income and other expenses arise from gains and losses on foreign currency translation and administration services relating to the Employer's liability insurance provided by the Company for the state. For this type of insurance, the Company bears no insurance risk; it only administrates the fee collection and claims settlement. The revenue is recognised in the period when services are provided and in the amount stated by law.

C.1.25 Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts with DPF and include direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing proposals and issuing policies. Portion of acquisition costs is being deferred, such as agents' commissions and other variable underwriting and policy issue costs. General selling expenses and line of business costs as well as commissions 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 accruals and prepayments in the statement of financial position.

The recoverable amount of deferred acquisition costs is assessed as at each end of the reporting period as part of the liability adequacy test.

Acquisition costs in respect of life insurance contracts and investment contracts with DPF (Discretionary Participation Feature) are charged directly to the 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.

C.1.26 Administration costs

Administration costs include cost relating to the administration of the Company. This includes personnel costs, office rental expenses and other operating expenses. Staff costs include expenses arising from 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.

C.1.27 Reinsurance commissions and profit participations

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

C.1.28 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised through OCI, 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 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. Temporary differences from the initial recognition of assets or liabilities outside of business combinations that affect neither accounting nor taxable profit are not provided for. 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.

C.1.29 Employee benefits

C.1.29.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are payable wholly within twelve months after the end of the period in which the employees render the related service. Short-term employee benefits include mainly wages and salaries, management remuneration and bonuses, remuneration for membership in Company boards and non-monetary benefits. The Company makes contributions to the government pension 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).

C.1.29.2 Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that do not become due wholly 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.

C.1.29.3 Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment. The Company makes contributions to the government 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 Company made contributions amounting to 25% (2020: 25%) of gross salaries up to a limit, which is defined by the relevant law, to such schemes, together with contributions made by employees of a further 6.5% (2020: 6.5%). The cost of these Company made contributions is charged to the income statement in the same period as the related salary cost as this is a defined contribution plan since there are no further obligations of the Company in respect of employees' post-employment benefits.

C.1.29.4 Termination benefits

Termination benefits are employee benefits payable as a result of the Company's decision to terminate an employee's employment before the normal retirement date, or as a result of an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

C.1.30 Other accounting policies

C.1.30.1 Foreign currency translation

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than functional currency. Functional currency is the currency of the primary economic environment in which entity operates. A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying the exchange rate effective as at the date of the transaction to the foreign currency amount.

Translation from functional to presentation currency

The items in the statement of financial position in functional currencies different from the presentation currency of the Company, the branch in Slovakia, were translated into Czech crown (CZK) based on the exchange rates as at the end of the year.

The income statement items were instead translated based on the actual exchange rates as at the dates of the transactions.

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

At each end of the reporting period:
– Foreign currency monetary items are translated using the closing foreign exchange rate; and
– Available-for-sale equity financial assets denominated in a foreign currency, which are carried at fair value, are translated using the foreign exchange rates ruling as at the dates the fair values were determined.

Exchange differences arising from the settlement of monetary items or from translation of the Company's monetary items at rates different from those at which they were initially recorded or reported in previous financial statements are recognised as other income or as other expenses in the period in which they arise (C.1.24). Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the Revaluation - financial assets AFS in equity unless fair value hedge accounting is applied or unless the item is impaired in which case the translation difference is recorded in the Income statement.

C.1.30.2 Impairment

The carrying amounts of the Company's assets, other than deferred acquisition costs (C.1.25), inventories, deferred tax assets (C.1.28) and financial assets at FVTPL and derivatives (C.1.4.5), are reviewed as at each end of the reporting period to determine whether there is any indication of impairment. This determination requires judgement. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is measured annually regardless of any indication of impairment for intangible assets not yet available for use.

An impairment loss is recognised to the extent that the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement; net impairment losses are part of other expense for financial instruments and other investments, net reversals of impairment are part of other income from financial instruments and other investment (C.1.22).

Individual impairment losses are losses that are specifically identified. Collective impairment losses are losses that are present in a portfolio of loans or receivables but not specifically identified.

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 a careful 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 Company considers prolonged decline to be 12 months. Significant decline is assessed to be for unrealised loss higher than 30%. The recoverable amount of the Company's investments in held-to-maturity securities 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 amortized 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 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 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.

Impairment of non-financial assets
The recoverable amount of other assets is the greater of their fair value less cost to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and the increase can be objectively related to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The carrying amount of subsidiaries is tested for impairment annually. The Company observes if events or changes in subsidiaries business indicate that it might be impaired. The Company considers the decreasing equity of a subsidiary as a key indicator of potential impairment.

C.1.30.3 Discretionary participation features (DPF)
A discretionary participation feature (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 Company and are based on the performance of pooled assets, profit or loss of the company or investment returns.

As the amount of the bonus to be allocated to policyholders has been irrevocably fixed as at the end of the reporting period, the amount is presented as a liability in the financial statements, i.e. within the life assurance liabilities.

C.1.30.4 REPO/reverse REPO transactions
Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Company 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 Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

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 loans, reflecting the transaction's economic substance as a loan by the Company. 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 EIR.

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.

C.1.30.5 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the 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.

C.1.30.6 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, 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 had 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.

C.1.30.7 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. The IBOR transition implemented in 2020 was smooth and overall impact very small (only EUR and USD valued derivatives with central settlement slightly affected). Czech curve is compliant.

A quoted instrument is an instrument that is negotiated on a regulated market or on a multilateral trading facility. To assess whether the market is active or not, the Company carefully determines whether the quoted price really reflects the fair value, i.e. in cases when the price has not changed for a long period or the Company 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's 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, in the case that 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 Company, 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 as at the end of the reporting period is estimated 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 intend to reflect the 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) into three levels has been used. The fair value hierarchy categorises the inputs to valuation techniques used to measure fair value:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- 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,
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of assets or liabilities 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 of assets or liabilities that are not traded in an active market (for example, over-the-counter derivatives or unquoted bonds) are 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 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 judgment or estimation. A general description of the valuation techniques used for Level 3 assets and liabilities is provided below.

– Independent evaluation of third party - the adequacy of the price results from evaluations, reports or fairness opinions issued by independent third parties.
– Price based on the amount of shareholders' equity
– 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).

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

	Level 2	Level 3
Equities		The fair value is mainly determined using independent evaluation provided by third party or is based on the amount of shareholders' equity.
Investment funds		The fair value is mainly based on the information about value of underlying assets. Valuation of underlying assets requires significant expert judgment or estimation.
Bonds, Loans	Bonds are valued using discounted cash flow technique. It uses estimated future cash flows and the discount rate, which is constructed from risk-free rates adjusted by credit spread. The spread is usually derived from an instrument with similar terms and conditions which is traded on active market (ideally from the same issuer, similar maturity and seniority) which, reflects the market price in the best way.	Indicative price is provided by third party or discounted cash flow technique uses objectively unobservable inputs (extrapolated interest rates and volatilities, historical volatilities and correlations, significant adjustments to the quoted CDS spreads, prices of similar assets requiring significant adjustments etc.).
Derivatives	Derivatives are valued using 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 the risk free rates and foreign exchange rates are used.	

Table below describes Level 3 nstruments and their unobservable inputs of Level 3 (mil CZK):

Description	Fair value as at 31 December 2021	Valuation technique(s)	Non-market observable input(s)	Range
Equities	1,421	Net asset value	n/a*	n/a*
Investment funds	28	Expert judgment	Value of underlying instruments	n/a
Bonds Government	2,708	Discounted cash flow technique/Third party valuation (Refinitive)	Level of credit spread	(50) - 117
Bonds Corporate	3,531	Discounted cash flow technique/Third party valuation (Refinitive)	Level of credit spread	(45) - 350

*Level 3 equities consist of Lion River equities. The fair value is taken from the issuer, no non-market observable input is used.

Description	Fair value as at 31 December 2020	Valuation technique(s)	Non-market observable input(s)	Range
Equities	947	Net asset value	n/a*	n/a*
Investment funds	16	Expert judgment	Value of underlying instruments	n/a
Bonds Government	2,708	Discounted cash flow technique	Level of credit spread	25 - 160
Bonds Corporate	1,774	Discounted cash flow technique	Level of credit spread	(33) - 626

*Level 3 equities consist of Lion River equities. The fair value is taken from the issuer, no non-market observable input is used.

Where possible, the Company tests the sensitivity of the fair values of Level 3 investments to changes in unobservable inputs to 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 Company undertakes, where feasible, sensitivity analysis on the following basis:

- 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 to a reasonable alternative is determined.
- 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 ranges specified in the table with unobservable inputs the Company is able to perform sensitivity analysis for Company's Level 3 investments.

Table below describes result of changes of unobservable valuation inputs by ± 100 bps (mil CZK):

Description	Fair value as at 31 December 2021	Sensitivity result
Bonds Government	2,708	(-452) - 602
Bonds Corporate	3,531	(-67) - 70
Total	**6,239**	

Description	Fair value as at 31 December 2020	Sensitivity result
Bonds Government	2,708	(551) - 749
Bonds Corporate	1,774	(-31) - 32
Total	**4,482**	

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

C.1.30.8 Fair value hedge

The Company designates certain derivatives as hedges of the fair value of recognised assets. Since 1st October 2008, the hedge accounting has been applied to derivatives hedging a currency risk and since 1st July 2011 also to derivatives hedging an interest rate exposure of available for sale interest-bearing financial assets.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income statement (see C.1.4.5), together with any changes in the fair value, or a portion of fair value, of the hedged assets that are attributable to the hedged risk.

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

The Company 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.

C.1.30.9 Embedded derivatives

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

The Company 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.

C.2 Principal assumptions

C.2.1 Life assurance liabilities
Actuarial assumptions and their sensitivities underlie the insurance calculation. The life assurance liability is calculated by a prospective net premium valuation (see C.1.13.3) using the same statistical data and interest rates used to calculate premium rates (in accordance with relevant national legislation). The assumptions used are locked-in at policy inception and remain in force until expiry of the liability. The adequacy of insurance liabilities is tested with a liability adequacy test (see C.2.3).

The guaranteed technical rate of interest included in policies varies from 0.3% to 6% according to the actual technical rate used in determining the premium.

As a part of the life assurance liability, additional provisions are established. A provision in respect of bonuses payable under certain conditions, referred to as "special bonuses" is established. This provision corresponds to the value of special bonuses calculated using the prospective method and using the same interest rate and mortality assumptions used to calculate the basic life assurance liability. No allowance is made for lapses. Next a provision in respect of risk related to customer behaviour during a process of an enhancement of policy information applied to group of insurance policies has been established. This provision corresponds to the expected value of outflows paid on top of the value of basic life assurance liability.

C.2.2 Non-life insurance liabilities
As at the end of the reporting period, a provision is made for the expected ultimate cost of settling off all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

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 of 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 Company's actuaries using statistical techniques such as chain ladder methods, whereby historical data is extrapolated in order to estimate ultimate claims costs.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:
a) economic, legal, political and social trends (resulting in different than expected levels of inflation);
b) changes in the mix of insurance contracts incepted;
c) random fluctuations, including the impact of large losses.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

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

"Tail" factors
For long-tail business, the level of provision 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 motor third party liability insurance (MTPL) 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 the discount rate, the expected increase in wages and disability pensions which influence the amount of annuities to be paid. The Company follows guidance issued by the Czech Insurers' Bureau in setting these assumptions.

Under current legislation, future increases in disability pensions are set by governmental decree and may be subject to social and political factors beyond the Company's control. The same applies to the real future development of annuity inflation (it is also dependent on governmental decrees).

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

	CZ		SK	
	2021-2023	From 2024	2021-2023	From 2024
Discount rate	1.5%	1.5%	1.0%	1.0%
Annuity inflation				
– Wages inflation	5.0%	3.5%	4.0%	4.0%
– Pension inflation	3.5%	3.5%	4.0%	4.0%

The rates shown above reflect the economic situation in the Czech Republic and Slovak Republic and are bound to Czech Crown and Euro.

In addition, the Company takes mortality into account through the use of mortality tables recommended by the Czech Insurers' Bureau.

C.2.3 Liability adequacy test (LAT)

C.2.3.1 Life assurance
The life assurance liabilities are tested as at the end of each reporting period against a calculation of the minimum value of the liabilities using explicit and consistent assumptions of all factors. Input assumptions are updated regularly based on recent experience. The principle of LAT is a comparison of the minimum value of the liabilities (the risk adjusted value of the cash-flows discounted by risk free-rate) arising from lines of business with the corresponding statutory provision.

Due to the levels of uncertainty in the future development of the insurance markets and the Company's portfolio, the Company uses margins for risk and uncertainty within liability adequacy tests. Margins are calibrated to be consistent with the result of risk valuation in the Internal Model (FV Liabilities calculation for Solvency II purpose).

The principal assumptions used (see Note C.2.4.1) are:

Segmentation
The LAT is performed on lines of business separately. There is no interaction between different lines of business in the model and no offset of the LAT results between individual lines of business is allowed. Segmentation is currently based on the main risk drivers as follows:
– Protection – includes all the products classified as Accident and Disability and Pure Risk;
– Unit Linked – products where policyholder bear the investment risk;
– Saving – all the other products not already included in the previous classes.

Mortality
For mortality assumptions, the analyses of Company's portfolio past experience and population mortality is used. The experience portfolio mortality rates are calculated separately for each portfolio group, age group, and gender.

Persistency
Estimates for lapses and surrenders are based on the Company's past experience and Company´s future expectations.

Expense
The expenses assumptions are derived from the latest forecasts, following the Generali ACEER Holding guidance on unit costs. The expenses are increased by the inflation rate.

Discount rate
The discount rate is equal to risk-free yield curve reported by EIOPA for the Czech Republic. We consider this curve appropriate for the LAT test and portfolio of the Company.

Interest rate guarantee
The interest rate guarantee is calculated using internal model calibrated to MCEV valuation of financial options and guarantees (FO&G), which includes comprehensive view on assets and liabilities of the Company. The calibration is based on the last known time value of FO&G arising from the stochastic model in MCEV and the expected development of volatilities. The model reflects the actual yield curve.

Profit sharing
While, for most life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Company, the assessment of liability adequacy takes future discretionary bonuses, calculated as a fixed percentage of the excess of the risk-free rate over the guaranteed technical interest rate on individual policies, into account. The percentage applied is consistent with the Company's current business practices and expectations for bonus allocation.

Annuity option
The option to choose between a lump sum payment and an annuity is available to policyholders under annuity insurance. For the pu poses of the liability adequacy test, the Company assumes an annuity option take-up rate increasing from the level of 2% - 4% (current level based on ir ternal analysis) to 5% - 10% (future expected market development) in the long-term horizon for all eligible policyholders.

C.2.3.2 Investment contracts with Discretionary Participation Features (DPF)
Investments contracts with DPF are included within the liability adequacy test for life insurance as described above.

C.2.3.3 Non-life insurance
Contrary to life insurance, insurance liabilities connected with non-life insurance are calculated by using current (not historical) assumptions and therefore generally there is no need for additional liabilities created in the outstanding claims area. The possible inadequacy of Non-life Technical reserves assessed by a liability adequacy test for non-life insurance could be therefore caused by the unexpired portion of risk on existing contracts.

The Non-life Liability adequacy test compares the estimates of future cash-flows with booked amounts of all Non-life Technical reserves. For unexpired portion of existing contracts it means using the expected value of claims and expenses attributable to the unexpired periods of policies in force at the end of the reporting period on one hand and the amount of unearned premiums in relation to such policies after deducting deferred acquisition costs on the other hand. Expected cash flows related to these claims and expenses are estimated by reference to the experience during the expired portion of the contract, adjusted for significant individual losses which are not expected to recur. Expected cash flows related to outstanding claims are estimated using the experience of existing development of these liabilities.

The test is performed by product groups which comprise insurance contracts with a similar risk profile.

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.

C.2.4 Significant variables
Profit or loss recognized on insurance contracts and insurance liabilities are mainly sensitive to changes in mortality, lapse rates, expense rates, discount rates and annuities which are estimated for calculating adequate value of insurance liabilities during the LAT.

The Company has estimated the impact on profit for the year and equity as at the year-end for changes in key variables that have a material impact on them.

C.2.4.1 Life insurance
For CZ part of portfolio according to Liability Adequacy Test life statutory reserves are sufficiently adequate in comparison to minimum value of the liabilities and changes in variables have no material impact on profit for the year and equity.

Life assurance liabilities as at 31 December 2021 according to the Liability Adequacy Test were not sensitive to a change in any variable. Life assurance liabilities as at 31 December 2020 were not sensitive to a defined change in any variable as well.

The decrease and increase by 10% in mortality rate, lapse rate, expense rate and a 100 bp decrease and increase in the discount rates were tested. Changes in variables represent reasonably possible changes therein which represent neither expected changes in a 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.

For SK part of portfolio according to Liability Adequacy Test life statutory reserves are not sufficiently adequate in comparison to minimum value of the liabilities. Impact of changes in variables could be seen in attached table.

For SK part of portfolio

In CZK million, for the year ended 31 December 2021 Scenario	Change in variable	LAT reserve	LAT reserve change
Best estimate		33	-
Mortality	10%	33	-
Lapses, paid-ups	-10%	33	-
Expenses	10%	360	327
Risk Free Rates	100 bps	-	(33)
Risk Free Rates	(100) bps	2,749	2,716
Longevity	10%	-	(33)

C.2.4.2 Non-life insurance

In non-life insurance, variables that would have the greatest impact on insurance liabilities relate to annuities.

In CZK million, for the year ended 31 December 2021 Variable	Change in variable	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount rate	(100) bp	347	217
Pension growth rate	100 bp	335	209

In CZK million, for the year ended 31 December 2020 Variable	Change in variable	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount rate	(100) bp	276	169
Pension growth rate	100 bp	270	165

C.3 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

C.3.1 Non-life insurance contracts

The Company offers many forms of general insurance, mainly motor insurance, property insurance 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 at 6 weeks' notice. The Company 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 reject fraudulent claims.

Future insurance claims are the main source of uncertainty which influences the amount and the 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 which entitle the policyholder to report a claim before the time of expiration, which usually lasts 3-4 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 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 Company motor portfolio comprises both motor third party liability insurance (MTPL) and motor (CASCO) insurance. MTPL insurance covers bodily injury claims and property claims in the Czech Republic 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 the accident occurring. 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 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 are entitled to a no-claims-bonus on renewal of their policy where the conditions are fulfilled.

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 Company uses risk management techniques to identify and evaluate risks and analyses possible losses and hazards and also cooperates with reinsurers. Risk management techniques include primarily inspection visits in the industrial areas performed by risk management team which consist of professionals with a long term experience and deep safety rules knowledge. Personal property insurance consists of the standard buildings and contents insurance.

Claims are normally notified promptly 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 insurance
Accident insurance is traditionally sold as rider to the life products offered by the Company and belongs to the life insurance segment. Only a small part of accident insurance is sold without life insurance.

C.3.2 Life insurance contracts

Bonuses
Over 90% of the Company's life insurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Company 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 (see DPF in C.1.12.2).

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 exercised at the discretion of the policyholder annually. Where the option is not exercised, premiums are not increased with inflation.

Term life insurance products
Traditional term life insurance products comprise risk of death, waiver of premium in case of permanent disability, dread diseases and accident rider. Premium is paid regularly or as a single premium. Policies offer fixed or decreasing sum insured of death. The policies offer protection from several years to long-term. Death benefits are only paid if the policyholder dies during the term of insurance. Waiver of premium arises only in case of an approved disability pension of the policyholder.

The period of disability is the main source of uncertainty connected with life insurance products. It is limited by the 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 give the insured the possibility to finance their needs in retirement. Capital life insurance products for regular or single premium offers covering risk of death, endowment, dread diseases, waiver of premium in case of disability and accident rider. Insurance benefits are usually paid as a lump-sum.

Variable capital life insurance products
Variable capital life insurance products offer all types of insurance risk as traditional capital life insurance products. In addition, they offer the policyholder the possibility to pay an extra single premium during the term of the insurance. The policyholder can ask to interrupt payment for regular premium, to withdraw a part of the extra single premium, to change the term of insurance, risks, sum insured and premium.

Children's insurance products
These products are based on traditional life risk: death or endowment of assured, waiver of premium in case of disability and accident rider. They are paid regularly. The term of insurance is usually limited by the 18th birthday (for old generation products) or by the 26th birthday (for new generation products) of the child for which the policy is negotiated. Benefits may be in the form of a lump-sum or annuity payment.

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

The Company earns management, administration fees and mortality surplus on these products.

Unit-linked life insurance combines traditional term life insurance, with risks of death or dread diseases together with a waiver of premium in case of permanent disability, with the possibility to invest regular premium or extra single premium to some investment funds. The policyholder defines funds and the ratio of premium where payments are invested and can change the funds and ratio during the contract. He can also change sums assured, regular premium, and insurance risks. He can pay an additional single premium or withdraw a part of the extra single premium.

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

C.3.3 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 or other claim event. These contracts also entitle the policyholder to a discretionary bonus, determined as under life insurance contracts.

C.4 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 Company 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.

As stated in section F.1, the management of the Company has analysed the potential impact of COVID-19 and concluded, that it has no significant impact.

C.4.1 Assumptions used to calculate insurance liabilities

The Company 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 Company's financial statements, and the effects of changes in the assumptions that would have a material effect on the recognised amounts, are discussed in part C.2.

C.4.2 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 valuation techniques. The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on the market conditions existing as at each end of the reporting period (see also C.1.30.8).

C.4.3 Assumptions used to calculate impairment of financial instruments and subsidiaries

The Company uses certain assumptions when calculating impairment of financial instruments and subsidiaries as described in C.1.30.2.

C.4.4 Corporate income tax calculation

The Company makes the estimate of SII Technical Provisions for the purpose of corporate income tax calculation. This valuation is the estimation of the official YE SII Technical Provision on best effort basis.

C.5 Changes in accounting policies and correction of prior year errors

C.5.1 Standards, interpretations and amendments to existing standards relevant for the Company and applied in the reporting period

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
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.

Amendment to current IFRS 4 Insurance contracts and new IFRS 17 Insurance contracts
On 12 September 2016, the IASB issued amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4 and the Company has chosen to apply a deferral approach (see Note C.5.5). This means a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. The expiry date for the temporary exemption from applying IFRS 9 is 1 January 2023.

C.5.2 Standards, interpretations and amendments to existing standards that are effective in the reporting period but not relevant for the Company´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 C.5.5).
IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets and financial liabilities. 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 measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

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

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

The Company 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 C.5.5).

Covid-19-Related Rent Concessions (Amendment to IFRS 16)
Amends the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Effective for annual periods beginning on or after 1 June 2020.

C.5.3 Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Company´s financial statements

IFRS 17 Insurance Contracts
In May 2017 the Board issued new Standard for insurance contracts, IFRS 17 Insurance Contracts (ammendmend as of June 2020 and endorsed by the EU on 19 November 2021), replacing IFRS 4 Insurance Contracts. IFRS 17 has an effective date of 1 January 2023.

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

The Company is in final stage of an implementation of the standard. On transition to the new standard the Company expect a significant impact on equity, as well as on insurance assets and liabilities. The Income statement under the new standard will also be affected both in terms of reporting categories and a net result.

The Company is not considering an early application of the standard.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Effective for annual periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.

The ammendements have immaterial impact on the financial statements of the Company.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Effective for annual periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.

The ammendements have immaterial impact on the financial statements of the Company.

Definition of Accounting Estimates (Amendments to IAS 8)
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. Effective for annual periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.

The ammendements have immaterial impact on the financial statements of the Company.

C.5.4 Standards, interpretations and amendments to published standards that are not yet effective and are not relevant for the Company´s financial statements

Annual improvements — 2018-2020 cycle
On 14 May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 containing the following amendments to IFRSs. Effective for annual periods beginning on or after 1 January 2022.

IFRS 1 (Subsidiary as a first-time adopter), IFRS 9 (Fees in the '10 per cent' test for derecognition of financial liabilities), IFRS 16 (Lease incentives), IAS 41 (Taxation in fair value measurements).

Amendments to IFRS 3
Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. Effective for annual periods beginning on or after 1 January 2022.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
The amendments 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. Effective for annual periods beginning on or after 1 January 2022.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Effective for annual periods beginning on or after 1 January 2022.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Effective for annual periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.

C.5.5 Temporary exemption from IFRS 9

The Company 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 Company qualifies for the temporary exemption from the application of IFRS 9. The carrying amount of liabilities related to the insurance business as at 31 December 2015 (CZK 76,194 million), is higher than 90% of the carrying amount of the total liabilities (CZK 81,138 million).

In particular, liabilities linked to insurance business as at 31 December 2015 are listed below:
- Insurance provisions (CZK 67,693 million)
- Deposits from reinsurers (CZK 1,402 million)
- Insurance liabilities connected with insurance business (CZK 6,543 million)
- Other (CZK 556 million)

As at 31 December 2021 and for the period ending a fair value and a change in the fair value of financial assets within the scope of IFRS 9 is disclosed in the following table:

In CZK million, as at 31 December 2021	Fair value	Fair value change from 31 December 2020
Financial assets managed on fair value basis and held for trading	**23,946**	**1,717**
Derivatives	244	7
Investments back to policies where the risk is borne by the policyholders and pension funds	22,496	1,710
Other	1,206	-
Available for sale financial assets (AFS), held to maturity and loans and receivables*	**61,815**	**(2,962)**
Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest	**53,484**	**(3,986)**
Bonds	50,585	(3,963)
Loans and other debt instruments	2,899	(23)
Financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest**	**8,331**	**1,024**
Equity instruments	3,199	668
Bonds	221	(1)
Investment fund units	4,911	357
Total	**85,761**	**(1,245)**

* Excluded from scope (policy loans and reinsurance deposits)
** These assets would be measured as at fair value through profit or loss if IFRS 9 was applied.

In CZK million, as at 31 December 2020	Fair value	Fair value change from 31 December 2019
Financial assets managed on fair value basis and held for trading	**18,121**	**347**
Derivatives	283	114
Investments back to policies where the risk is borne by the policyholders and pension funds	17,159	233
Other	679	-
Available for sale financial assets (AFS), held to maturity and loans and receivables*	**60,029**	**666**
Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest	**52,891**	**862**
Bonds	45,905	853
Loans and other debt instruments	6,986	9
Financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest**	**7,138**	**(196)**
Equity instruments	2,174	(156)
Bonds	233	(19)
Investment fund units	4,731	(21)
Total	**78,150**	**1,013**

* Excluded from scope (policy loans and reinsurance deposits)
** These assets would be measured as at fair value through profit or loss if IFRS 9 was applied.

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

In CZK million, as at 31 December 2021	Carrying amount* (IAS 39)
AAA	1,735
AA	21,096
A	7,067
BBB	17,612
BB	2,822
B	254
Not rated	-
Total	**50,585**

*before impairment

In CZK million, as at 31 December 2020	Carrying amount* (IAS 39)
AAA	1,686
AA	21,943
A	5,344
BBB	14,653
BB	2,090
B	189
Not rated	-
Total	**45,905**

*before impairment

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

In CZK million, as at 31 December 2021	Carrying amount* (IAS 39)
A	1,100
BBB	1,799
Not rated	-
Total	2,899

In CZK million, as at 31 December 2020	Carrying amount* (IAS 39)
A	1,920
BBB	5,066
Not rated	-
Total	**6,986**

*Most of the not rated exposure are Reverse Repos which are collateralized by CNB T-bills. So Not Rated counterparty does not represent material credit risk.

The following table shows fair value and carrying amount of instruments by risk rating grade that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding that does not have low credit risk. The Company considers "not investment grade" as investments that do not have low credit risk, in accordance with IFRS.

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:

In CZK million, as at 31 December 2021	Fair value	Book value (IAS 39)
Bonds	254	254
Loans and other debt instruments	-	-
Total	**254**	**254**

In CZK million, as at 31 December 2020	Fair value	Book value (IAS 39)
Bonds	189	189
Loans and other debt instruments	-	-
Total	**189**	**189**

D. RISK REPORT

In the risk report, the Company presents further information in order to enable the assessment of the significance of financial instruments and insurance contracts for an entity's financial position and performance. Furthermore, the Company provides information about its exposure to risks arising from financial instruments and insurance contracts, and it discloses the management's objectives, policies and processes for managing those risks, in accordance with IFRS 4 and IFRS 7.

There is no impact of the Business combination. The risk management system was maintained unified in all the companies subject to the business combination before the transaction took place.

D.1 Risk Management System

The Company is a member of the Generali Group ("the 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 Company are exposed, which means the risks whose consequences could affect the solvency of the Generali Group or the solvency of any single business unit, or negatively hamper any Company goals.

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

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

Risk management policies and guidelines of the Company are in place treating the management of all the significant risks the Company is exposed to (incl. methodologies to identify and assess risks, risk preferences and tolerances, escalation process etc.).

Risk Management System is based on three main pillars:
a) risk assessment process: aimed at identifying and evaluating the risks and the solvency position of the Company;
b) risk governance process: aimed at defining and controlling the managerial decisions in relation with relevant risks;
c) risk management culture: aimed at embedding the risk awareness in the decision making processes and increasing the value creation.

D.2 Roles and responsibility

The system is based on three levels of responsibility:

a) Assicurazioni Generali (Generali Group) – for every country, it sets the targets in terms of solvency, liquidity and operating results; moreover it defines the risk management policies and guidelines for treating the main risks.

b) Generali CEE Holding (GCEE) - defines strategies and objectives for every Company within the CEE region, taking into account the local features and regulations, providing methodological support and controlling the results. In particular, in order to ensure a better solution to the specific features of local risks and changes in local regulation, risk management responsibility and decisions are delegated to the Chief Risk Officer (CRO) of GCEE, respecting the Generali Group policy framework. Generali Group and GCEE are also assigned performance targets for their respective areas.

c) The Company defines strategies and targets in respect of the policies and guidelines established by GCEE. Risk management involves the corporate governance of the Company and the operational and control structure, with defined responsibility levels, and aims to ensure the adequacy of the entire Risk Management System at every moment. Company´s Risk Management reports on regular basis on the exposure to all the main risks

D.3 Risk measurement and control

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

These risks can be grouped into the following main categories which will be detailed later in this report: market risk, credit risk, liquidity risk, life and non-life insurance risks and operational risk.

Along with the specific measures for the risk categories considered by the Generali Group, the calculation of the 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 given confidence level.

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

D.4 Market risk

The Company collects premiums from policyholders in exchange for payment promises contingent on pre-determined events. It invests the collected premiums in a wide variety of financial assets, with the purpose of honoring future promises to policyholders and generating value for its shareholders.

Unexpected movements in prices of equities, real estate, currencies and interest rates might negatively impact the market value of the investments. These might affect both assets and the present value of the insurance liabilities.

The Company is a long-term liability-driven investor and holds assets until they are needed to redeem the promises to policyholders.

Nonetheless, the Company is required by the Solvency II Regulation to hold a capital buffer with the purpose of maintaining a sound solvency position even under adverse market movements. The Company evaluates its Market risk using Generali Group's Internal Model (compared to Standard Formula pre-defined by EIOPA, it allows the Company to better reflect company-specific risks) and other methods (cash-flow matching, duration analysis, etc.). To ensure the ongoing appropriateness of the Internal Model methodology, Market risk calibrations are reviewed on a yearly basis. Risks are monitored on a fair value basis.

In the case of its unit-linked business, the Company typically invests the collected premiums in financial instruments but does not bear any Market risk.

D.4.1 Interest rate risk

The Company'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 reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Company is also exposed to an interest rate cash flow risk, which varies depending on the different repricing characteristics of the various floating rate instruments.

The Company concludes derivative trades to manage the interest rate risk position of the asset portfolio as part of this risk management strategy. The objective of the investment and hedging strategy is to manage the overall interest rate risk position on a continuous basis. The Company achieves this objective using a dynamic strategy. The asset manager dynamically adjusts the positions within the fixed income portfolio and hedging derivatives that are used to adjust and hedge the interest rate sensitivity of the overall portfolio.

Interest rate derivatives are primarily used to bridge the mismatch in the repricing of assets and liabilities. In some cases derivatives are used to convert certain 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.

The Company monitors the sensitivity of financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all relevant yield curves.

The following table shows this sensitivity analysis at year end, before and after the related taxes. The overall impact on the Company's position is the result of sensitivity analysis on both the asset and liability side that creates a mitigating effect.

In CZK million, as at 31 December 2021		100bp parallel increase		100bp parallel decrease	
	Current value	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Loans and receivables	**2,897**	**-**	**-**	**-**	**-**
Bonds					
Bonds AFS	50,807				
– gross impact on fair value		*(608)*	*(2,249)*	*702*	*2,676*
– income tax charge /(credit)		*116*	*427*	*(133)*	*(508)*
Bonds FVTPL	-				
– gross impact on fair value		-	-	-	-
– income tax charge /(credit)		-	-	-	-
Derivatives					
Derivatives FVTPL	341				
– gross impact on fair value		*634*	-	*(729)*	-
– income tax charge /(credit)		*(120)*	-	*139*	-

In CZK million, as at 31 December 2020		100bp parallel increase		100bp parallel decrease	
	Current value	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Loans and receivables	**6,962**	**-**	**-**	**-**	**-**
Bonds					
Bonds AFS	46,138				
– gross impact on fair value		*(817)*	*(2,361)*	*977*	*2,906*
– income tax charge /(credit)		*155*	*449*	*(186)*	*(552)*
Bonds FVTPL	31				
– gross impact on fair value		-	-	-	-
– income tax charge /(credit)		-	-	-	-
Derivatives					
Derivatives FVTPL	(437)				
– gross impact on fair value		*830*	-	*(971)*	-
– income tax charge /(credit)		*(158)*	-	*184*	-

D.4.2 Asset liability matching

A substantial part of insurance liabilities carries an interest rate risk. Asset-liability management is significantly involved in interest rate risk management. The management of interest rate risk, implied from the net position of assets and liabilities, is a key task of asset-liability management.

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

The ALM manages the net asset-liability positions in both, life and non-life insurance, with the main focus on traditional life with the 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 costs.

At first, government bonds are used to manage the net position of assets and liabilities and in particular its 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 in 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 income statement does not match with the reporting of the insurance liabilities.

There is a strategic target asset-liability interest rate position set within the strategic asset allocation process (SAA). With the goals being a) to deliver rates of return that are in line with both, commercial needs and strategic planning targets, and b) that the overall SAA, including equity, credit, real estate allocation and also including the strategic asset & liability duration position, is in line with the risk and capital management policy. In addition to the management of the strategic position, there are certain limits allowed for tactical asset managers´ positions, so that asset interest rate sensitivity can deviate from the benchmark in a managed manner.

D.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 Company manages its use of equity investments in response to changing market conditions using the following risk management tools:
a) the portfolio is geographically diversified, in line with approved SAA,
b) the relative equity limits for investments are set and monitored on a daily basis.

Following table shows the sensitivity analysis as at the year end, before and after the related deferred taxes.

In CZK million, as at 31 December 2021		Equity price +10%		Equity price -10%	
	Current value	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Equities					
Equities AFS	8,110				
- gross impact on fair value		-	811	-	(811)
- income tax charge /(credit)		-	(155)	-	155
Total net impact		**-**	**657**	**-**	**(657)**

In CZK million, as at 31 December 2020		Equity price +10%		Equity price -10%	
	Current value	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Equities					
Equities AFS	6,905				
– gross impact on fair value		-	*691*	-	*(691)*
– income tax charge /(credit)		-	*(131)*	-	*131*
Total net impact		**-**	**559**	**-**	**(559)**

D.4.4 Currency risk

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. As the Company's functional currency is the Czech crown (CZK), movements in the exchange rates between selected foreign currencies and CZK affect the Company's financial statements. The functional currency of the branch in Slovakia is Euro ("EUR"). The exchange rate differences arising from the translation are accounted for in other comprehensive income (see C.1.30.1).

Instruments denominated in foreign currencies are either dynamically hedged into CZK via FX or assigned to foreign currency technical reserves at a corresponding value. The Company ensures that its net exposure is kept on an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or using short-term FX operations. The FX position is regularly monitored and the hedging instruments and tools are reviewed on a monthly basis and adjusted accordingly. Derivative financial instruments and tools are used to manage the potential earnings impact of foreign currency movements, including repo operations settled in foreign currency, currency swaps, spot and forward contracts. When suitable other instruments are also considered and used.

The Company's main foreign exposures are to European countries and the United States of America. Its exposures are measured mainly in Euros ("EUR") and U.S. Dollars ("USD").

The currency exposure is shown in the following tables.

The following table shows sensitivities of the portfolio to changes in currency risk. The portfolio does not contain instruments covering unit-linked policies, as the investment risk is transferred from the Company to the policyholder. Currency shocks are considered to be a rise or a fall in the value of foreign currency position by a specified percentage. This approach is in line with the Solvency II definition of the currency risk.

Due to hedge accounting, the impact of potential increase or decrease of foreign exchange rates is limited and recognized through the income statement:

The following table shows sensitivities of the investment portfolio (including derivatives classified as financial liabilities) to change in currency risk:

In CZK million, as at 31 December 2021	EUR		USD		CZK*		Other	
	10%	-10%	10%	-10%	10%	-10%	10%	-10%
FX investment portfolio exposure								
Income statement								
– Impact on income statement	*652*	*(652)*	*126*	*(126)*	*20*	*(20)*	*3*	*(3)*
– Income tax charge /(credit)	*(125)*	*125*	*(23)*	*23*	*(3)*	*3*	*-*	*-*

* CZK impact is caused by sensitivity of investment portfolio in Branch

In CZK million, as at 31 December 2020	EUR		USD		Other	
	10%	-10%	10%	-10%	10%	-10%
FX investment portfolio exposure						
Income statement						
– Impact on income statement	*192*	*(192)*	*72*	*(72)*	*(3)*	*3*
– Income tax charge /(credit)	*(36)*	*36*	*(13)*	*13*	*1*	*(1)*

The following table shows sensitivities of the insurance liabilities to change in currency risk:

In CZK million, as at 31 December 2021	EUR		USD		Other	
	10%	-10%	10%	-10%	10%	-10%
FX insurance liabilities exposure						
Income statement						
– Impact on income statement	*125*	*(125)*	*3*	*(3)*	*11*	*(11)*
– Income tax charge /(credit)	*(24)*	*24*	*(1)*	*1*	*(2)*	*2*

In CZK million, as at 31 December 2020	EUR		USD		Other	
	10%	-10%	10%	-10%	10%	-10%
FX insurance liabilities exposure						
Income statement						
– Impact on income statement	*128*	*(128)*	*4*	*(4)*	*12*	*(12)*
– Income tax charge /(credit)	*(24)*	*24*	*(1)*	*1*	*(2)*	*2*

The following table shows the composition of assets and liabilities and insurance liabilities with respect to the main currencies:

In CZK million, as at 31 December 2021	EUR	USD	CZK	Other	Total
Loans	938	-	1,959	-	2,897
Financial assets available-for-sale	22,500	10,020	25,307	1,090	58,917
Financial assets at fair value through profit or loss	9,276	423	13,432	815	23,946
Reinsurance assets	1,741	(1)	15,554	4	17,298
Receivables	1,469	102	5,400	279	7,250
Cash and cash equivalents	1,196	236	1,169	60	2,661
Total assets	**38,155**	**10,780**	**61,786**	**2,248**	**112,969**
Insurance liabilities	14,587	33	76,722	108	91,450
Financial liabilities	285	420	870	-	1,575
Deposits received from reinsurers	5	-	1,400	-	1,405
Payables	6,485	23	12,310	126	18,944
Other liabilities	562	-	2,322	-	2,884
Total liabilities	**21,924**	**476**	**93,624**	**234**	**116,258**
Net foreign currency position	16,231	10,304	(31,838)	2,014	(3,289)

In CZK million, as at 31 December 2020	EUR	USD	CZK	Other	Total
Loans	1,009	-	5,953	-	6,962
Financial assets available-for-sale	15,322	9,527	27,185	1,009	53,043
Financial assets at fair value through profit or loss	4,137	904	12,516	595	18,152
Reinsurance assets	28	(2)	14,212	2	14,240
Receivables	832	105	4,851	220	6,008
Cash and cash equivalents	324	67	737	100	1,228
Total assets	**21,652**	**10,601**	**65,454**	**1,926**	**99,633**
Insurance liabilities	1,282	40	76,180	122	77,624
Financial liabilities	863	727	1,276	-	2,866
Deposits received from reinsurers	-	-	1,400	-	1,400
Payables	190	9	12,140	72	12,411
Other liabilities	-	-	2,544	-	2,544
Total liabilities	**2,335**	**776**	**93,540**	**194**	**96,845**
Net foreign currency position	19,317	9,825	(28,086)	1,732	2,788

Year-to-year increase of EUR exposure is caused by purchase of business (See A.5.1)

D.4.5 Risk limits

The principal tools used to measure and control market and credit risk exposure within the Company's investments portfolios are the System of Investment Risk Limits, the adoption of the Generali Investments Risk Group Guidelines (IRGG).

This covers single and total limits on credit concentration, foreign currency, interest rate and equity risks. The primary aim of the system of limits is to control exposure to single types of risk. Limits are monitored on daily basis and allow Risk Management to take immediate action and actively manage the level of the undertaken risks.

D.5 Credit risk

The table below shows the fair value of assets sensitive to change in credit risk:

In CZK million, as at 31 December	Note	2021	2020
Bonds and Loans		**53,706**	**53,155**
Bonds available-for-sale	E.3.2	50,807	46,138
Bonds at fair value through profit or loss	E.3.3	-	31
Loans (fair value)	E.3.1	2,899	6,986
Receivables	**E.5**	**7,250**	**6,008**
Reinsurance assets	**E.4**	**17,298**	**14,240**
Total		**78,254**	**73,403**

Credit risk includes:
- Spread widening risk - the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease because of Spread widening risk either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.
- Default risk - refers to the risk of incurring losses because of the inability of a counterparty to honor its financial obligations.

The Company evaluates its Credit risk using the Generali Group Internal Model. To ensure the continuous appropriateness of the Internal Model methodology, Credit risk calibrations are reviewed on a yearly basis.

The Company has adopted risk guidelines to manage the credit risk of the investments. These guidelines favour the purchase of investment-grade securities and encourage the diversification and dispersion of the portfolio. Four main types of Credit risk limits are in place: SAA limits defining maximal allocation to government and corporate bonds, portfolio cumulative credit limits defining portfolio rating composition, expected credit loss limits and creditor concentration limits.

Moreover on a monthly basis company monitors its credit portfolio by analysing rating changes, changes of credit spread levels and analysing issuers' news.

The Group Credit Rating Assignment Guideline provides a framework for the methodology, process and governance used for assigning and reviewing credit ratings. These ratings evaluate the creditworthiness of counterparties and financial instruments. For the external rating assessment of an issue or an issuer, only ESMA (European Securities and Markets Authority) recognized ECAIs' (External Credit Assessment Institutions) ratings can be used and 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 in line with Group Credit Rating Assignment Guideline and based on materiality.

The following tables show the credit quality of the company's financial assets at fair value.

Rating of bonds and loans

In CZK million, as at 31 December	2021	2020
AAA	1,735	1,686
AA	21,096	21,943
A	8,166	7,263
BBB	18,087	18,313
BB	2,822	2,090
B	254	189
Non-rated	1,546	1,671
Total	**53,706**	**53,155**

Significant part of non-rated bonds and loans are loans to subsidiaries (2021: CZK 1,324 million, 2020: CZK 1,438 million).

Rating of reinsurance assets

In CZK million, as at 31 December	2021	2020
AA	257	185
A	432	408
BBB	14	-
Captive reinsurance	14,888	12,650
Non-rated	1,707	997
Total	**17,298**	**14,240**

There were no past due or impaired reinsurance assets either in 2021 or 2020.

The following table shows the Company's exposure to credit risk for loans and receivables:

In CZK million, as at 31 December	Loans and advances		Receivables	
	2021	2020	2021	2020
Collectively impaired – carrying amount	-	-	1,809	1,614
Gross amount	18	19	2,856	2,420
31 days to 90 days after maturity	-	-	1,406	1,293
91 days to 180 days after maturity	-	-	336	214
181 days to 1 year after maturity	-	-	161	213
Over 1 year after maturity	18	19	953	700
Allowance for impairment	(18)	(19)	(1,047)	(806)
Past due but not impaired - carrying amount	-	-	471	335
Neither past due nor impaired – carrying amount	2,897	6,962	4,970	4,059
Total Amortised costs	**2,897**	**6,962**	**7,250**	**6,008**
Total Fair value	**2,899**	**6,986**	**7,250**	**6,008**

The Company held no past due or impaired bonds either in 2021 or in 2020 with exception of one impaired bond in 2021. The impairment was booked in the amount of CZK 29 million.

Impaired receivables consist mostly of receivables from direct insurance, receivables from intermediaries, from reinsurance operations (receivables category) and receivables from matured loans and bonds not repaid (loans and advances category). These receivables are assessed according to their seniority and collection method – each receivable is individually assessed using these criteria and an allowance for impairment is stated accordingly.

Loans and advances and other investments, that are neither overdue nor impaired, consist mostly of receivables from reverse repurchase agreements with Czech banks. Neither past due nor impaired receivables consist mostly of receivables from insurance premiums and reinsurance receivables.

The most significant part of receivables past due but not impaired are reinsurance receivables.

The Company holds collateral for loans and advances to banks in the form of securities as part of reverse repurchase agreements, cash collateral for derivatives agreements, collateral for established rights from travel agencies, collateral for loans and advances to non-banks in the form of pledge over property, received notes and guarantees.

The following table shows the fair value of collateral held:

In CZK million, as at 31 December	Loans and advances to banks and nonbanks	
	2021	2020
Against individually impaired	5	5
Property	5	5
Against neither past due nor impaired	2,874	5,501
Securities	1,539	5,501
Cash	1,080	-
Property	255	-
Total	**2,879**	**5,506**

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 economic and geographic concentration of credit risk of bonds and loans:

In CZK million, as at 31 December	2021		2020	
	CZK million	in %	CZK million	in %
Economic concentration				
Public sector	29,033	54.06	28,199	53.05
Financial	13,737	25.58	15,068	28.36
Energy	2,711	5.05	2,808	5.28
Consumer Discretionary	1,682	3.13	1,319	2.48
Utilities	1,548	2.88	1,910	3.59
Industrial	1,524	2.84	1,156	2.17
Telecommunication services	1,373	2.56	813	1.53
Materials	1,087	2.02	1,092	2.05
Consumer Staples	746	1.39	790	1.49
Information technology	265	0.49	-	-
Total	**53,706**	**100.00**	**53,155**	**100.00**

In CZK million, as at 31 December	2021		2020	
	CZK million	in %	CZK million	in %
Geographic concentration				
Czech Republic	25,614	47.7	31,832	59.89
Slovak Republic	3,784	7.05	1,227	2.31
Rest of Europe	4,941	9.2	3,978	7.48
Other central-eastern European countries	3,677	6.85	3,669	6.90
Rest of world	3,015	5.61	2,753	5.18
Russia	2,666	4.96	2,540	4.78
Poland	2,632	4.9	2,612	4.91
USA	2,376	4,42	1,097	2.06
Netherlands	1,671	3.11	752	1.41
Italy	1,251	2.33	1,080	2.03
United Kingdom	1,041	1.94	1,077	2.03
Austria	683	1.27	429	0.81
Slovenia	355	0,66	109	0.21
Total	**53,706**	**100.00**	**53,155**	**100.00**

The risk characteristics of each bond or loan are taken into account when assessing economic and geographic concentration. The amounts reflected in the tables represent the maximum loss that would be incurred as at the end of the reporting period if the counter parties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed incurred losses, which are included in the allowance for uncollectibility.

D.6 Liquidity risk

Liquidity risk arises in the general funding of the Company'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 and 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.

The Company has access to a diverse funding base. Apart from insurance liabilities, which serve as a main source of financing, funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, real estates and shareholder equity. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

The Company strives 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, the Company holds a portfolio of liquid assets as part of its liquidity risk management strategy. The Company continuously monitors the liquidity risk to gain smooth 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.

The Company continually assesses its liquidity risk by identifying and monitoring changes in the funding required to meet business goals and the targets set in terms of the overall Company strategy.

The following tables show an analysis of the Company's assets and liabilities broken down into their relevant maturity bands based on the residual maturities (undiscounted cash flows).

Residual maturities of financial assets:

In CZK million, as at 31 December 2021	Less that 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Investments	**2,531**	**1,200**	**7,212**	**27,257**	**31,409**	**29,066**	**98,675**
Loans	1,550	-	938	431	-	-	2,919
Available-for-sale	536	906	5,635	25,346	30,351	8,110	70,884
Bonds	536	906	5,635	25,346	30,102	-	62,525
Equities	-	-	-	-	-	3,199	3,199
Investment fund units	-	-	-	-	249	4,911	5,160
Financial assets at fair value through profit or loss	445	294	639	1,480	1,058	20,956	24,872
Unit-linked investments	284	62	80	733	541	20,956	22,656
Derivatives	161	232	559	747	517	-	2,216
Receivables	**6,372**	**449**	**62**	**35**	**332**	**-**	**7,250**
Cash and cash equivalents	**2,661**	**-**	**-**	**-**	**-**	**-**	**2,661**
Assets	**11,564**	**1,649**	**7,274**	**27,292**	**31,741**	**29,066**	**108,586**

In CZK million, as at 31 December 2020	Less that 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Investments	**6,949**	**1,031**	**4,821**	**22,887**	**29,170**	**21,884**	**86,742**
Loans	5,542	-	965	521	-	-	7,028
Available-for-sale	708	507	3,046	21,502	28,724	6,905	61,392
Bonds	708	507	3,046	21,240	28,724	-	54,225
Equities	-	-	-	-	-	2,174	2,174
Investment fund units	-	-	-	262	-	4,731	4,993
Financial assets at fair value through profit or loss	699	524	810	864	446	14,979	18,322
Bonds	-	-	31	-	-	-	31
Unit-linked investments	371	139	683	590	446	14,979	17,208
Derivatives	328	385	96	274	-	-	1,083
Receivables	**5,596**	**301**	**10**	**7**	**94**	**-**	**6,008**
Cash and cash equivalents	**1,228**	**-**	**-**	**-**	**-**	**-**	**1,228**
Total financial assets	**13,773**	**1,332**	**4,831**	**22,894**	**29,264**	**21,884**	**93,978**

Residual maturities of liabilities:

In CZK million, as at 31 December 2021	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 year	More than 5 years	Total
Financial liabilities	102	239	1,907	686	14	2,948
Other financial liabilities	-	-	1,405	-	-	1,405
Financial liabilities at fair value through profit or loss	85	172	285	249	-	791
Lease liabilities	17	67	217	437	14	752
Payables	9,993	6,834	1,192	16	909	18,944
Other liabilities	2,558	319	1	6	-	2,884
Liabilities	**12,653**	**7,392**	**3,100**	**708**	**923**	**24,776**

In CZK million, as at 31 December 2020	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 year	More than 5 years	Total
Financial liabilities	1,202	147	1,777	957	145	4,228
Other financial liabilities	1,163	28	1,400	-	-	2,591
Financial liabilities at fair value through profit or loss	32	46	161	377	99	715
Lease liabilities	7	73	216	580	46	922
Payables	2,957	8,033	1,110	110	201	12,411
Other liabilities	2,444	100	-	-	-	2,544
Liabilities	**6,603**	**8,280**	**2,887**	**1,067**	**346**	**19,183**

Estimated cash flows of insurance liabilities and liabilities for investment contracts with DPF:

In CZK million, as at 31 December 2021	Less than 1 year	Between 1 and 5 year	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Non-life insurance liabilities	**12,379**	**7,402**	**1,914**	**860**	**647**	**1,807**	**25,009**
RBNS & IBNR	11,837	7,402	1,914	860	647	1,807	24,467
Other insurance liabilities	542	-	-	-	-	-	542
Life assurance liabilities	**6,172**	**12,101**	**10,696**	**9,325**	**7,911**	**11,416**	**57,621**
Of which guaranteed liability for investment contracts with DPF	85	324	165	133	115	361	1,183
Total	**18,551**	**19,503**	**12,610**	**10,185**	**8,558**	**13,223**	**82,630**

In CZK million, as at 31 December 2020	Less than 1 year	Between 1 and 5 year	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Non-life insurance liabilities	**11,427**	**5,878**	**1,546**	**859**	**638**	**1,428**	**21,776**
RBNS & IBNR	10,686	5,878	1,546	859	638	1,428	21,035
Other insurance liabilities	741	-	-	-	-	-	741
Life assurance liabilities	**5,038**	**11,606**	**9,589**	**7,511**	**6,498**	**8,407**	**48,649**
Of which guaranteed liability for investment contracts with DPF	58	99	194	176	201	452	1,180
Total	**16,465**	**17,484**	**11,135**	**8,370**	**7,136**	**9,835**	**70,425**

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

The most significant components of underwriting risk concern the adequacy of insurance premium rate levels and the adequacy of provisions with respect to insurance liabilities and the capital base. The adequacy is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions and customer behaviour, influenced also by changes within the legal environment, including observable court practice. Specific attention is paid to the adequacy of provisions for the life business. For a detailed description of the liability adequacy test, see Note C.2.3.

The Company manages the insurance risk using internal guidelines for product design, reserving, pricing criteria, reinsurance strategy and guidelines for underwriting. Monitoring risk profiles, review of insurance-related risk control and asset/liability management are also carried out by senior management. For those insurance contracts that contain high interest rate guarantees, stochastic modelling is used to assess the risk of these guarantees. The pricing reflects the cost of the guarantees and appropriate reserves are established accordingly.

Methods based on dynamic and stochastic modelling were implemented and are continuously being improved. These methods are used, among others, to measure the economic capital of insurance risks.

D.7.1 Concentration of insurance risk

A key aspect of the insurance risk faced by the Company 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 Company'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 Company 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.

D.7.1.1 Geographic concentrations

The risks underwritten by the Company are primarily located in the Czech Republic and in Slovak Republic through the Branch.

D.7.1.2 Low-frequency, high-severity risks

Significant insurance risk is connected with low-frequency and high-severity risks. The Company 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 Company is exposed is the risk of flooding in the Czech Republic. In the event of a major flood, the Company 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 snow-fall, claims caused by snow-weight or strong wind-storms or hail-storms would have a similar effect.

Underwriting strategy

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 underwriting limits by the Board of Directors, the strategy is cascaded to the individual underwriters in the form of underwriting limits (each underwriter can write business by line size, class of business, territory and industry in order to ensure the appropriate risk selection within the portfolio).

D.7.1.3 Life underwriting risk

In the life portfolio of the Company, there is a prevailing component of saving contracts, but there are also pure risk covers (death plus riders, such as an accident, disability, dread disease, etc.) and some annuity portfolios, with the presence of the longevity risk.

The risks related to policies with a prevailing saving component are considered in a prudent way when pricing the guaranteed interest rate, in line with the particular situation of the local financial market, and also taking into account any relevant regulatory constraint.

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.

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 the mortality by sex and age, other underwriting criteria and also mortality trends. Detailed analysis of risks concerning to dread disease and disability is also prepared annually.

As far as lapse risk (risks related to voluntary withdrawal from the contract) and expense risk (risks related to inadequacy of charges and loadings in the premiums in order to cover future expenses) is concerned, it is evaluated in a prudent manner in the pricing of new products, considering the construction and the profit testing of new tariff assumptions derived from the experience of the Company, or if it is not sufficiently reliable or suitable, the experience of the other Generali Group entities or the general experience of the local market.

The table below shows the insurance liabilities of the life gross direct business split by level of guaranteed interest rate.

In CZK million, as at 31 December	2021	2020
Liabilities with guaranteed interest		
Between 0% and 2.49%	11,826	11,261
Between 2.5% and 3.49%	4,220	3,505
Between 3.5% and 4.49%	3,296	3,195
More than 4.5% (incl.)	6,068	6,452
Provisions without guaranteed interest	4,637	3,003
Total	**30,047**	**27,416**

Increase of the insurance liabilities of the life gross direct business is consequence of the Business combination (See Note A.5), mainly Liabilities with guaranteed interest between 2.5 % and 3.49 % in the amount of CZK 1,140 million and Provisions without guaranteed interest in the amount of CZK 1,904 million.

D.7.1.4 Non-life underwriting risk

Gross earned premium per line of business is shown in the following table:

In CZK million, as at 31 December	2021	2020
Motor	14,624	14,331
Accident, Health and Disability	602	643
Marine, aviation and transport	419	418
Property	9,199	9,078
General liability	3,191	3,139
Other	176	85
Total	**28,211**	**27,694**

Nonlife underwriting risk covers pricing risk, reserving risk, natural catastrophe risk and lapse risk.

The pricing risk covers the risk that the premium charged is insufficient to cover future claims and expenses arising from company's portfolio.

The 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 and both processes are performed together for consistency reasons, using claim triangles and all other relevant information collected and analysed according to specific guidelines.

Lapse risk is connected to underwriting profits being in danger by contracts lapsing differently from expectation. It's mostly related to multiyear contracts, which are quite rare in our portfolio, and therefore is very small.

Natural catastrophe risk is described above.

The Company has the right to re-price the risk on renewal and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured or from liability of the insured person, and claims payment limits are always included to cap the amount payable on occurrence of the insured event.

D.7.2 Reinsurance strategy

Annually the Company pursues a renewal of reinsurance treaties which reinsure some of the underwritten risks in order to control its exposures to individual, frequent and catastrophic losses according to quantitative and qualitative points and protect its capital resources.

The Company concludes the proportional and non-proportional reinsurance treaties or a combination of these reinsurance treaties to reduce its net exposure. The maximum net exposure limits for particular lines of business are reviewed annually. To provide an additional protection, the Company uses facultative reinsurance for certain insurance policies.

The majority of reinsurance treaties are concluded with GP Re the group captive reinsurance company based in Bulgaria. On the top of it, the Company benefits from the consolidated reinsurance programme and diversification of its risks due to the GCEE group cover which is retro-ceded via Assicurazioni Generali S.p.A. on the regular reinsurance market.

Ceded reinsurance contains a reinsurers' credit risk as the cession does not relieve the Company of its obligations to its clients. Through the GCEE credit risk management, the Company 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 non-life obligatory reinsurance treaties is managed by the GCEE 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 programme and its ongoing adequacy and credit risk. Treaty capacity needed is based on both internal and group modelling.

The overview of obligatory reinsurance treaties for the main programme and underwriting year 2021:

Line of business / Treaty	Form of reinsurance	Leader
Property		
Property	Quota Share + Risk X/L, CAT X/L	GP Re
Engineering	Quota Share + Risk X/L, CAT X/L	GP Re
Civil Building	Quota Share, CAT X/L	GP Re
Household	Quota Share, CAT X/L	GP Re
SME Property	Quota Share, CAT X/L	GP Re
Liability		
Commercial Liability	Quota Share + Risk X/L	GP Re
Motor Third Party Liability	Quota Share + Risk X/L	GP Re
D&O	Quota Share	GP Re
Marine		
Cargo transport	Quota Share + Risk X/L	GP Re
Casco	Quota Share + CAT X/L	GP Re
Medical Expenses	Quota Share + X/L	GP Re
Agriculture		
Livestock	CAT X/L	GP Re
Hail	Stop Loss	GP Re
Bonds		
Bonds	Quota Share	GP Re
Life, pensions		
Individual life insurance	Surplus	Assicurazioni Generali S.p.A.
Group life insurance	Quota Share	Assicurazioni Generali S.p.A.
Life & Disability	Surplus	Swiss Re
Personal Accident	Quota Share	GP Re
Credit Protection Insurance	Quota Share	GP Re

D.8 Operational risk and other risks

Operational risk is defined as the potential loss arising from inadequate or failed internal processes, personnel and systems or from external events. The operational risk category includes the compliance risk and financial reporting risk. The compliance risk is the risk of incurring of legal or regulatory sanctions, material financial losses or reputational damage arising from failure to comply with laws, regulations and administrative provisions applicable to the Company business. The financial reporting risk is also considered as an operational risk. This is the risk of a transaction error which could entail an untrue and incorrect representation of situation of the assets, liabilities, profit or loss in the Company's financial statements.

As a part of the ongoing processes of Generali Group, the Company has set some common principles and techniques to manage the Operational Risk:
- policies and operating guidelines are in place establishing consistent framework of Operational Risk management within Generali Group;
- methodologies to identify significant risk event types and evaluation of their impact on Company's objectives;
- process of collecting the information of operational losses occurred to validate the results of different assessments and to allow the identification of not yet identified risks and control deficiencies;

The operational risk management process is based primarily on assessing the risks by experts in different fields of the Company's operations and collecting information on actually occurred losses. Outputs of these analyses are used to target investment in the new or modified current controls and mitigation actions in order to keep the level of risks in acceptable range.

D.8.1 Operating systems and IT security management

Organization of the Company's IT is based on separating the IT security unit from other IT functions (IT operations, IT development etc.) The rules set by the Company regarding IT risk management and IT security are based on the rules and recommendations contained in ISO/IEC 27001: Information technology - Security techniques - Information security management systems - Requirements from 2013 with later updates and on guidelines and policies created by Generali Group: Security Group Policy (updated in 5/2021), Security Group Guideline (updated in 8/2021), Security Group Technical Measure (issued in 4/2021) and Security Incident Management Group Technical Measure (issued in 6/2021). Moreover, the Company has been included into critical IT infrastructure of the Czech Republic since 2021 which brings another requirements on cyber security.

D.8.2 Other risks

In addition to above mentioned main risk categories, Company assesses also some other risks which are difficult to measure so their assessment relies on expert estimation:
- Reputational Risk, i.e. the risk of potential losses due to a reputational deterioration or to a negative perception of Company's or Generali Group's image among its customers, counterparties, shareholders and Supervisory Authority.
- Strategic Risk, i.e. the risk arising from external changes and/or internal decisions that may impact on the future risk profile of the Company or Generali Group.
- Contagion Risk, i.e. the risk that problems arising from one of the Generali Group's local entities could affect the solvency, economic or financial situation of other entities within Generali Group or Generali Group as a whole.
- Emerging Risk, i.e. the new risks due to internal or external environmental, social or technological changes that may increase Company's or Generali Group's risk exposure or require to define a new risk category.

Assessment of these risks is performed at least on yearly basis as a part of planning process aiming at identification of potential threats to planned business objectives.

D.9 Financial strength monitoring by third parties

The Company's risks are monitored by third parties such as the insurance regulator.

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

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

The Company 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.

D.10 Capital management

The Capital Management Policy defines principles for Capital Management activities.

Capital management activities refer to Own Funds management and control and in particular to procedures to:
- classify and review Own Funds;
- regulate issuance of Own Funds according to the medium-term Capital Management Plan;
- ensure consistency with policy or statement in respect of ordinary share dividends.

Capital management activities support the Solvency Position management considering the limits set out in Risk Appetite Framework. Capital management shall operate in compliance with all the regulatory requirements and legislative framework at Local and Group level. The Company, as a part of the Generali Group, follows the Group approach.

D.10.1 Solvency
The Company carries out business in the insurance sector, which is a regulated industry. The Company must comply with all regulations set in the Insurance Act No 277/2009 Coll. and regulation No 306/2016 Coll., fully harmonised with EU regulation, including prudential rules relating to the capital. The Generali Group makes use of 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. The Company, in accordance with a regulatory approval, use the Group Internal Model for regulatory solvency capital requirement calculations for insurance portfolios owned before the acquisition, and the Standard Formula Approach is used for the insurance portfolio acquired in 2021 (see A.5.1).

The Company regularly assesses its statutory solvency position which is derived from the ratio of its available capital and the capital requirement.

Total Equity per financial statements (2021: CZK 20,671 million, 2020: CZK 19,851 million) are further adjusted for revaluation of assets and liabilities to market value according to Solvency II rules to get onto regulatory available capital.

The Company has complied with the regulatory capital requirements in respect of Solvency position both during 2021 and 2020. The solvency position according to the Solvency II requirements is published as a part of the Solvency and Financial Condition Report (SFCR) which is available on the web pages of the Company.

D.11 Covid-19 implications
Risks related to Covid-19 outbreak have been addressed by standard risk management processes:

Main strategic risks which might endanger achieving the Company's objectives in planning horizon are assessed within the Main Risk Self-Assessment. The assessment was updated in 3Q 2021already with significant experience about Covid-19 from previous year. The Covid-19 have affected mainly investments and travel insurance business, minor impact was reflected in operations. However, the overall risk profile of the Company did not changed significantly in comparison with standard years.

Operational risks related to Covid-19, and pandemic situation in general, were assessed within the Overall (Operational) Risk Assessment and Scenario Analysis. Since the Company had been very well prepared for the remote working, the operational losses related to Covid-19 were only minor, mainly linked to sanitary costs, and compensated by the savings due to e.g. not realized business trips. Despite the low operational losses occurred so far, the pandemic risk is considered as relevant and therefore it's included also in the calculation of solvency capital requirement for operational risks.

Due to higher volatility of financial markets and uncertainty of some underlying risks during the Covid-19 outbreak, the Company increased the frequency of monitoring of the actual solvency position and its forecast.

E. NOTES TO THE STATEMENTS OF FINANCIAL POSITION, INCOME AND COMPREHENSIVE INCOME

E.1 Intangible assets

In CZK million, as at 31 December	2021	2020
Software	1,717	1,456
Other intangible assets	73	70
Total	**1,790**	**1,526**

The increase of intangible assets by CZK 152 million is consequence of the Business combination (see Note A.5 and E.1.1., E.1.2.).The Company acquired intangible assets at its respective carrying amounts of CZK 154 million. The amount of CZK 2 million was later on contributed to Generali Slovenská Distribúcia a.s. (see Note B).

E.1.1 Software

In CZK million, for the year ended 31 December	2021	2020
Acquisition cost as at the beginning of the year	**7,742**	**7,259**
Accumulated amortisation and impairment as at the beginning of the year	**(6,286)**	**(5,866)**
Carrying amount as at the beginning of the year	**1,456**	**1,393**
Additions	549	567
Disposals	-	(1)
Accumulated amortisation related to disposals	-	1
Amortisation for the period	(434)	(426)
Currency translation difference	(2)	-
Merger	3	-
Impairment	-	(67)
Business combination	145	-
Other movements	(37)	(16)
Accumulated amortisation related to other movements	37	5
Acquisition cost as at the end of the year	**8,437**	**7,742**
Accumulated amortisation and impairment as at the end of the year	**(6,720)**	**(6,286)**
Carrying amount as at the end of the year	**1,717**	**1,456**

The increase of software by CZK 145 million is consequence of the Business combination (see Note A.5 and E.1).

E.1.2 Other intangible assets

In CZK million, for the year ended 31 December	2021	2020
Acquisition cost as at the beginning of the year	**139**	**135**
Accumulated amortisation and impairment as at the beginning of the year	**(69)**	**(51)**
Carrying amount as at the beginning of the year	**70**	**84**
Additions	6	1
Disposals	-	-
Accumulated amortization related to disposals	-	-
Amortisation for the period	(8)	(18)
Business combination	7	-
Other movements	(9)	3
Accumulated amortisation related to other movements	7	-
Acquisition cost as at the end of the year	**160**	**139**
Accumulated amortisation and impairment as at the end of the year	**(87)**	**(69)**
Carrying amount as at the end of the year	**73**	**70**

E.2 Tangible assets and Right-of-use assets

In CZK million, as at 31 December	2021	2020
Land and buildings (self-used)	47	55
Right-of-use assets (self-used)	533	602
Other tangible assets	84	65
Other assets	27	23
Total	**691**	**745**

The decrease of Tangible assets and Right-of-use assets is mainly caused by the termination of leasing contracts (see Note E.12.1).

The impact of the Business combination on Tangible and Right-of-use assets is CZK 154 million. Company acquired tangible assets and right-of-use assets at their respective carrying amounts of CZK 174 million (see Note A.5 and tables bellow). The amount of CZK 20 million was later on contributed to Generali Slovenská Distribúcia a.s. (see Note B).

E.2.1 Land and buildings (self-used)

In CZK million, for the year ended 31 December	2021	2020
Acquisition cost as at the beginning of the year	**321**	**329**
Accumulated depreciation and impairment as at the beginning of the year	**(266)**	**(255)**
Carrying amount as at the beginning of the year	**55**	**74**
Additions	6	11
Disposals	(36)	(19)
Accumulated depreciation related to disposals	14	1
Depreciation of the period	(9)	(12)
Business combination	17	-
Acquisition cost as at the end of the year	**308**	**321**
Accumulated depreciation and impairment as at the end of the year	**(261)**	**(266)**
Carrying amount as at the end of the year	**47**	**55**

E.2.2 Right-of-use assets (self-used)

In CZK million, for the year ended 31 December	2021	2020
Acquisition cost as at the beginning of the year	**996**	**953**
Accumulated depreciation and impairment as at the beginning of the year	**(394)**	**(200)**
Carrying amount as at the beginning of the year	**602**	**753**
Additions	51	96
Disposals	(27)	(53)
Accumulated depreciation related to disposals	20	33
Depreciation of the period	(212)	(227)
Currency translation difference	(2)	-
Business combination	101	-
Acquisition cost as at the end of the year	**1,119**	**996**
Accumulated depreciation and impairment as at the end of the year	**(586)**	**(394)**
Carrying amount as at the end of the year	**533**	**602**

E.2.3 Other tangible assets

In CZK million, for the year ended 31 December	2021	2020
Acquisition cost as at the beginning of the year	**164**	**151**
Accumulated depreciation and impairment as at the beginning of the year	**(99)**	**(100)**
Carrying amount as at the beginning of the year	**65**	**51**
Additions	30	64
Disposals	(44)	(60)
Accumulated depreciation related to disposals	8	11
Depreciation of the period	(10)	(10)
Currency translation difference	(1)	-
Merger	1	-
Accumulated amortisation related to merger	(1)	-
Business combination	36	-
Impairment loss of the period/reversal of impairment	-	3
Other movements	-	6
Acquisition cost as at the end of the year	**186**	**164**
Accumulated depreciation and impairment as at the end of the year	**(102)**	**(99)**
Carrying amount as at the end of the year	**84**	**65**

Other tangible assets comprise primarily IT and office equipment.

E.3 Investments

Carrying values of investment:

In CZK million, for the year ended 31 December	Investment properties – Right of use assets	Loans	Available -for-sale	Fair value through profit or loss
Balance as at 1 January 2020	**317**	**8,194**	**49,170**	**17,212**
Purchases/additions	94	372,482	13,678	4,783
Disposals/repayments/sales/maturities	-	(372,723)	(10,220)	(4,549)
Depreciation	(99)	-	-	-
Fair value gains/losses recorded in the income statements	-	-	489	606
Fair value gains/losses recorded in other comprehensive income	-	-	167	-
Accrued interest	-	-	(165)	100
Foreign exchange adjustments	-	9	(76)	-
Other movements	(17)	-	-	-
Balance as at 31 December 2020	**295**	**6,962**	**53,043**	**18,152**
Purchases/additions	38	100,200	16,376	2,902
Disposals/repayments/sales/maturities	-	(104,354)	(16,682)	(3,465)
Depreciation	(90)	-	-	-
Fair value gains/losses recorded in the income statements	-	-	(866)	2,178
Fair value gains/losses recorded in other comprehensive income	-	-	(1,634)	(63)
Accrued interest	-	26	(253)	(73)
Foreign exchange adjustments	-	(22)	(617)	-
Business combination (A.5.1)	-	-	8,217	4,315
Merger	-	85	1,333	-
Other movements	(73)	-	-	-
Balance as at 31 December 2021	**170**	**2,897**	**58,917**	**23,946**

Other movements in the column Investment properties – Right of use assets represent a decrease in the value of the Right of use due to the termination of leases.

E.3.1 Loans

In CZK million, as at 31 December	2021	2020
Loans		
Loans to subsidiaries	1,347	1,414
Other loans	1,550	5,548
Total	**2,897**	**6,962**
Current portion	**2,489**	**6,467**
Non-current portion	**408**	**495**

The major part of other loans is represented by reverse REPO. Reverse repo operations are secured by collateral which is a financial asset received as part of a reverse REPO transaction.

The fair value of loans:

In CZK million, as at 31 December	2021	2020
Loans		
Loans to subsidiaries	1,349	1,438
Other loans	1,550	5,548
Total	**2,899**	**6,986**

In CZK million, as at 31 December 2021	Level 1	Level 2	Level 3	Total
Loans				
Loans to subsidiaries	-	1,349	-	1,349
Other loans	-	1,550	-	1,550
Total	**-**	**2,899**	**-**	**2,899**

In CZK million, as at 31 December 2020	Level 1	Level 2	Level 3	Total
Loans				
Loans to subsidiaries	-	1,438	-	1,438
Other loans	-	5,548	-	5,548
Total	**-**	**6,986**	**-**	**6,986**

E.3.2 Available-for-sale financial assets

In CZK million, as at 31 December	2021	2020
Equities at fair value	3,199	2,174
Quoted	1,778	1,227
Unquoted	1,421	947
Bonds	50,807	46,138
Quoted	50,451	45,905
Unquoted	356	233
Investment fund units	4,911	4,731
Total	**58,917**	**53,043**
Current portion	**5,907**	**3,017**
Non-current portion	**53,010**	**50,026**

Increase in the investments in available-for-sale financial assets is to main extent (CZK 9,397 million) caused by the transaction of business combination and merger (see note E.3 and note A.5).

Fair value measurement as at the end of the reporting period:

In CZK million, as at 31 December 2021	Level 1	Level 2	Level 3	Total
Equities at fair value	1,778	-	1,421	3,199
Quoted	1,778	-	-	1,778
Unquoted	-	-	1,421	1,421
Bonds	41,480	3,244	6,083	50,807
Quoted	41,480	3,244	5,727	50,451
Unquoted	-	-	356	356
Investment fund units	4,911	-	-	4,911
Total	**48,169**	**3,244**	**7,504**	**58,917**

In CZK million, as at 31 December 2020	Level 1	Level 2	Level 3	Total
Equities at fair value	1,227	-	947	2,174
Quoted	1,227	-	-	1,227
Unquoted	-	-	947	947
Bonds	36,608	5,861	3,669	46,138
Quoted	36,608	5,861	3,436	45,905
Unquoted	-	-	233	233
Investment fund units	4,731	-	-	4,731
Total	**42,566**	**5,861**	**4,616**	**53,043**

The following table presents the changes in Level 3 instruments for the year ended 31 December.

In CZK million for the year ended 31 December	2021	2020
Opening balance	**4,616**	**4,163**
Transfers into Level 3	2,778	-
Total gains or losses	(338)	133
in income statement	(68)	89
in other comprehensive income	(270)	44
Purchases	774	507
Sales	(202)	(77)
Business Combination	182	-
Transfer out of Level 3	(306)	(110)
Closing balance	**7,504**	**4,616**
Total change	**2,888**	**453**

In 2021 corporate bonds in the amount of CZK 1,976 million were reclassified from Level 2 to Level 3. The main driving force was a change of parameters that more rigorously assesses the levels of credit spreads used for valuations.

In 2021 corporate bonds in the amount of CZK 802 million were reclassified from Level 1 to Level 3. The main driving force was a change of data source (Level 1 quotations are no longer available)

In 2021 corporate bonds in the amount of CZK 306 million were reclassified out of the Level 3. The main driver was the fact that level of credit spread used for valuation ceased to be classified as material non-observable market input (either materiality decreases or more information on the market was available).

In 2020 corporate bonds in the amount of CZK 110 million were reclassified out of the Level 3. The main driver was the fact that level of credit spread used for valuation ceased to be classified as material non-observable market input (either materiality decreases or more information on the market was available).

In CZK million, for the year ended 31 December	2021	2020
Transfer into Level 1 from Level 2	48	-
Transfer into Level 2 from Level 1	-	-
Transfer into Level 2 from Level 3	306	110
Transfer into Level 3 from Level 1	802	-
Transfer into Level 3 from Level 2	1,976	-

Maturity of available-for-sale financial assets – bonds in fair value:

In CZK million, as at 31 December	2021	2020
Up to 1 year	5,907	3,018
Between 1 and 5 years	21,442	18,375
Between 5 and 10 years	14,631	13,256
More than 10 years	8,827	11,489
Total	**50,807**	**46,138**

Realised gains and losses, and impairment losses on available-for-sale financial assets:

In CZK million, for the year ended 31 December 2021	Realised gains	Realised losses	Impairment losses
Equities	65	(21)	(46)
Bonds	127	(679)	(29)
Investment fund units	123	-	(24)
Total	**315**	**(700)**	**(99)**

In CZK million, for the year ended 31 December 2020	Realised gains	Realised losses	Impairment losses
Equities	71	(114)	(76)
Bonds	407	(77)	-
Investment fund units	87	(77)	(87)
Total	**565**	**(268)**	**(163)**

E.3.3 Financial assets at fair value through profit or loss

In CZK million, as at 31 December	Financial assets held-for-trading		Financial assets designated at fair value through profit or loss		Hedging derivatives		Total financial assets at fair value through profit or loss	
	2021	2020	2021	2020	2021	2020	2021	2020
Bonds	**-**	**-**	**-**	**31**	**-**	**-**	**-**	**31**
Unquoted	-	-	-	31	-	-	-	31
Derivatives	**244**	**283**	**-**	**-**	**1,206**	**679**	**1,450**	**962**
Unit-linked investments	**-**	**-**	**22,496**	**17,159**	**-**	**-**	**22,496**	**17,159**
Allocated to policyholders	-	-	22,733	17,254	-	-	22,733	17,254
Not allocated to policyholders	-	-	(236)	(95)	-	-	(236)	(95)
Total	**244**	**283**	**22,497**	**17,190**	**1,206**	**679**	**23,946**	**18,152**
Current portion	**-**	**-**	**-**	**-**	**-**	**-**	**912**	**1,905**
Non-current portion	**-**	**-**	**-**	**-**	**-**	**-**	**23,034**	**16,247**

Increase in the investments in financial assets at fair value through profit or loss is to main extent (CZK 4,315 million) caused by the transaction of business combination (see note A.5).

Unit-linked investment might not precisely match the liabilities. Certain part could not be allocated to policyholders as at year end and stay available for new unit linked insurance contracts or the contrary. FV revaluation of financial assets that are designated through profit and loss eliminate accounting mismatch from related liabilities arising from unit linked insurance contracts.

Fair value measurement as at the end of the reporting period:

In CZK million, as at 31 December 2021	Level 1	Level 2	Level 3	Total
Bonds	-	-	-	-
Unquoted	-	-	-	-
Derivatives	12	1,438	-	1,450
Unit-linked investments	21,877	435	184	22,496
Total	**21,889**	**1,873**	**184**	**23,946**

In CZK million, as at 31 December 2020	Level 1	Level 2	Level 3	Total
Bonds	-	-	31	31
Unquoted	-	-	31	31
Derivatives	-	962	-	962
Unit-linked investments	15,802	559	798	17,159
Total	**15,802**	**1,521**	**829**	**18,152**

The following table presents the changes in Level 3 instruments:

In CZK million, for the year ended 31 December	2021	2020
Opening balance	**829**	**813**
Transfers into Level 3	68	-
Total gains or losses in P/L	4	17
Purchases	90	12
Business combination	-	-
Disposals	(2)	(8)
Pay-backs (maturities)	(787)	-
Transfer out of level 3	(18)	(5)
Closing balance	**184**	**829**
Total change	**(645)**	**16**

In CZK million, for the year ended 31 December	2020	2019
Transfer into Level 2 from Level 3	18	5
Transfer into Level 3 from Level 2	68	-

E.4 Reinsurance assets

In CZK million, as at 31 December	Direct insurance		Accepted reinsurance		Total	
	2021	2020	2021	2020	2021	2020
Non-life reinsurance assets	**15,678**	**12,487**	**778**	**916**	**16,456**	**13,403**
Provisions for unearned premiums	3,682	2,933	12	3	3,694	2,936
Provisions for outstanding claims	9,914	7,463	635	796	10,549	8,259
IBNR	2,071	2,057	131	117	2,202	2,174
Other insurance liabilities	11	34	-	-	11	34
Life reinsurance assets	**828**	**837**	**14**	**-**	**842**	**837**
Provisions for unearned premiums	78	71	9	-	87	71
Provisions for outstanding claims	373	360	1	-	374	360
IBNR	351	380	4	-	355	380
Mathematical provision	26	26	-	-	26	26
Total	**16,506**	**13,324**	**792**	**916**	**17,298**	**14,240**
Current portion	**10,141**	**7,908**	**400**	**467**	**10,541**	**8,375**
Non-current portion	**6,365**	**5,416**	**392**	**449**	**6,757**	**5,865**

Increase of reinsurance assets in the amount of CZK 1,723 million in non-life and CZK 25 million in life portfolio is consequence of the Business combination (see Note A.5).

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

Ceded reinsurance arrangements do not relieve the Company of its direct obligations to policyholders. Thus, a 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.

E.5 Receivables

In CZK million, as at 31 December			2021			2020
	Brutto	Correction	Netto	Brutto	Correction	Netto
Receivables arising out of direct insurance operations	4,087	(897)	3,190	3,211	(705)	2,506
Amounts owed by policyholders	3,941	(817)	3,124	3,080	(636)	2,444
Amount owed by intermediaries	146	(80)	66	131	(69)	62
Receivables arising out of reinsurance operations	3,301	(70)	3,231	3,058	(63)	2,995
Trade and other receivables	475	(79)	396	466	(52)	414
Receivables from derivatives collateral	382	-	382	93	-	93
Tax receivables	51	-	51	-	-	-
Total	**8,296**	**(1,046)**	**7,250**	**6,828**	**(820)**	**6,008**
Current portion	**-**	**-**	**6,883**	**-**	**-**	**5,907**
Non-current portion	**-**	**-**	**367**	**-**	**-**	**101**

In CZK million, for the year ended 31 December	2021	2020
Balance as at 1 January	**6,008**	**6,907**
Net change in gross value of receivables	583	(1,022)
Movement in impairent allowance	56	(85)
Merger	62	-
Business combination	643	324
Write offs	(102)	(116)
Balance as at 31 December	**7,250**	**6,008**

The increase of receivables in 2021 is to big extent consequence of the Business combination. The Company acquired receivables in the amount of CZK 1,518 million (see Note A.5.1). The receivables in the amount of CZK 875 million represented an intercompany receivables and were as at acquisition day offset against the current liabilities of the Company. Final impact of the business combination on receivables is the amount of CZK 643 million.

The Business combination in 2020 represents the acquisition of the insurance portfolio of PP and CPZ (see Note A.5.3).

The Merger line in the table above in the amount of CZK 62 million represents a merger of PP and CPZ with the Company in 2021 (see Note A.5.2).

E.6 Non-current assets held for sale and discontinued operations

As at 31 December 2021 and 2020 the Company classifies as non-current assets held for sale its investment in a subsidiary Green Point Offices s. r. o. in the amount of CZK 691 million (2020 CZK 756 million). Following a dividend distribution the recoverable value of the non-current asset has decreased and the asset has been revalued by CZK 65 million. Due to failed negotiations with a buyer after the year end the property has not been sold so far and the transaction is being reconsidered by the management of the Company.

E.7 Cash and cash equivalents

In CZK million, as at 31 December	2021	2020
Cash and cash equivalents	2	2
Cash at bank	2,659	1,096
Short term deposits	-	130
Total	**2,661**	**1,228**

E.8 Accruals and prepayments

In CZK million, as at 31 December	2021	2020
Deferred acquisition costs	1,900	1,397
Accrued income and prepayments	357	338
Total	**2,257**	**1,735**
Current portion	**2,257**	**1,735**

Increase of the Accruals and prepayments is consequence of the increase of the Deferred acquisition costs (net change and Business combination effect), see E.8.1.

E.8.1 Deferred acquisition costs

In CZK million, as at 31 December	2021	2020
Carrying amount as at the beginning of the year	**1,397**	**1,419**
Net change of deferred acquisition costs	271	(22)
Business combination (Note A.5.1)	232	-
Carrying amount as at the end of the year	**1,900**	**1,397**

As described in Note C.1.25, the Company defers only non-life insurance acquisition costs. As a result, all deferred acquisition costs are usually released within one year.

E.9 Shareholder´s equity

In CZK million, as at 31 December	2021	2020
Share capital	4,000	4,000
Currency translation differences	(11)	-
Reserve for unrealised gains and losses on investments available-for-sale	2,282	3,554
Statutory reserve fund	912	800
Retained earnings	3,847	6,679
Net profit for the year	9,641	4,818
Total	**20,671**	**19,851**

Shareholders equity has been in 2021 and 2020 influenced by the Business combinations as the pooling of interest accounting method has been used (see Note A.5).

The following table provides details on reserves for unrealised gains and losses on investments available-for-sale.

In CZK million, for the year ended 31 December	2021	2020
Balance as at 1 January	3,554	3,526
Gross revaluation as at the beginning of the year	4,383	4,348
Tax on revaluation as at the beginning of the year	(829)	(822)
Revaluation gain/loss in equity – gross	(2,051)	169
Revaluation gain/loss on realisation in income statement – gross	385	(297)
Movement in impairment losses	99	163
Tax on revaluation	299	(7)
Merger	(4)	-
Gross revaluation as at the end of the year	2,812	4,383
Tax on revaluation as at the end of the year (Note E.25.2)	(530)	(829)
Balance as at 31 December	2,282	3,554

E.9.1 Share capital

There are no preferences or restrictions attached to the shares of the Company. The following table provides details of ordinary shares.

As at 31 December	2021	2020
Number of shares authorised, issued and fully paid	40,000	40,000
Par value per share (CZK)	100,000	100,000

E.9.2 Dividends

No proposal for a distribution of the profit of the year 2021 has been made by the date of the financial statements.

The sole shareholder approved on 20 July 2021 the distribution of a prior year profit of the Company in the amount of CZK 4,817 million. The whole 2020 profit was paid in the form of dividend of CZK 120,425 per each share in the nominal value of CZK 100,000.

The sole shareholder approved on 3 November 2020 the distribution of a prior year profit of the Company in the amount of CZK 3,217 million. The whole 2019 profit was paid in the form of dividend of CZK 80,432 per each share in the nominal value of CZK 100,000.

E.10 Insurance liabilities

In CZK million, as at 31 December	Direct insurance		Accepted reinsurance		Total	
	2021	2020	2021	2020	2021	2020
Non-life insurance liabilities	**32,209**	**27,177**	**1,620**	**1,798**	**33,829**	**28,975**
Provisions for unearned premium	8,761	7,156	59	43	8,820	7,199
Provisions for outstanding claims (RBNS)	18,406	14,628	1,267	1,479	19,673	16,107
Claims incurred but not reported (IBNR)	4,543	4,680	251	248	4,794	4,928
Other insurance liabilities	499	713	43	28	542	741
Life assurance liabilities	**57,607**	**48,649**	**14**	**-**	**57,621**	**48,649**
Provisions for unearned premium	362	234	9	-	371	234
Provisions for outstanding claims (RBNS)	1,827	1,381	1	-	1,828	1,381
Claims incurred but not reported (IBNR)	1,676	1,414	4	-	1,680	1,414
Mathematical provision	30,047	27,416	-	-	30,047	27,416
Unit-linked provision	22,733	17,254	-	-	22,733	17,254
Other insurance liabilities	962	950	-	-	962	950
Total	**89,816**	**75,826**	**1,634**	**1,798**	**91,450**	**77,624**
Current	**26,520**	**22,716**	**851**	**948**	**27,371**	**23,664**
Non-current	**63,296**	**53,110**	**783**	**850**	**64,079**	**53,960**

Increase of non-life insurance liabilities in the amount of CZK 3,928 million and life insurance liabilities in the amount of CZK 9,549 million is consequence of Business combination (see Note A.5).

Other insurance liabilities consist of nonlife provision for profit-sharing in the amount CZK 542 million (2020: CZK 741 million). Other life provisions represent mainly provision for profit sharing and provisions for maturities amounting to CZK 417 million (2020: CZK 383 million) and provision of CZK 503 million for amounts expected to be paid on top of the value of basic life assurance liability (2020: CZK 547 million).

E.10.1 Non-life insurance liabilities

E.10.1.1 Provision for unearned premiums

In CZK million, for the year ended 31 December 2021	Gross	Reinsurance	Net
Balance as at 1 January	**7,199**	**(2,936)**	**4,263**
Added during the year	27,948	(2,257)	25,691
Released to the income statement	(27,783)	2,110	(25,673)
Foreign currency translation	22	9	31
Business combination	1,452	(616)	836
Other changes	(18)	(4)	(22)
Balance as at 31 December	**8,820**	**(3,694)**	**5,126**

In CZK million, for the year ended 31 December 2020	Gross	Reinsurance	Net
Balance as at 1 January	**7,018**	**(2,880)**	**4,138**
Added during the year	27,485	(2,261)	26,293
Released to the income statement	(27,359)	2,233	(26,195)
Business combination	55	(28)	27
Balance as at 31 December	**7,199**	**(2,936)**	**4,263**

E.10.1.2 Provisions for outstanding claims (RBNS)

In CZK million, for the year ended 31 December 2021	Gross	Reinsurance	Net
Balance as at 1 January	**16,107**	**(8,259)**	**7,848**
Plus claims incurred	16,824	(7,728)	9,096
Current year	15,568	(7,174)	8,394
Transfer from IBNR	1,256	(554)	702
Less claims paid	(13,755)	6,339	(7,416)
Released to the income statement	(1,314)	(94)	(1,408)
Foreign currency translation	(96)	15	(81)
Business combination	2,017	(916)	1,101
Other changes	(110)	94	(16)
Balance as at 31 December	**19,564**	**(10,549)**	**9,015**

In CZK million, for the year ended 31 December 2020	Gross	Reinsurance	Net
Balance as at 1 January	**17,191**	**(8,515)**	**8,676**
Plus claims incurred	14,622	(6,368)	8,254
Current year	12,311	(5,351)	6,960
Transfer from IBNR	2,311	(1,017)	1,294
Less claims paid	(13,456)	5,848	(7,608)
Released to the income statement	(2,800)	958	(1,842)
Foreign currency translation	41	(1)	40
Business combination	509	(181)	328
Balance as at 31 December	**16,107**	**(8,259)**	**7,848**

E.10.1.3 Claims incurred but not reported

In CZK million, for the year ended 31 December 2021	Gross	Reinsurance	Net
Balance as at 1 January	**4,928**	**(2,174)**	**2,754**
Plus additions recognised during the year	2,219	(980)	1,239
Less transfer to claims reported provision	(1,256)	554	(702)
Released to the income statement	(1,487)	615	(872)
Foreign currency translation	(6)	3	(3)
Business combination	424	(213)	211
Other changes	(28)	(7)	(35)
Balance as at 31 December	**4,794**	**(2,202)**	**2,592**

In CZK million, for the year ended 31 December 2020	Gross	Reinsurance	Net
Balance as at 1 January	**4,787**	**(2,106)**	**2,681**
Plus additions recognised during the year	2,408	(1,059)	1,349
Less transfer to claims reported provision	(2,311)	1,017	(1,294)
Released to the income statement	(53)	13	(40)
Business combination	97	(39)	58
Balance as at 31 December	**4,928**	**(2,174)**	**2,754**

E.10.1.4 Development of policyholders claims (RBNS and IBNR)

In CZK million, for the year ended 31 December 2021	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of cumulative claims at the end of accident year	14,142	15,246	12,662	12,303	13,222	14,136	14,512	14,907	13,414	16,521	
One year later	13,410	14,523	12,812	11,960	12,881	14,054	14,336	14,805	13,016		
Two years later	12,989	14,008	12,327	11,667	12,561	13,909	14,225	14,766			
Three years later	12,730	13,789	12,079	11,346	12,212	13,546	13,836				
Four years later	12,201	13,149	11,521	11,060	11,718	13,189					
Five years later	11,999	12,999	11,252	10,833	11,565						
Six years later	11,840	12,867	11,020	10,699							
Seven years later	11,709	12,807	10,864								
Eight years later	11,628	12,737									
Nine years later	11,542										
Estimate of cumulative claims	**11,542**	**12,737**	**10,864**	**10,699**	**11,565**	**13,189**	**13,836**	**14,766**	**13,016**	**16,521**	**128,735**
Cumulative payments	11,263	12,452	10,497	9,986	10,909	12,236	12,092	12,357	10,411	9,013	111,216
Accepted reinsurance											1,448
Provisions for ULAE											1,202
Provisions for outstanding claims not included in accident year											1,921
Amount recognised in the Statement of Financial Position	**279**	**285**	**367**	**713**	**656**	**953**	**1,744**	**2,409**	**2,605**	**7,508**	**22,090**
Business combination											2,441
Translation differences											(64)
Amount recognised in the Statement of Financial Position											**24,467**

Information in the table include also claims handling costs attributable to the claims. Provisions for outstanding claims which were not included in the analysis by an accident year include provision for claims which occurred before 2012 and provisions related to minor non-life insurance products.

In CZK million, for the year ended 31 December 2020	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of cumulative claims at the end of accident year	14,133	14,309	15,358	12,764	12,404	13,318	14,126	14,593	14,979	13,417	
One year later	13,215	13,497	14,608	12,893	12,040	12,956	14,116	14,392	14,812		
Two years later	12,869	13,037	14,052	12,372	11,712	12,604	13,943	14,229			
Three years later	12,640	12,744	13,804	12,096	11,363	12,231	13,560				
Four years later	12,295	12,206	13,160	11,532	11,078	11,724					
Five years later	12,130	12,003	13,002	11,258	10,841						
Six years later	11,920	11,843	12,869	11,025							
Seven years later	11,716	11,712	12,810								
Eight years later	11,622	11,631									
Nine years later	11,567										
Estimate of cumulative claims	**11,567**	**11,631**	**12,810**	**11,025**	**10,841**	**11,724**	**13,560**	**14,229**	**14,812**	**13,417**	**125,616**
Cumulative payments	11,141	11,255	12,444	10,454	9,958	10,868	11,802	11,732	11,718	7,861	109,233
Accepted reinsurance											1,727
Provisions for ULAE											1,158
Provisions for outstanding claims not included in accident year											1,767
Amount recognised in the Statement of Financial Position	**426**	**376**	**366**	**571**	**883**	**856**	**1,758**	**2,497**	**3,094**	**5,556**	**21,035**

Information in the table include also claims handling costs attributable to the claims. Provisions for outstanding claims which were not included in the analysis by an accident year include provision for claims which occurred before 2011 and provisions related to minor non-life insurance products.

E.10.1.5 Other insurance liabilities

Contractual non-discretionary bonuses:

In CZK million, for the year ended 31 December 2021	Gross	Reinsurance	Net
Balance as at 1 January	**741**	**(34)**	**707**
Creation of provisions	1,306	(47)	1,259
Use of provisions	(1,538)	48	(1,490)
Foreign currency translation	(1)	-	(1)
Business combination	34	22	56
Balance as at 31 December	**542**	**(11)**	**531**

In CZK million, for the year ended 31 December 2020	Gross	Reinsurance	Net
Balance as at 1 January	**699**	**(50)**	**649**
Creation of provisions	2,523	(240)	2,283
Use of provisions	(2,491)	256	(2,235)
Business combination	10	-	10
Balance as at 31 December	**741**	**(34)**	**707**

E.10.2 Life assurance liabilities

In CZK million, for the year ended 31 December 2021	Gross	There of Unit-linked provision	Reinsurance	Net
Balance as at 1 January	**48,649**	**17,254**	**(837)**	**47,812**
Premium allocation	7,235	1,153	-	7,235
Release of liabilities due to benefits paid, surrenders and other terminations	(8,314)	(1,661)	-	(8,314)
Fees deducted from account balances	(1,954)	-	-	(1,954)
Unwinding of discount / accretion of interest	717	-	-	717
Changes in unit-prices	1,826	1,826	-	1,826
Change in IBNR and RBNS	7	-	30	37
Change in UPR	(8)	-	5	(3)
Foreign currency translation	(143)	(63)	-	(143)
Business combination	9,549	4,224	(26)	9,523
Other changes	57	-	(14)	43
Balance as at 31 December	**57,621**	**22,733**	**(842)**	**56,779**

In CZK million, for the year ended 31 December 2020	Gross	There of Unit-linked provision	Reinsurance	Net
Balance as at 1 January	**50,037**	**16,723**	**(871)**	**49,166**
Premium allocation	7,597	1,699	-	7,597
Release of liabilities due to benefits paid, surrenders and other terminations	(7,762)	(1,176)	-	(7,762)
Fees deducted from account balances	(1,981)	-	-	(1,981)
Unwinding of discount / accretion of interest	802	-	-	802
Changes in unit-prices	8	8	-	8
Change in IBNR and RBNS	(39)	-	37	(2)
Change in UPR	(16)	-	(3)	(19)
Business combination	3	-	-	3
Balance as at 31 December	**48,649**	**17,254**	**(837)**	**47,812**

E.10.2.1 Insurance liabilities and investment contact liabilities related to policies of the life segment

In CZK million, as at 31 December	2021	2020
Insurance contracts	56,438	47,469
Investments contracts with discretionary participation feature	1,183	1,180
Total	**57,621**	**48,649**
Current portion	**6,172**	**5,038**
Non-current portion	**51,449**	**43,611**

E.11 Other provisions

In CZK million, as at 31 December	2021	2020
Restructuring provision	34	35
Provisions for commitments	258	32
Other provisions	12	-
Total	**304**	**67**
Current portion	**172**	**33**
Non-current portion	**132**	**34**

In CZK million, for the year ended 31 December	2021	2020
Carrying amount as at 1 January	**67**	**57**
Provisions created during the year	95	49
Provisions used during the year	(48)	(39)
Foreign currency translation	(3)	-
Business combination	188	-
Other changes	5	-
Carrying amount as at 31 December	**304**	**67**

Provisions for commitments represent mainly a guarantee for Slovac Insurers´ Bureau of CZK 173 million.

E.12 Financial liabilities

In CZK million, for the year ended 31 December	2021	2020
Financial liabilities at fair value through profit or loss	823	753
Derivatives	823	753
Other financial liabilities	1,405	2,591
Lease liabilities	752	922
Total	**2,980**	**4,266**
Current portion	**2,190**	**2,948**
Non-current portion	**790**	**1,318**

Decrease in other financial liabilities is caused by the decrease of REPO operations.

Fair value measurement as at the end of the reporting period:

In CZK million, as at 31 December 2021	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	5	818	-	823
Lease liabilities	-	752	-	752
Other financial liabilities	-	1,405	-	1,405

In CZK million, as at 31 December 2020	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	1	752	-	753
Lease liabilities	-	961	-	961
Other financial liabilities	-	2,591	-	2,591

E.12.1 Other financial liabilities and lease liabilities

In CZK million, as at 31 December	2021			2020		
	Amortised cost	Fair value	Fair value level	Amortised cost	Fair value	Fair value level
Loans, bonds	**1,405**	**1,405**	**-**	**2,591**	**2,591**	**-**
Deposits received from reinsurers	1,405	1,405	2	1,400	1,400	2
Repurchase agreement (REPO)	-	-	2	1,191	1,191	2
Lease liabilities	**752**	**752**	**2**	**922**	**961**	**2**
Total	**2,157**	**2,157**	**-**	**3,513**	**3,552**	**-**
Current portion	**1,722**	**1,722**	**-**	**2,887**	**2,900**	**-**
Non-current portion	**435**	**435**	**-**	**626**	**652**	**-**

Even if lease liabilities increased by CZK 122 million as a consequence of the Business combination (see Note A.5) the balance as at year end 2021 is lower due to termination of some leases.

E.13 Payables

In CZK million, for the year ended 31 December	2021	2020
Payables arising out of direct insurance operations	2,998	2,364
Payables arising out of reinsurance operations	7,380	6,467
Payables relating to taxation	46	1,469
Payables to client and suppliers	172	196
Payables to employees	176	133
Social security	77	69
Other payables	8,095	1,713
Total	**18,944**	**12,411**
Current portion	**18,019**	**12,100**
Non-current portion	**925**	**311**

Higher payables relating to taxation as at 31 December 2020 corresponds to the change of the corporate income taxes of insurance companies effective from 1 January 2020 (see Note E.25). The decrease of the payables relating to taxation in 2021 is caused by the fact that these payables are covered by the income tax advances.

The most significant item of other payables is a payable from the purchase price to Generali Poisťovňa, a. s. (GSK Financial, a. s.) in the amount of CZK 5,881 million (see Note A.5) and a payable to the Ministry of Finance of the Czech Republic for the employer´s liability insurance of CZK 1,109 million (2020: CZK 1,076 million) which the Company administers for the state.

E.14 Accruals and deferred income

In CZK million, as at 31 December	2021	2020
Reinsurance deferrals	319	100
Other accrued expense	2,537	2,413
Thereof: Non-invoiced supplies	496	533
Commissions	1,460	1,384
Accrued expenses for untaken holidays and bonuses	581	496
Deferred income	28	31
Total	**2,884**	**2,544**
Current portion	**2,878**	**2,544**
Non-current portion	**6**	**-**

The increase of Reinsurance deferrals in the amount of CZK 174 million and the increase of Other accrued excense in the amount of CZK 380 million (thereof: the Commissions in the amount of CZK 203 million) are consequence of the Business combination (See Note A.5).

E.15 Net earned premium

In CZK million, for the year ended 31 December	Gross amount		Reinsurer's share		Net amount	
	2021	2020	2021	2020	2021	2020
Non-life earned premium	**28,211**	**27,694**	**(12,841)**	**(12,583)**	**15,370**	**15,111**
Premiums written	28,376	27,820	(12,988)	(12,611)	15,388	15,209
Change in the UPR	(165)	(126)	147	28	(18)	(98)
Life earned premium	**10,571**	**10,653**	**(1,531)**	**(1,480)**	**9,040**	**9,173**
Premium written	10,571	10,653	(1,531)	(1,480)	9,040	9,173
Total	**38,782**	**38,347**	**(14,372)**	**(14,063)**	**24,410**	**24,284**

E.16 Income from other financial instruments and investment properties

In CZK million, for the year ended 31 December	2021	2020
Interest income	**1,060**	**1,226**
Interest income from loans and receivables	43	155
Interest income from available-for-sale financial assets	1,010	1,065
Interest income from cash and cash equivalents	7	6
Other income	**206**	**90**
Income from land and buildings (investment properties)	88	-
Income from equities available-for-sale	70	37
Other income from investment fund units	48	53
Interests and other investment income	**1,266**	**1,316**
Realised gains	**317**	**568**
Realised gains on land and buildings (investment properties)	2	3
Realised gains on available-for-sale financial assets (Note E.3.3)	315	565
Unrealised gains	**3**	**493**
Unrealised gains on hedged instruments	3	493
Reversal of impairment	**-**	**-**
Reversal of impairment on other receivables from reinsurers	-	-
Reversal of impairment of other receivables	6	-
Other income from financial instruments and other investments	**326**	**1,061**
Total	**1,592**	**2,377**

E.17 Income from subsidiaries and associates

In CZK million, for the year ended 31 December	2021	2020
Dividends and other income	1,595	5,762
Realised gains from disposal (Note B)	4,233	-
Total	**5,828**	**5,762**

In 2021 a realised gain from disposal was booked on CP Strategic Investments N.V. in the amount of CZK 4,233 million (see Note B). There were no realised gains from disposal in 2020.

Income from dividends consists of the dividends received from:

In CZK million, for the year ended 31 December	2021	2020
Acredité s. r. o.	-	21
Česká pojišťovna ZDRAVÍ a.s.	-	520
Generali Česká Distribuce a.s.	92	100
Direct Care s.r.o.	-	5
Europ Assistance s.r.o.	-	7
Generali Real Estate Fund CEE a.s.	20	31
Generali penzijní společnost a.s.	1,371	-
Green Point Offices s. r. o.	102	-
Pařížská 26, s.r.o.	10	9
Pojišťovna Patricie a.s.	-	5,067
Small GREF a.s.	-	2
Total	**1,595**	**5,762**

E.18 Net income/loss from financial assets at fair value through profit or loss

In CZK million, for the year ended 31 December		Financial investments held-for-trading		Unit linked investments		Financial investments designated as at fair value through profit or loss		Total financial investments at fair value through profit or loss	
		2021	2020	2021	2020	2021	2020	2021	2020
Financial assets									
Interests and other income		134	119	103	58	(46)	(1)	191	176
Realised	– gains	60	5	290	201	-	-	350	206
	– losses	(54)	-	(126)	(344)	-	-	(180)	(344)
Unrealised	– gains	138	157	1,891	652	601	-	2,630	809
	– losses	(131)	(43)	(181)	(419)	-	(65)	(312)	(527)
Financial liabilities									
Interest expenses		(49)	(62)	-	-	(148)	(170)	(197)	(232)
Realised	– gains	68	17	-	-	-	-	68	17
	– losses	(168)	(106)	-	-	-	-	(168)	(106)
Unrealised	– gains	80	16	-	-	366	50	446	66
	– losses	(248)	(45)	-	-	(17)	(290)	(265)	(335)
Other income		-	-	-	-	64	68	64	68
Total		**(170)**	**58**	**1,977**	**148**	**820**	**(408)**	**2 627**	**(202)**

E.19 Other income

In CZK million, for the year ended 31 December	2021	2020
Gains on foreign currency	2,397	3,874
Reversal of other provisions (Note E.11)	48	39
Income from services and assistance activities and recovery of charges	575	725
Income from sale of assets	1	1
Other income	-	3
Other technical income	171	132
Total	**3,192**	**4,774**

E.20 Net insurance benefits and claims

In CZK million, for the year ended 31 December	Gross amount		Reinsurer's share		Net amount	
	2021	2020	2021	2020	2021	2020
Non-life net insurance benefits and claims	**15,986**	**13,420**	**(7,666)**	**(5,470)**	**8,320**	**7,950**
Claims paid	14,249	14,008	(6,339)	(5,847)	7,910	8,161
Claims settlement expenses	231	269	-	-	231	269
Profit sharing and premium refunds paid	575	660	(35)	(47)	540	613
Change in the provision for outstanding claims	1,689	(1,593)	(1,482)	437	207	(1,156)
Change in the IBNR provision	(524)	44	189	(29)	(335)	15
Change in other insurance liabilities	(234)	32	1	16	(233)	48
Life net insurance benefits and claims	**7,829**	**6,388**	**(449)**	**(427)**	**7,380**	**5,961**
Claims paid	8,279	7,732	(484)	(461)	7,795	7,271
Claims settlement expenses	15	13	-	-	15	13
Profit sharing and premium refunds paid	26	34	-	-	26	34
Change in the provision for UPR	(8)	(16)	(2)	(2)	(10)	(18)
Change in the provision for outstanding claims	78	(28)	2	30	80	2
Change in the IBNR provision	(71)	(11)	28	7	(43)	(4)
Change in the mathematical provision	(1,776)	(2,415)	7	(1)	(1,769)	(2,416)
Change in the unit-linked provision	1,318	532	-	-	1,318	532
Change in other insurance liabilities	(32)	547	-	-	(32)	547
Total	**23,815**	**19,808**	**(8,115)**	**(5,897)**	**15,700**	**13,911**

Non-life insurance

While Claims paid were relatively stable, the significant movements in provisions were caused mainly due to few large claims increasing outstanding claims provisions and decreasing relatively high prudency concerned IBNR provision.

Life insurance

The continued release of mathematical provisions is caused by ongoing maturities and continuing product mix aimed at non-guaranteed unit-linked and risk products. Increase of unit-linked provision is caused by mentioned product mix and in this year especially by an overall increase of value of underlying assets. Increase in claim payments is caused by the increase in maturity of CZK 354 million (maturity of two lump sum unit-linked tranches). Compared to last year when the claim payments from lapses and benefits from accidental riders were lower as a result of "lockdown" and other COVID-19 measures adopted, in this year lapses (by CZK 120 million) and benefits from accidental riders (by CZK 100 million) increased. Change in other insurance provision in 2020 represents a provision for amounts expected to be paid on top of the value of basic life assurance liability related to the process of an enhancement of policy information, which is in updated amount held also in 2021.

E.21 Other expenses for financial instruments and other investments

In CZK million, for the year ended 31 December	2021	2020
Interest expense	**36**	**108**
Interest expense on loans, bonds and other payables	2	39
Interest expense on deposits received from reinsurers	9	33
Interest expense on lease liabilities (IFRS 16)	25	36
Other expenses	**189**	**201**
Other expenses on investments	99	100
Depreciation of right-of-use assets investment properties (IFRS 16) (Note E.3)	90	101
Realised losses	**700**	**268**
Realised losses on available-for-sale financial assets (Note E.3.2)	700	268
Unrealised losses	**869**	**4**
Unrealised losses on hedged instruments	869	4
Impairment losses	**132**	**234**
Impairment of loans and receivables	29	54
Impairment of available-for-sale financial assets (Note E.3.2)	99	163
Impairment on receivables from reinsurers	4	13
Impairment of other receivables	-	4
Other expenses for financial instruments and other investments	**1,926**	**815**

E.22 Expenses from subsidiaries and associates

No expenses from subsidiaries and associates were booked in 2021.

In 2020 the impairment loss on Pojišťovna Patricie a. s. was booked in the amount of CZK 4,857 milion and on Direct Care s.r.o. in the amount of CZK 4.5 million. The impairment loss on Pojišťovna Patricie a.s. in 2020 corresponded with a decrease in equity of the subsidiary following a dividend payment. No realised losses were booked in 2020.

E.23 Acquisition and administration costs

In CZK million, for the year ended 31 December	Non-life segment		Life segment		Total	
	2021	2020	2021	2020	2021	2020
Gross acquisition costs and other commissions	2,652	2,167	1,284	1,037	3,936	3,204
Change of deferred acquisition costs	(260)	38	(11)	(16)	(271)	22
Other administration costs	1,612	1,538	798	753	2,410	2,291
of which: statutory audit	-	-	-	-	16	16
of which: non-audit services	-	-	-	-	-	9
Total	**4,004**	**3,743**	**2,071**	**1,774**	**6,075**	**5,517**

Increase of the Gross acquisition costs and other commissions in the amount of CZK 485 million (Non-life segment) and in the amount of CZK 247 million (Life segment) corresponds with higher production in 2021, production in 2020 was influenced by Covid 19.

The majority of the Other administration costs are wages, remuneration and related paid insurance.

E.24 Other expenses

In CZK million, for the year ended 31 December	2021	2020
Amortisation of intangible assets	442	510
Depreciation of tangible assets	19	23
Depreciation of right-of-use assets (own use) IFRS 16 (Note E.2.2)	212	227
Losses on foreign currency	2,683	3,879
Restructuring charges and allocation to other provisions (Note E.11)	95	49
Other taxes	10	4
Expense from service and assistance activities and charges incurred on behalf of third parties	827	1,072
Other technical expenses	282	314
Other expenses	-	10
Total	**4,570**	**6,088**

E.25 Income taxes

In CZK million, for the year ended 31 December	2021	2020
Current income taxes	1,152	1,975
of which: related to prior years	(53)	3
Deferred taxes	(1,480)	(990)
Total	**(328)**	**985**

On 17 December 2019 (with effect from 1 January 2020) an Act No. 364/2019 Coll. which amends certain tax laws with a purpose to increase government revenues, was approved. The Act regulates, besides other changes, the corporate income taxes of insurance companies.

The tax base of insurance liabilities is from 2020 the value of insurance liabilities calculated in accordance with the European Solvency II Directive, replacing the current accounting value reported under the Accounting Act. On transition, as at 1 January 2020, the one-off tax liability has been calculated in amount of CZK 2,446 million as a difference between the total carrying amount of the insurance liabilities in the financial statements and the amount that was disclosed in the Solvency and Financial Condition Report (SFCR) as at 31 December 2020.

In 2020 only ½ of the difference between the book value of insurance liabilities and the tax base of insurance liabilities amounting to CZK 1,223 million was payable. In 2021 the remaining amount of CZK 1,223 million is due.

This new regulation has an impact both on the current income taxes and on deferred taxes booked in 2021.

Reconciliation between expected and effective tax rates:

In CZK million, for the year ended 31 December	2021	2020
Expected income tax rate	19%	19%
Earnings before taxes	9,313	5,803
Expected income tax expense	1,769	1,103
Expenses not allowable for tax purposes	65	993
Income not subject to tax	(1,108)	(1,122)
Other reconciliations	(1,054)	11
Tax expense	(328)	985
Effective tax rate	**-3.52%**	**16.97%**

Effective tax rate in 2021 is affected by a one-off positive impact of the solvency amount of insurance liabilities related to Business combination (see Other reconciliations). Expenses not allowable for tax purposes represented in 2020 an expense related to an impairment of Pojišťovna Patricie. Income not subject to tax relate mainly to transactions with subsidiaries.

The tax authority may at any time inspect the books and records of the Company within a maximum period of 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

E.25.1 Deferred tax

In CZK million, as at 31 December	Deferred tax Asset		Deferred tax Liabilities	
	2021	2020	2021	2020
Intangible assets	1	-	(113)	(82)
Assets from business combinations recognised in equity	1,492	831	-	-
Tangible assets and Land and buildings (self used)	-	-	(3)	(2)
Land and buildings (investment properties)	-	-	(32)	(56)
Available-for-sale financial assets	25	-	-	(230)
Financial liabilities and other liabilities	63	62	-	-
Insurance liabilities	2,955	1,048	-	-
Other	175	198	(71)	(83)
Total	**4,711**	**2,139**	**(219)**	**(453)**
Net deferred tax asset/liability	**4,492**	**1,686**	**-**	**-**

The increase in deferred tax assets and liabilities were recognised through the income statement in the amount of CZK 1,480 million and through the equity in the amount of CZK 1,326 million.

Higher deferred tax asset on insurance liabilities is result of the deferred tax related to new tax base on insurance liabilities, see E.25. Deferred tax asset related to an asset originated in business combination as a difference between net assets acquired and a purchase price has increased due to business combination concerning Generali Poisťovňa, a. s. (GSK Financial, a. s.) see A.5.

In accordance with the accounting method, 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 enacted or substantially enacted as at the end of the reporting period which, for the year 2021 and following years is 19% on local assets and liabilities (2020: 19%) and 19 - 24,5% on branch´s assets and liabilities.

E.25.2 Income tax and deferred tax recognised in OCI

In CZK million, for the year ended 31 December	2021	2020
Deferred tax - revaluation gain/losses on financial assets at AFS	30	(221)
Income tax - unrealised gain/losses on financial assets at AFS	(560)	(608)
Total tax on revaluation on financial assets at AFS	(530)	(829)
Deferred tax – revaluation in relation with Business combination	-	4
Total	**(530)**	**(825)**

Details on tax on revaluation on financial assets at AFS securities are provided in Note E.9.

E.26 Share-based payments

Management plans

Selected members of management of the Company are beneficiaries of a Generali Group's long-term incentive 2018-2020, 2019-2021, 2020-2022 and 2021-2023 Cycle. The plans aim to strengthen the link between the remuneration of the potential beneficiaries and expected performance under the Generali Group's strategic plan (so-called absolute performance), also retaining the link between remuneration and the creation of value relative to a peer group (so-called relative performance). The plans also aim to achieve management engagement at Generali Group level. The incentive for achieving the objectives will be paid in shares issued by Assicurazioni Generali S.p.A. (ultimate parent company).

Cycles are divided into three tranches. The sum of shares set aside in each of the three years will be assigned in a single deal only at the end of the third year, approximately by the month of April (date of assignment), after an overall evaluation of the Board of Directors concerning the effective achievement of the Objectives not only on annual basis but over three years as well.

For each cycle, the maximum number of shares (per beneficiary) that can be assigned at the end of three years is calculated by dividing the maximum award amount (calculated as a percentage of base salary) by the share value, calculated as the average of the three months prior to the approval by the Board of Director of the draft budget for the financial year and the consolidated financial statement relating to the financial year that closed prior to that in which the plan began.

Total amount of shares which can be assigned is subdivided into the three tranches at respective percentages rate of 30 % - 30 % - 40 %.

Plan structure and Vesting period

The plans are structured to cover approximately a period of 6 years calendar: three financial reporting years (vesting period) plus about three years for shares assignment and lock-up period (50% shares will be assigned after 2-year holding period beginning from the date of enrollment in the name of the beneficiaries). Vesting period starts from January 1, of a first year of a Cycle.

Vesting conditions

The number of shares to be allocated for each tranche is directly linked to the assessment of achievement against the objectives identified for the cycle. For the plans, the objectives identified are the relative Total Shareholders' Return – rTSR (compared with a Peer Group, identified in the STOXX Euro Insurance Index) and the Return on Equity – ROE); the performance level, and corresponding incentive level, depends on the simultaneous achievement of the two objectives.

Even after Objectives achievement, the Plan´s Bonus (whole or in part) might not be assigned when a strategic objective is not met or the working/administrative relationship with Assicurazioni Generali S.p.A. or with other companies in the Generali Group of a beneficiary is terminated before the end of the three years period of the Plan.

Valuation

Total cycle cost (TC) is calculated in following manner:

Maximum award amount =	175 % (based on table of annual performance outcome) * Base salary
Maximum share number =	Maximum award amount/share value (calculated as the average of the three months prior to the approval by the Board of Director of the draft financial statements relating the year before the beginning of the plan)
Base Share number =	Base salary / share value (calculated as the average of the three months prior to the approval by the Board of Director of the draft financial statements relating the year before the beginning of the PLAN)

Employee plan

In 2019 a new share based plan has been introduced. The plan is designed for all group employees, except executives and will be paid in shares (the Shares) issued by Assicurazioni Generali S.p.A. (ultimate parent company). The grant date of the plan was established on 17 September 2019. At that point, the Board of Directors communicated the initial price of the Shares equal to EUR 15.88.

In September 2022, the participating employees will be required to select a payment option at maturity of the plan. Should the final share price be greater than the initial price, employees can receive shares (physical delivery) or require the sale of all the shares and receive the corresponding sum by cash.

Final price is the price of the Shares at maturity, calculated as the average of the official closing prices on each of the preceding days in the 30 calendar days period ending on the Option Exercise Date, such 30 days period expected to be the month of October 2022.

Participating employees will receive the sum of the total of instalments paid over the 3-year period (If the Generali share price is below the initial strike price at maturity) or the physical delivery of shares (or corresponding sum by cash after the sale of shares) at the initial strike price plus a premium (If the Generali share price is above the initial strike price at maturity).

The premium is defined as 1 free share for every 3 shares purchased (in proportion with the purchased shares), and free (dividend equivalent) shares (equal to the 3 years dividends Generali will pay).

Effect on the Company´s financial statements

In CZK million, for the year ended 31 December	2021	2020
Total expenses per year	7	19
Employee plan	3	3
2018-2020 Plan	-	10
2019-2021 Plan	2	5
2020-2022 Plan	1	1
2021-2023 Plan	1	-
Total equity reserve as at 31.12.	**34**	**47**
Employee plan	8	4
2018-2020 Plan	-	27
2019-2021 Plan	23	15
2020-2022 Plan	2	1
2021-2023 Plan	1	1

In 2021 2018-2020 Cycle vested with share assignemt. In 2020, 2017-2019 Cycle vested with share assignment. There is no fiscal implications and related tax effect for the Company.

E.27 Information on employees

In CZK million, for the year ended 31 December	2021	2020
Top management	41	28
Other managers	247	204
Employees	3,417	2,944
Others	2	2
Total	**3,707**	**3,178**

Increase of number of employees in 2021 compared to the year 2020 reflects the acquisition of business (see A.5).

In CZK million, for the year ended 31 December	2021	2020
Wages and salaries	2,160	2,103
Compulsory social security contributions	687	675
Thereof: state-defined contribution pension plan	431	413
Other expenses	117	100
Thereof: contribution to the private pension funds	42	38
Total staff costs	**2,964**	**2,878**
Total remuneration included in staff cost for top management	**157**	**133**

The following table shows an allocation of staff costs in the income statement.

In CZK million, for the year ended 31 December	2021	2020
Acquisition costs	606	600
Insurance Benefits and Claims	734	689
Administration costs	1,624	1,589
Total	**2,964**	**2,878**

Other expenses include the costs of the Company's health and social programmes (e.g. health programme for managers, medical check-up for employees and social benefits). Staff costs are not affected by acquisition of Business as the Business was acquired on 17 December 2021.

E.28 Hedge accounting

E.28.1 Foreign currency risk hedging

Since 1st October 2008, fair value hedge accounting is applied by the Company on foreign currency risk (FX risk). The functional currency of the Company and the currency of its liabilities is CZK. However, in the investment portfolios, there are also instruments denominated in foreign currencies. According to the general policy, all these instruments are either dynamically hedged into CZK or are assigned to foreign currency technical reserves in corresponding value.

The functional currency of the branch is EUR and the hedging rules are applied accordingly.

Foreign currency hedging is in place for all foreign currency investments (i.e. bonds, investment fund units, equities, etc.) on macro basis in order to fully hedge the implied FX risk. Hedge accounting is applied primarily to available-for-sale investments. The foreign currency investments not embedded in hedge accounting are still hedged using economic hedging. The process in place aims to achieve a high efficiency of the hedging relationship.

The FX difference on all financial assets and derivatives, except for equities classified in the available-for-sale portfolio, are reported in the profit or loss account according to IAS 39. FX revaluation on AFS equities is within the hedge accounting reported in the profit or loss account either as other income – gains on foreign currency or other expenses – losses on foreign currency.

Hedged items

Hedge accounting is applied to financial assets – defined as all non-derivative financial assets denominated in or exposed to foreign currencies (i.e. all bonds, equities, investment fund units, term deposits and current bank accounts denominated in EUR, USD and other currencies) except for:
a) Financial assets backing unit-linked products;
b) Specific exceptions 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 received collaterals.

Hedging instruments

Hedging instruments are defined as all FX derivatives except for options and part of the financial liabilities (e.g. sell-buy operations). The derivatives are designated as hedging instruments in its entirety.

Assets and liabilities according to this definition can be clearly identified at any time. As at 31 December hedged items and hedging instruments were as follows:

In CZK 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	26,729	(613)
Term deposits, current bank accounts and other	1,105	(40)
Hedging instruments		
Derivatives	320	670
Financial liabilities (Sell-buy operations)	-	(22)

In CZK 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	25,859	(35)
Term deposits, current bank accounts and other	549	11
Hedging instruments		
Derivatives	627	304
Financial liabilities (Sell-buy operations)	(1,191)	(288)

Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Company on a monthly basis. In every month of 2021 and 2020 Company´s hedging was evaluated as effective according to IFRS and internal rules governing hedge accounting.

E.28.2 Interest rate risk hedging

Since 1st July 2011, fair value hedge accounting has been applied to derivatives hedging interest rate risk exposure of interest-bearing financial assets.

The Company 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 Company achieves this objective by a dynamic strategy.

The 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 Company designates as the hedged item a group of fixed income instruments (mainly bonds). Hedged items include financial assets classified in the available-for-sale category.

Hedging instruments

Hedging instruments are defined as a group of interest rate derivatives. The derivatives are designated as hedging instruments in their entirety according to IAS 39.

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:

In CZK 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
Hedged items	13,798	(866)
Hedging instruments*	418	833

* Notional principal amount is CZK 13,067 million

In CZK 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
Hedged items	15,069	489
Hedging instruments*	(595)	(433)

* Notional principal amount is CZK 15,873 million

Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Company on a monthly basis. In every month of 2021 and 2020 Company´s hedging was evaluated as effective according to IFRS and internal rules governing hedge accounting.

E.29 Offsetting of financial instruments

The following table presents the recognized financial instruments that are subject to enforceable master netting arrangements or other similar agreements but not offset, as at 31 December 2021 and 2020, and shows what the net impact would be on the Company´s statements of financial position if all set-off rights were exercised. There are no instruments that are offset as at 31 December 2021 and 2020.

In CZK million, as at 31 December 2021	Note	Derivative assets	Derivative liabilities	Reinsurance receivables
Financial instrument total carrying value	E.12, E.3.3	1,450	(823)	2,885
Financial instruments not subject to master netting agreements		45	(31)	1,950
Financial instrument subject to master netting agreements		1,405	(791)	935
Collateral paid/Cash deposit received	E.5	(924)	382	(1,405)
Amounts presented in the balance sheet		481	(410)	(470)
Effect of master netting agreement		(791)	1,405	-
Net amount after master netting agreement		**(310)**	**995**	**(470)**

In CZK million, as at 31 December 2020	Note	Derivative assets	Derivative liabilities	Reinsurance receivables
Financial instrument total carrying value	E.12, E.3.3	962	(753)	2,756
Financial instruments not subject to master netting agreements		1	(74)	(1,790)
Financial instrument subject to master netting agreements		961	(679)	966
Collateral paid/Cash deposit received	E.5	(290)	94	(1400)
Amounts presented in the balance sheet		671	(585)	(434)
Effect of master netting agreement		(679)	961	-
Net amount after master netting agreement		**(8)**	**376**	**(434)**

As regards to derivative assets and liabilities the Company 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 of 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.

Concerning the reinsurance receivables the reinsurer´s deposit with the Company derives from a certain part of the ceded premium (i.e. funds) as a security of its ability to fulfil its future obligation, without any undue delay.

E.30 Off balance sheet items

E.30.1 Commitments

As at 31 December 2021, the Company had a commitment under investment agreements of CZK 1,012 million (2020: CZK 874 million) to make an additional contribution into the private equity funds. Till 31 December 2021, the Company already invested CZK 1,137 million into these private equity funds.

E.30.2 Pledged assets and collaterals

As at 31 December 2021 CZK 382 million (2020: CZK 1,339 million) has been pledged in derivatives agreements. The fair value of the derivative liability amounted to CZK 823 million (2020: CZK 1,191 million).

As at 31 December 2021 there were no repurchase agreements, in 2020 CZK 1,339 million has been pledged in repurchase agreements. The fair value of the guaranteed liabilities in repurchase agreements amounted to CZK 1,191 million as at 31.12.2020.

Furthermore, as at 31 December 2021 the Company has received financial assets as collateral for CZK 1,558 million (2020: CZK 5,579 million), in particular for transactions in bonds and loans and CZK 1,434 million (2020: CZK 0 million) for derivative transactions and CZK 374 million (2020: CZK 0 million) for other operations . Fair value of collateral held in bonds and loans is CZK 1,544 million (2020: 5,507 million), in derivative CZK 941 million (2020: CZK 0 million) and in other operations CZK 394 million (2020: CZK 0 million). (see Note D.5)

E.30.3 Other contingencies

E.30.3.1 Legal

As at the release date of the financial statements, there was a legal case that consolidated cases concerning the decision of the general meeting of the Company in 2005 approving a squeeze-out of minority shareholders and consideration paid on the squeeze-out pending. Based on legal analyses carried out by an external legal counsel, management of the Company believes that none of these cases gives rise to any contingent future liabilities for the Company.

E.30.3.2 Participation in Czech insurance nuclear pool

Generali Česká pojištovna a.s. is a member of the Czech insurance nuclear Pool (CzNIP). The subscribed net retention is as follows:

In CZK million, for the year ended 31 December	2021	2020
Liability (w/o D&O liability)	253	253
D&O liability only	29	29
FLEXA extended coverage of nuclear Risks plus BI	709	709
Total	**991**	**991**

The Company as a member of CzNIP signed pool documents like Statute, Cooperation agreement, Claims handling cooperation agreement and Solidarity agreement. As a result of this, the Company is jointly and severally liable for the obligations resulting from these pool documents. This means that, in the event that one or more of the other members are unable to meet their obligations to the CzNIP, the Company would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The management does not consider the risk of another member being unable to meet its obligations to the CzNIP to be material to the financial position of the Company. CzNIP implemented adequacy rules of net member's retentions related to their capital positions and evaluated in individual quarters. In addition, the potential liability of the Company for any given insured/assumed risk is contractually capped at quadruple the Company's net retention for direct risks (insurance contracts) and double the Company's net retention for indirect risks (inwards reinsurance contracts).

E.30.3.3 Participation in Slovak insurance nuclear pool

Generali Poisťovňa, pobočka poisťovne z iného členského štátu is a member of the Slovak insurance nuclear Pool (SJPP). The subscribed net retention is as follows:

In CZK million, for the year ended 31 December	2021
Liability (w/o D&O liability)	6
FLEXA extended coverage of nuclear Risks plus BI	3
Total	**9**

The Company as a member of SJPP signed pool documents like Statute, Cooperation agreement, Claims handling cooperation agreement and Solidarity agreement. As a result of this, the Company is jointly and severally liable for the obligations resulting from these pool documents. This means that, in the event that one or more of the other members are unable to meet their obligations to the SJPP, the Company would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The management does not consider the risk of another member being unable to meet its obligations to the SJPP to be material to the financial position of the Company. SJPP implemented adequacy rules of net member's retentions related to their capital positions and evaluated in individual quarters.

E.30.3.4 Collateral pledged on behalf of third party

There is no collateral pledged on behalf of third party as at 31 December 2021 and 2020.

E.30.3.5 Membership in the Insurers' Bureau

As a member of the Czech Insurers' Bureau and Slovak Insurers´ Bureau ("the Bureau") related to MTPL insurance, the Company is committed to guarantee the MTPL liabilities of the Bureau. For this purpose, the Company makes contributions to the guarantee fund of the Bureau based on the calculations of the Bureau.

In the event of a fellow member of the Bureau being unable to meet its liabilities arising from MTPL due to insolvency, the Company may be required to make additional contributions to the guarantee fund. Management does not believe the risk of this occurring to be material to the financial position of the Company.

E.31 Related parties

This section contains information about all significant transactions with related parties excluding those which are described in other parts of the notes.

E.31.1 Identity of related parties

The Company is related to ultimate controlling entity Assicurazioni Generali S.p.A. and to companies controlled by it.

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The key management personnel of the Company and its parent, their close family members and other parties that are controlled, jointly controlled or significantly influenced by such individuals and entities in which such individuals hold significant voting power are also considered related parties.

Key management personnel of the Company comprise the members of the Board of Directors and the Supervisory Board.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

E.31.2 Key management personnel compensation

There were no significant transactions with members of Supervisory Board during 2021 and 2020. Transactions with members of Board of Directors comprised:

In CZK million, as at 31 December 2021	Board of Directors	
	Related to the board membership	Related to employment contract
Short-term employee benefits	130	-
State-defined contribution pension plan	3	-

In CZK million, as at 31 December 2020	Board of Directors	
	Related to the board membership	Related to employment contract
Short-term employee benefits	140	-
State-defined contribution pension plan	3	-

Short-term employee benefits include wages, salaries and social security contributions, allowances provided for membership in the statutory bodies, bonuses and non-monetary benefits such as medical care and cars.

During the reporting period 2021 termination benefits to the key management personnel of the Company in the amount of CZK 5 million were paid (2020: CZK 5 million).

As at 31 December 2021 and 31 December 2020, the members of the statutory bodies held no shares of the Company.

Selected members of management of the Company are beneficiaries of a Generali Group's long-term incentive Plans as described in the Chapter E.26.

E.31.3 Related party transactions

The related party transactions were carried out on terms equivalent to those that would apply in similar transactions with unrelated parties and are usually settled in cash.

The Company had no material transactions or outstanding balances with the ultimate and direct parent company Assicurazioni Generali S.p.A. in either in 2021 or in 2020, except for those described in the notes below.

The Company held no securities issued by the controlling entity. The Company also did not accept any guarantees from the controlling entity, nor did it provide any guarantees to such person.

The other related parties fall into the following groups:
Group 1a – subsidiaries of the Company
Group 1b – associates of the Company
Group 2 – enterprises directly consolidated within the group of the ultimate parent company
Group 3 – other companies

In CZK million, as at 31 December 2021	Notes	Group 1a	Group 1b	Group 2	Group 3
Assets					
Investments	i	1,323	-	166	636
Reinsurance assets	ii	-	-	15,228	-
Receivables	iii	83	47	2,735	11
Other assets		198	7	64	6
Total assets		**1,604**	**54**	**18,193**	**653**
Liabilities					
Insurance liabilities	iv	-	-	727	-
Financial liabilities	v	40	-	1,678	-
Payables	vi	404	2	12,844	41
Other liabilities		155	7	392	-
Total liabilities		**599**	**9**	**15,641**	**41**

Notes:
i. The balances with companies in Group 1a comprise mainly loan to Green Point Offices s.r.o. in the amount of CZK 833 million and loan to Palac Krizik a.s. in the amount of CZK 404 million.
ii. The balances with companies in Group 2 comprise technical provisions ceded to GP Re in the amount of CZK 14,886 million and technical provisions ceded to Assicurazioni Generali S.p.A. in the amount of CZK 201 million.
iii. The balances with companies in Group 2 comprise mainly receivables from reinsurance from GP Re in the amount of CZK 2,536 million and receivables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 57 million.
iv. The balances with companies in Group 2 comprise technical provisions from accepted reinsurance from Generali Insurance AD in the amount of CZK 729 million.
v. The balances with companies in Group 2 comprise mainly deposits received from reinsurers from GP Re in the amount of CZK 1,400 million.
vi. The balances with companies in Group 2 comprise payables from the Acquisition of business from GSK Financial, a.s. (Generali Poisťovňa, a.s.) in the amount of CZK 5,794 million, payables from reinsurance from GP Re in the amount of CZK 6,736 million and payables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 112 million.

In CZK million, as at 31 December 2020	Notes	Group 1a	Group 1b	Group 2	Group 3
Assets					
Investments	i	1,414	-	-	-
Reinsurance assets	ii	-	-	12,955	-
Receivables	iii	102	47	2,645	5
Other assets		215	3	55	-
Total assets		**1,731**	**50**	**15,655**	**5**
Liabilities					
Insurance liabilities	iv	-	-	910	-
Financial liabilities	v	57	-	1,400	-
Payables	vi	262	2	6,123	11
Other liabilities		346	3	112	-
Total liabilities		**665**	**5**	**8,545**	**11**

Notes:
i. The balances with companies in Group 1a comprise mainly loan to Green Point Offices a.s. in the amount of CZK 919 million and loan to Palac Krizik a.s. in the amount of CZK 404 million.
ii. The balances with companies in Group 2 comprise technical provisions ceded to GP Re in the amount of CZK 12,649 million and technical provisions ceded to Assicurazioni Generali S.p.A. in the amount of CZK 257 million.
iii. The balances with companies in Group 2 comprise mainly receivables from reinsurance from GP Re in the amount of CZK 2,513 million and receivables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 32 million.
iv. The balances with companies in Group 2 comprise technical provisions from accepted reinsurance from Generali Insurance AD in the amount of CZK 791 million.
v. The balances with companies in Group 2 comprise mainly deposits received from reinsurers from GP Re in the amount of CZK 1,400 million.
vi. The balances with companies in Group 2 comprise payables from reinsurance from GP Re in the amount of CZK 5,978 million and payables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 56 million.

In CZK million, as at 31 December 2021	Notes	Group 1a	Group 1b	Group 2	Group 3
Income					
Net earned premium	i	2	-	(13,044)	-
Net income from financial instruments at FVthPL		-	-	2	23
Income from subsidiaries and associates	ii	5,827	-	-	-
Other income for financial instruments and other investments		123	-	9	16
Other income		270	6	92	2
Total income		**6,222**	**6**	**(12,941)**	**41**
Expenses					
Net insurance benefits and claims	iii	(2)	-	6,813	(10)
Other expenses for financial instruments and other investments		(2)	-	(12)	-
Acquisition and administration costs	iv	(3,898)	9	3,390	-
Other expenses		(139)	-	(59)	18
Expenses from discontinued operations		-	-	-	(65)
Total expenses		**(4,041)**	**9**	**10,132**	**(57)**

Notes:
i. The balances in Group 2 include ceded earned premium from GP Re in the amount of CZK 13,019 million and ceded earned premium from Assicurazioni Generali S.p.A. in the amount of CZK 216 million. Against this amounts include accepted earned premium from Generali Insurance AD in the amount of CZK 324 million.
ii. The balances in Group 1a income from sale CP Strategic Investments N.V. in amount of CZK 4,232 million and dividend received from Generali penzijní společnost, a.s. in amount of CZK 1,371 million.
iii. The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 6,717 million and reinsurance with Assicurazioni Generali S.p.A. in the amount of CZK 75 million (ceded claims paid).
iv. The balances in Group 1a include transactions with Generali Česká Distribuce a.s. in the amount of CZK 3,775 million (acquisition costs). The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 3,939 million (ceded commission) and transactions from reinsurance Assicurazioni Generali S.p.A. in the amount of CZK 42 million (ceded commission). Against this amounts include expenses from IT service with Generali Operations Service Platform S.r.l. in the amount of CZK 478 million.

In CZK million, as at 31 December 2020	Notes	Group 1a	Group 1b	Group 2	Group 3
Income					
Net earned premium	i	88	-	(12,750)	-
Net income from financial instruments at FVthPL		-	-	(4)	-
Income from subsidiaries and associates	ii	5,754	9	-	-
Other income for financial instruments and other investments		37	-	29	-
Other income		412	11	89	5
Total income		**6,291**	**20**	**(12,636)**	**5**
Expenses					
Net insurance benefits and claims	iii	(71)	(4)	5,427	(140)
Expenses from subsidiaries and associates	iv	(4,862)	-	-	-
Other expenses for financial instruments and other investments		(2)	-	(35)	-
Acquisition and administration costs	v	(3,745)	24	3,355	-
Other expenses		(150)	-	(34)	-
Total expenses		**(8,830)**	**20**	**8,713**	**(140)**

Notes:
i. The balances in Group 2 include ceded earned premium from GP Re in the amount of CZK 12,816 million and ceded earned premium from Assicurazioni Generali S.p.A. in the amount of CZK 167 million. Against this amounts include accepted earned premium from Generali Insurance AD in the amount of CZK 296 million.
ii. The balances in Group 1a include dividend received from Pojišťovna Patrice a.s. in amount of CZK 5,067 million and dividend received from Česká pojišťovna ZDRAVÍ a.s. in amount of CZK 520 million.
iii. The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 5,557 million and reinsurance with Assicurazioni Generali S.p.A. in the amount of CZK 59 million (ceded claims paid).
iv. The balances in Group 1a include impairment on subsidiaries from Pojišťovna Patrice a.s. in amount of CZK 4,857 million.
v. The balances in Group 1a include transactions with ČP Distribuce a.s. in the amount of CZK 3,526 million (acquisition costs). The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 3,883 million (ceded commission) and transactions from reinsurance Assicurazioni Generali S.p.A. in the amount of CZK 26 million (ceded commission). Against this amounts include expenses from IT service with Generali Shared Services S.c.a.r.l. in the amount of CZK 432 million.

As at 31 December 2021 and 31 December 2020, the Company held no securities issued by related parties.

For the details of the collateral pledged with the related parties, any guarantees received or provided and commitments to such entities, see Note D.5, E.30.2 and E.30.1. Transactions connected to transfer of portfolio are described in Note A.5.

F. SUBSEQUENT EVENTS

F.1 Impacts of crisis caused by Russian military invasion of Ukraine

The management of the Company 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 credit risk which the Company face is limited (see note D.5) and has been even reduced since the year end. 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 Company's solvency position and 2021 financial statements is remote and there is no needed to undertake any modifications of the Company's 2021 financial statements. The company has concluded, that the crisis has no significant impact on the business continuity. Therefore the financial statements are prepared assuming that the Company will continue as a going concern.

F.2 Assets held for sale

As at 31 December 2021 the Company classifies as non-current assets held for sale its investment in a subsidiary Green Point Offices s. r. o. (see note E.6). Following failed negotiations with a buyer the transaction is being reconsidered and management intentions might change and the Company might keep the investment.

28 March 2022

Petr Bohumský **Roman Juráš**

ALWAYS WITHIN REACH

We're here in person and online. Contracts, insurance claims, and customer communication can now be handled from anywhere.

REPORT ON RELATED-PARTY TRANSACTIONS FOR THE 2021 ACCOUNTING PERIOD

Generali Česká pojišťovna a.s., incorporated by entry in the Commercial Register kept by the Municipal Court in Prague, Section B, File 2866, on 1 January 1992, as a public limited company (registration number 45272956), having its registered office at Spálená 75/16, 110 00 Praha 1 (the "Company"), is required to compile a report on related-party transactions for the 2021 accounting period in accordance with Section 82 of Act No 90/2012 on companies and cooperatives (the Business Corporations Act), as amended.

The Company's sole shareholder as at 31 December 2021 was Generali CEE Holding B.V., having its registered office at De Entree 91, 1101 BH, Amsterdam, Netherlands (the controlling entity). The disclosures in the Generali Česká pojišťovna a.s. financial statements are incorporated into the consolidated financial statements of Generali CEE Holding B.V. and Assicurazioni Generali S.p.A., Italy, which is the ultimate controlling company ("Generali Group").

Controlling entities wield control within Generali Group by the weight of their votes alone, i.e. by exercising voting rights at general meetings.

The structure of the Group and the status of Generali Česká pojišťovna are described in a separate section of the Annual Report.

On 12 April 2021, the governing bodies of Generali Česká pojišťovna a.s., Pojišťovna Patricie a.s., and Česká pojišťovna ZDRAVÍ a.s. implemented a merger project, under which they merged into Generali Česká pojišťovna a.s., as the acquiring company, with effect as of 1 January 2021. The contracts and agreements previously concluded with either of the two companies being acquired are listed under relations with Generali Česká Distribuce.

The Report on Related-party Transactions includes contracts and agreements concluded between related parties in the last accounting period, other legal transactions executed in the interests of such parties, and all other measures taken on behalf of or at the instigation of those parties by a controlled entity. Effective contracts and agreements concluded in prior periods, under which the Company provided or received performance or consideration to/from related parties in the current period, are also listed here.

OVERVIEW OF MUTUAL CONTRACTS BETWEEN THE COMPANY AND THE CONTROLLING ENTITY AND BETWEEN ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY:

- Contracts with PAN EU IBC Prague s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město:
  – insurance contracts.

- Contracts with Acredité s.r.o., having its registered office at Na Pankráci 1658, 140 21 Praha 4:
  – agreement on the mutual reimbursement of wage compensation paid to employees;
  – insurance contracts;
  – framework cost-sharing contract (including addenda);
  – lease/sublease contracts (including addendum);
  – contract on the fulfilment of obligations arising from group participation;
  – contract granting rights of software use;
  – helpline access contract;
  – service provision contracts (including addendum);
  – APH access contract (including addendum);
  – insurance examinations contract;
  – cost-sharing contracts (including addenda).

- Contracts with Akcionarsko društvo za osiguranje Generali Osiguranje Srbija, Beograd, having its registered office at Vladimira Popovica 8, 11070 Novi Beograd, Beograd:
  – MTPL insurance card (green card) contract.

- Contracts with Akcionarsko društvo za reosiguranje Generali Reosiguranje Srbija, Beograd, having its registered office at Vladimira Popovica 8, 11070 Novi Beograd:
  – reinsurance contract.

- Contracts with Assicurazioni Generali S.p.A., having its registered office at Piazza Duca degli Abruzzi, 2, Trieste:
  – terms and conditions for the use of the Generali brand;
  – service contract on the appointment of a proxy to exercise voting rights at general meetings of companies;
  – credit rating contract;
  – reinsurance contracts.

- Contracts with BRITISH CORNER s.r.o., having its registered office at Rohanské nábřeží 693/10, Karlín, 186 00 Praha 8:
  – insurance contracts.

- Contracts with CZI Holdings N.V., having its registered office at Alpha Tower, De Entree 91, 1101 BH Amsterdam, Netherlands:
  – agreement on the purchase of shares in CP Strategic Investments N.V.

- Contracts with Europ Assistance S.A., having its registered office at 1, Promenade de la Bonnette, Gennevilliers:
  – reinsurance contracts.

- Contracts with Europ Assistance s.r.o., having its registered office at Na Pankráci 1658/121, 140 00 Praha 4:
  – helpline access contract;
  – insurance contracts;
  – framework cost-sharing contracts;
  – contract on the subletting of business premises;
  – breakdown cover cooperation contracts (including addenda).

- Contracts with Generali Biztosító Zrt., having its registered office at Teréz krt. 42-44, Budapest, 1066:
  – IT support contract (including addendum);
  – tripartite agreement on the transfer of a contract;
  – reinsurance contracts.

- Contracts with Generali CEE Holding B.V., having its registered office at De Entree 91, 1101 BH, Amsterdam:
  – agreement on the assignment of rights and assumption of obligations;
  – Earnix licensing agreement;
  – agreement on the purchase of shares in Generali penzijní společnost;
  – insurance contracts;
  – framework cost-sharing contracts (including addenda);
  – receivable and payable offset contract;
  – lease/sublease contracts;
  – contract on the fulfilment of obligations arising from group participation (including addendum);
  – helpline access contract;
  – service agreement (including addenda);
  – framework IT and non-IT sharing contract (including addenda);
  – cooperation agreement.

- Contracts with Generali Česká Distribuce a.s., having its registered office at Na Pankráci 1658/121, Nusle, 140 00 Praha 4:
  – agreement on a method to secure payment;
  – share purchase;
  – insurance contracts;
  – framework IT and non-IT sharing contract (including addenda);
  – lease/sublease contracts;
  – agency agreement;
  – contract on the fulfilment of obligations arising from group participation;
  – helpline access contract (including addendum);
  – advertising and promotion contract;
  – cost-sharing contract (including addendum).

- Contracts with Generali Deutschland Versicherung AG, having its registered office at AachenMünchener-Platz 1, Aachen:
  – reinsurance contracts.

- Contracts with Generali Development d.o.o., having its registered office Vladimira Popovica 8, 11070 Novi Beograd, Beograd:
  – software development and technical support contract.

- Contracts with Generali España S.A. de Seguros y Reaseguros, having its registered office at Calle de Orense, 2, Madrid:
  – reinsurance contracts.

- Contracts with Generali Finance spółka z ograniczoną odpowiedzialnością, having its registered office at ul. Postępu 15B, 02-676 Warszawa:
  – licensing agreement.

- Contracts with Generali Hellas Insurance Company S.A., having its registered office at Ilia Iliou 35-37, Athina 117 43, Greece:
  – reinsurance contracts.

- Contracts with Generali IARD S.A., having its registered office at 2 rue Pillet-Will, Paris:
  – reinsurance contracts.

- Contracts with Generali Insurance AD, having its registered office at 68 Knyaz Al. Dondukov Blvd., Sofia:
  – reinsurance contracts.

- Contracts with Generali Investments CEE, investiční společnost, a.s., having its registered office at Na Pankráci 1720/123, 140 00 Praha 4, service number 140 21:
  – agreement on consistent shared-cost accounting;
  – investment management agreement (including addenda);
  – framework ISDA contract (including addendum);
  – insurance contracts (including addendum);
  – framework cost-sharing contract (including addendum);
  – contracts on the exercise of voting rights;
  – lease/sublease contracts;
  – asset management contract (including addendum);
  – agency agreement;
  – contract on the fulfilment of obligations arising from group participation (VAT);
  – helpline access contract;
  – cooperation agreement;
  – framework IT and non-IT sharing contract (including addenda);
  – loyalty bonus contracts (including addenda).

- Contracts with Generali Investments Luxembourg S.A., having its registered office at 4, rue Jean Monnet:
  – distribution agreement (including addenda);
  – cooperation agreement.

- Contracts with Generali IT s.r.o., having its registered office at Heydukova 12-14, Bratislava 811 08:
  – software development and maintenance support contract.

- Contracts with Generali Italia S.p.A., having its registered office at Via Marocchesa n. 14, Mogliano Veneto:
  – reinsurance contracts.

- Contracts with Generali Operations Service Platform s.r.l., having its registered office at Piazza Duca degli Abruzzi, 2, Trieste:
  – framework cost-sharing contracts (including addenda);
  – framework IT and non-IT sharing contract (including addenda);
  – lease/sublease contracts (including addenda);
  – contract on the fulfilment of obligations arising from group participation.

- Contracts with Generali penzijní společnost, a.s., having its registered office at Na Pankráci 1720/123, 140 21 Praha 4:
  – helpline access contract;
  – bond sale agreement;
  – insurance contract;
  – mandate contract to support the distribution of pension products;
  – framework IT and non-IT sharing contract (including addenda);
  – contract on the fulfilment of obligations arising from group participation;
  – lease/sublease contract;
  – framework cost-sharing contract.

- Contracts with Generali Real Estate Fund CEE a.s., investiční fond, having its registered office at Na Pankráci 1658/121, 140 21 Praha 4:
  – cost-sharing contract.

- Contracts with Generali Real Estate S.p.A., having its registered office at Piazza Duca degli Abruzzi, 1, Trieste:
  – shared services contract.

- Contracts with Generali Seguros, S.A., having its registered office at Avenida da Liberdade, 242, 1250-149 Lisboa:
  – reinsurance contract.

- Contracts with Generali Slovenská distribúcia, a. s., having its registered office at Lamačská cesta 3/A, 841 04 Bratislava:
  – framework IT and non-IT sharing contract.

- Contracts with Generali Towarzystwo Ubezpieczeń Spółka Akcyjna, having its registered office at ul. Postępu 15B, 02-676 Warszawa:
  – contract on the assignment of an IT administration contract by Generali Česká pojišťovna;
  – reinsurance contracts.

- Contracts with Generali Versicherung AG, having its registered office at Landskrongasse 1-3, Wien:
  – outsourcing and service cooperation contract;
  – reinsurance contracts.

- Contracts with Generali zavarovalnica d.d. Ljubljana, having its registered office at Kržičeva 3, Ljubljana:
  – reinsurance contracts.

- Contracts with GP Reinsurance EAD, having its registered office at 68 Knyaz Al. Dondukov Blvd., Sofia:
  – contract assignment agreement;
  – reinsurance contracts.

- Contracts with GRE PAN-EU Jeruzalemská s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with GRE PAN-EU PRAGUE 1 s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with Green Point Offices s.r.o., having its registered office at Lamačská cesta 3/A, 841 04 Bratislava:
  – insurance contracts;
  – lease/sublease contract;
  – credit agreement (including addendum).

- Contracts with GSK Financial, a. s. (formerly Generali Poisťovňa, a. s.), having its registered office at Lamačská cesta 3/A, Bratislava 841 04:
  – framework cost-sharing contract (including addenda);
  – non-disclosure agreement;
  – contract granting rights of software use;
  – contract assignment agreement;
  – contract on the sale of shares in Lion River I N.V.;
  – contract on the sale of shares in SMALL GREF a.s.;
  – contract on the sale of shares in VUB Generali dochodková správcovská spoločnosť, a.s.;
  – contract on the sale of an enterprise;
  – contract on the joint control of personal data;
  – reinsurance contracts.

- Contracts with IDEE s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with MUSTEK PROPERTIES s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with the GCP Foundation (Nadace GCP), having its registered office at Na Pankráci 1658/121, Nusle, 140 21 Praha 4:
  – donation contract;
  – helpline access contract;
  – framework cost-sharing contract (including addenda);
  – lease/sublease contract.

- Contracts with Náměstí Republiky 3a, s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with Office Center Purkyňova, a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts;
  – lease/sublease contract.

- Contracts with OVOCNÝ TRH 2 s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with PALAC KRIZIK a.s., having its registered office at Radlická 608/2, 150 23 Praha 5:
  – credit agreement.

- Contracts with Palác Špork, a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with PAN EU Kotva Prague a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with Pankrác East a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contract;
  – lease/sublease contract (including addenda).

- Contracts with Pankrác West, a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts;
  – lease/sublease contract (including addenda).

- Contracts with Pařížská 26, s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – credit contract (including addendum).

- Contracts with PCS - Praha Center spol. s.r.o., having its registered office at Václavské nám. 823/33, 110 00 Praha 1:
  – insurance contracts.

- Contracts with S.C. Generali Romania Asigurare Reasigurare S.A., having its registered office at Piata Charles De Gaulle, Nr. 15, București, 11857:
  – reinsurance contract.

- Contracts with Solitaire Real Estate, a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1
  – insurance contracts.

All the contracts listed above were concluded on an arm's-length basis. The granting of an interest-free loan to a controlled subsidiary is also considered to be on an arm's-length basis as it is not to the detriment of the parent company. All services provided and received under these contracts and under contracts concluded in prior periods, as disclosed in previous reports on related-party transactions, which continued to be delivered in the 2021 accounting period were provided on an arm's-length basis and the Company incurred no loss. Nor did the contracts executed result in any special advantages, disadvantages or additional risks for the Company.

Consideration under the above contracts comprises the payment of the price agreed for services provided by the other party, which is subject to business secrecy. Within Generali Group, the Company cooperates on Group projects and policies.

The Company incurred no detriment or loss as a result of its cooperation on such Group activities.

The Company did not take any measures or execute other legal acts on behalf of or at the instigation of related parties in the 2021 accounting period in respect of assets exceeding 10% of the Company's equity as determined by the latest financial statements.

The Company's governing body declares that it has compiled this report with due professional care and that the information disclosed herein is sufficient, correct, and complete. In keeping with its statutory obligations, the Company will publish an Annual Report, of which this Company Report on Related-party Transactions will be an integral part.

Prague, 28 March 2022

Roman Juráš
Chairman of the Board of Directors

Petr Bohumský
Vice-Chairman of the Board of Directors

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