# Generali Česká pojišťovna a.s.
# Annual Report 2020

GENERALI
ČESKÁ POJIŠŤOVNA

# Content

# Letter from the Chairman

Ladies and Gentlemen,

The last year is sure to be etched in our memories as a period in which we witnessed major changes. We stepped into the dawning year with enthusiasm, looking forward to a new stage in the history of our company. This was to be a new era that would see us blazing a trail on the Czech insurance market under a new name, Generali Česká pojišťovna. We set ourselves ambitious targets that would underscore our strong and enduringly stable position, keep us growing, and move forward with the company's transformation. We were going to achieve all of this in pursuit of our strategic goal of becoming a dependable lifetime partner for our clients.

In March, however, the coronavirus got in the way of those plans. We had to take action in response to a pandemic that was reshaping the way we lived and worked. By reacting quickly and flexibly, we managed to keep the company running smoothly. One of the side effects was that we accelerated our digitalisation plans dramatically and rolled out a raft of innovations. Video inspections made handling claims more efficient, and electronic signatures made it easier to arrange insurance remotely. The Generali Česká chatbot started communicating with clients on our website, we provided our sales staff with training and professional development over the GČP Telka platform, and we built a new broadcasting studio so that our managers and other employees could hold virtual meetings with each other.

We did not let up in our product development either. During the year, we introduced several important product innovations, expanded our motor insurance assistance services, and revamped our business and property insurance. In response to the prevailing situation, we expanded our life insurance coverage and provided special benefit coverage to medical-staff clients in case they caught the coronavirus.

The awards Generali Česká pojišťovna won reaffirmed how strong a voice it has in the industry.

In the hard times precipitated by the coronavirus crisis, we reached out to others with help that was perhaps more necessary than ever before. We started early, launching a large-scale nationwide project in the spring to give nurses a helping hand. Besides aiding them financially and materially, we joined the general public in providing much needed moral support. As part of The Human Safety Net initiative, Generali Česká pojišťovna's foundation donated CZK 1 million to the Leontinka Foundation and another CZK 1 million to the Vita et Futura Foundation for the training of Czech obstetricians. Our Christmas Wishing Tree made the festive season more enjoyable for children and their parents housed in shelters or supported by the Leontinka Foundation. It means a lot to me that, even in such trying times, my colleagues and I were able to rally together and bring joy into the lives of those facing personal hardship.

We managed to get a lot done in the challenging year that was 2020, proving to our clients and others that we are a company they can rely on whatever the circumstances. I would like to express my sincere thanks to my colleagues at our headquarters and in the regions for their work, their support and their energy, enabling us not only to pull through this difficult period, but also to make the most of it for our future together.

**Roman Juráš**
Chairman of the Board of Directors

# Generali Česká pojišťovna – Who We Are

## GENERALI ČESKÁ POJIŠŤOVNA PROFILE

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 the 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.

## COMPANY HISTORY

On 27 October 2017, Generali Česká pojišťovna celebrated the 190th 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.

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 at 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.

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).

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.

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 1992, Česká pojišťovna and its partner Vereinte Krankenversicherung AG Munich founded Česká pojišťovna ZDRAVÍ. Five years later, Česká pojišťovna became the company's sole shareholder. In the 1990s, Česká pojišťovna 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.

An important date in the modern history of the Company and its Group 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 the 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, the Company and its subsidiaries have been fully owned by the Generali Group.

Assicurazioni Generali, established in Trieste in 1831 as Assicurazioni Generali Austro-Italiche, has grown into one of Europe's leading insurance companies, retaining the international spirit for which it has always been known. In almost 200 years, it has built a multinational group that is present in 50 countries, with more than 400 companies and nearly 72,000 employees.

On 21 December 2019, Česká pojišťovna a.s.'s integration into the Generali Group was completed when it was rebadged Generali Česká pojišťovna a.s., and the concentration of the Generali Group's insurance operations in the Czech Republic was set in motion when the Company took over the domestic insurance portfolios of Generali Pojišťovna a.s. and Česká pojišťovna ZDRAVÍ a.s.

# Generali Česká pojišťovna Highlights

## 2020

**January**
The Company launched its first marketing campaign under the new brand. A series of spots, online visuals and out-of-home advertising introduced the Generali Česká pojišťovna brand and showcased the benefits offered by the insurance market leader.

**February**
Generali Česká pojišťovna did well in the 9th annual TOP Employers survey conducted at universities, coming first in the Insurance category.

**March**
Generali Česká pojišťovna contributed to the vital nationwide information campaign #ChránímTebe (#IProtectYou) by dedicating its advertising time on the Prima and Nova television stations to promote the need to wear masks.

Under the auspices of the Czech Association of Nurses, Generali Česká pojišťovna launched its Helping Nurses (Pomáháme sestřičkám) charity project. The Company set up the www.pomahamesestrickam.cz website to give the public the opportunity to voice their support for nurses remotely by sending messages directly via Facebook or Instagram. In addition, it organised free refreshments for nurses in selected hospitals.

**April**
Generali Česká pojišťovna launched video inspections as a new technological solution to document claims. With assisted video calls, the Company's mobile technicians can map out and, most importantly, take photographs of selected damage to motor vehicles and property without having to meet customers face to face.

Generali Česká pojišťovna prepared a special life insurance benefit for doctors, paramedics, nurses, and other professionals responsible for the running of healthcare facilities where covid-19 patients are cared for. Medical personnel who took out property, car or life insurance with the Company also automatically received coronavirus insurance, covering the risk of hospitalisation and death.

**June**
The project to merge two distribution companies, ČP Distribuce and Generali Distribuce, was completed. These subsidiaries were merged into Generali Česká Distribuce a.s. with effect as of 1 January 2020. This move saw Generali Česká Distribuce become the largest financial adviser on the Czech market.

**July**
Penzijní společnost České pojišťovny, a GČP subsidiary, was renamed Generali penzijní společnost on 1 July.

Generali Česká pojišťovna announced that it would distribute assistance of EUR 1 million to its SME clients affected by the coronavirus pandemic. This was an activity coordinated by the Generali Group's international emergency fund, which has EUR 100 million at its disposal and also covers Generali Česká pojišťovna.

**August**
Generali Česká pojišťovna awarded its milestone 200th Gentleman of the Road award. The recipient was 18-year-old Hynek Černý in recognition of his prompt response and assistance in a serious traffic accident.

In August, extended coverage was introduced for members of the Czech Army in case of deployment as part of UN, NATO and EU international peacekeeping missions.

**September**
The Company launched new motor insurance assistance services. All variants of this insurance include assistance in the event of an accident or breakdown as a standard service. One new version of the assistance services offers unlimited towing and solutions tailored specifically to vehicles with caravans or trailers.

**October**
The Company launched ProfiPlán - new-look insurance for entrepreneurs and legal entities. Besides extending the insurance protection, this innovation greatly simplified the structure, speeded up the negotiations, and resulted in a clearer insurance contract. A characteristic feature of this product is the remarkable variability and modularity of individual insurance policies. The high degree of digitalisation (including biometric signatures) means that insurance can be arranged remotely.

The Company launched a new campaign aimed at entrepreneurs and companies with the core message of the practical importance of having insurance in order to succeed in business. For this campaign, the Company cast real clients in the main roles - three top company executives.

Generali Česká pojišťovna was involved in assisting health inspectors as they traced coronavirus-infected patients.

The Generali Česká pojišťovna Board of Directors discussed a plan to round off the integration of the Generali Group's insurance activities in the Czech Republic by implementing a project that would merge Generali Česká pojišťovna with its subsidiaries Pojišťovna Patricie and Česká pojišťovna ZDRAVÍ.

**November**
Generali Česká pojišťovna launched property insurance that overhauled household contents, buildings and liability coverage.

Since November, it has been possible to find out basic information about a vehicle's history by looking up its VIN at any Generali Česká pojišťovna sales point.

The Company introduced its new RED communication concept with REDITUDE, the first campaign to be run as part of this concept. The RED concept is based on the Company's main visual symbol – the colour red and its associations (mainly the heart, soul and energy). The communication concept is complemented by the new claim "With us, you're not alone".

**December**
Generali Česká pojišťovna struck up a partnership with Consumer Forum (Spotřebitelské fórum) to draw on this non-profit platform's consumer protection know-how. The Company will actively participate in Consumer Forum's educational and awareness campaigns for industry professionals and the general public alike.

AM Best, the international rating agency specialising in the insurance sector, gave Generali Česká pojišťovna a financial strength rating of "A" and a long-term credit rating of "a+". Both ratings were confirmed with a stable outlook. As in the year previous, the agency's decision affirmed the Company's strength and stability.

## 2021

**January**
The Generali Česká pojišťovna 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**
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**
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 client does not pay the excess.

# Awards

Generali Česká pojišťovna has long been the Czech insurance market leader, as evidenced by the numerous awards heaped on it by customers, the general public and industry specialists.

In 2020, Company was again triumphant in the prestigious Best Insurance Company contest held by Hospodářské noviny, winning the following awards:

First place in the Best Non-life Insurance Company category
First place in the Most Customer-friendly Non-life Insurance Company category
Second place in the Insurance Innovator category

## OTHER ACCOLADES

In the 20th annual Insurance Company of the Year survey, organised by the Association of Czech Insurance Brokers (AČPM) in cooperation with the Czech Insurance Association (ČAP) and the specialised server oPojištění.cz, Generali Česká pojišťovna picked up three awards, coming second in the Industrial and Business Insurance category, the Car Insurance category, and the Life Insurance category.

Generali Česká pojišťovna was named Insurance Company of the Year in another prominent competition, Bank of the Year.

Generali Česká pojišťovna again did well in the annual TOP Employers survey conducted at universities, coming first in the Insurance category. This poll is organised by the Students and Graduates Association and gives companies an insight into how they are perceived by younger generations. In the survey's ninth year, 11,491 students voted.

In the Effie Awards for the most effective advertising, the Company's "It's All Good" campaign came third in the Financial Services category. In selecting the winners, the jury of experts focuses on measurable and demonstrable campaign results in terms of the objectives, and assesses how effective campaigns are relative to the resources spent on them.


WE CAN COPE
WITH ANYTHING
We can check property and vehicle
damage with you simply via a video call.
GENERALI
ČESKÁ POJIŠŤOVNA
OVĚŘENÍ ŠKOD
PŘES VIDEOHOVOR
2AX 8873

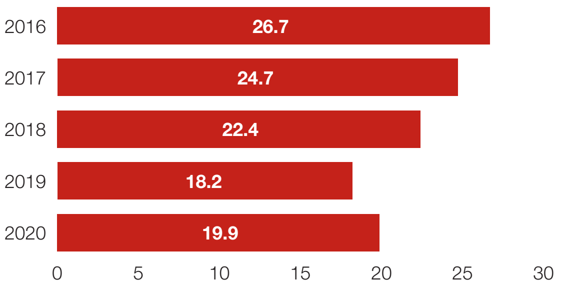
# Key Financial Indicators

| Basic indicators | Units | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| **Highlights from the financial statements** | | | | | | |
| Total assets | CZK millions | 116,763 | 119,267 | 117,091 | 124,523 | 110,434 |
| Share capital | CZK millions | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| Shareholder's equity | CZK millions | 19,851 | 18,213 | 22,390 | 24,669 | 26,714 |
| Retained earnings | CZK millions | 11,450 | 9,835 | 15,805 | 16,227 | 16,013 |
| Net profit | CZK millions | 4,818 | 3,216 | 3,115 | 3,964 | 4,171 |
| **Performance indicators** | | | | | | |
| Gross premiums earned | CZK millions | 38,347 | 29,079 | 28,725 | 28,003 | 27,595 |
| – non-life insurance | CZK millions | 27,694 | 21,332 | 20,650 | 19,595 | 18,805 |
| – life insurance | CZK millions | 10,653 | 7,747 | 8,075 | 8,408 | 8,790 |
| Gross benefits and claims paid | CZK millions | 22,022 | 18,096 | 17,215 | 17,434 | 17,951 |
| – non-life insurance | CZK millions | 14,277 | 11,447 | 10,220 | 9,656 | 9,459 |
| – life insurance | CZK millions | 7,745 | 6,649 | 6,995 | 7,778 | 8,492 |
| Total insurance provisions in insurance liabilities | CZK millions | 77,624 | 79,732 | 60,920 | 63,164 | 64,772 |
| – life insurance provision | CZK millions | 48,649 | 50,037 | 39,230 | 41,858 | 43,931 |
| – other insurance provisions | CZK millions | 28,975 | 29,695 | 21,690 | 21,306 | 20,841 |
| **Other information** | | | | | | |
| Market share in premiums written[1] | % | 26.7 | 20.6 | 21.5 | 22.1 | 22.6 |
| – non-life insurance | % | 28.9 | 22.8 | 23.7 | 24.4 | 24.8 |
| – life insurance | % | 22.3 | 16.1 | 17.1 | 17.9 | 18.8 |
| Average number of employees | number | 3,574 | 3,462 | 3,443 | 3,292 | 3,974 |
| **Performance ratios** | | | | | | |
| ROA (net profit/total assets) | % | 4.1 | 2.7 | 2.7 | 3.2 | 3.8 |
| ROE (net profit/equity) | % | 24.3 | 17.7 | 13.9 | 16.1 | 15.6 |
| Equity per share | CZK | 496,282 | 455,325 | 559,750 | 616,725 | 667,850 |
| Earnings per share | CZK | 120,443 | 80,432 | 77,826 | 99,124 | 104,544 |
| Non-life combined ratio | % | 77.3 | 92.8 | 85.6 | 87.4 | 85.4 |

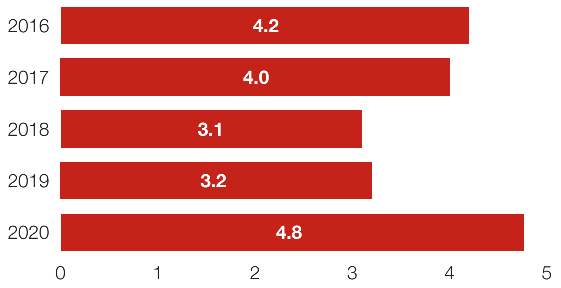
[1] Czech Insurance Association (ČAP). Statistical data according to ČAP methodology 1-12/2020 [online]. ČAP © 2014.
Available at https://www.cap.cz/images/statisticke-udaje/vyvoj-pojisteno-trhu/final_na_v%C3%BDm%C4%9Bnu_STAT-2020Q4-CAP-CS-2021-02-04-WEB.pdf

# KEY FINANCIAL FIGURES

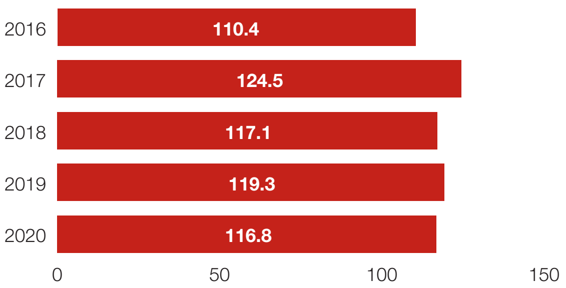
**Shareholder's equity (CZK billions)**



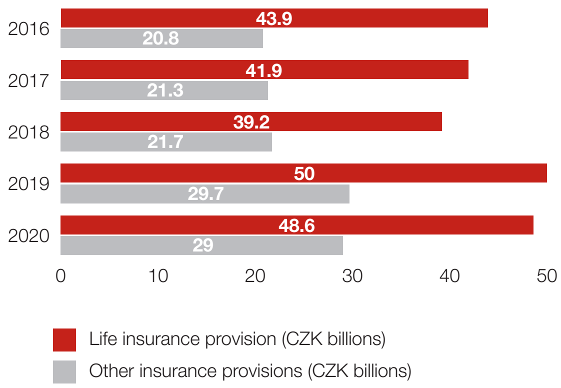

**Current period earnings (CZK billions)**



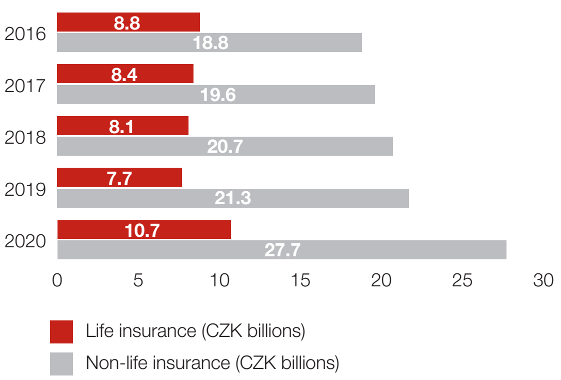

**Total assets (CZK billions)**




**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 2020, 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. (the "Holding Company"). The 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 2020. The Company's sole shareholder is CZI Holdings N.V.

## CZI HOLDINGS N.V.

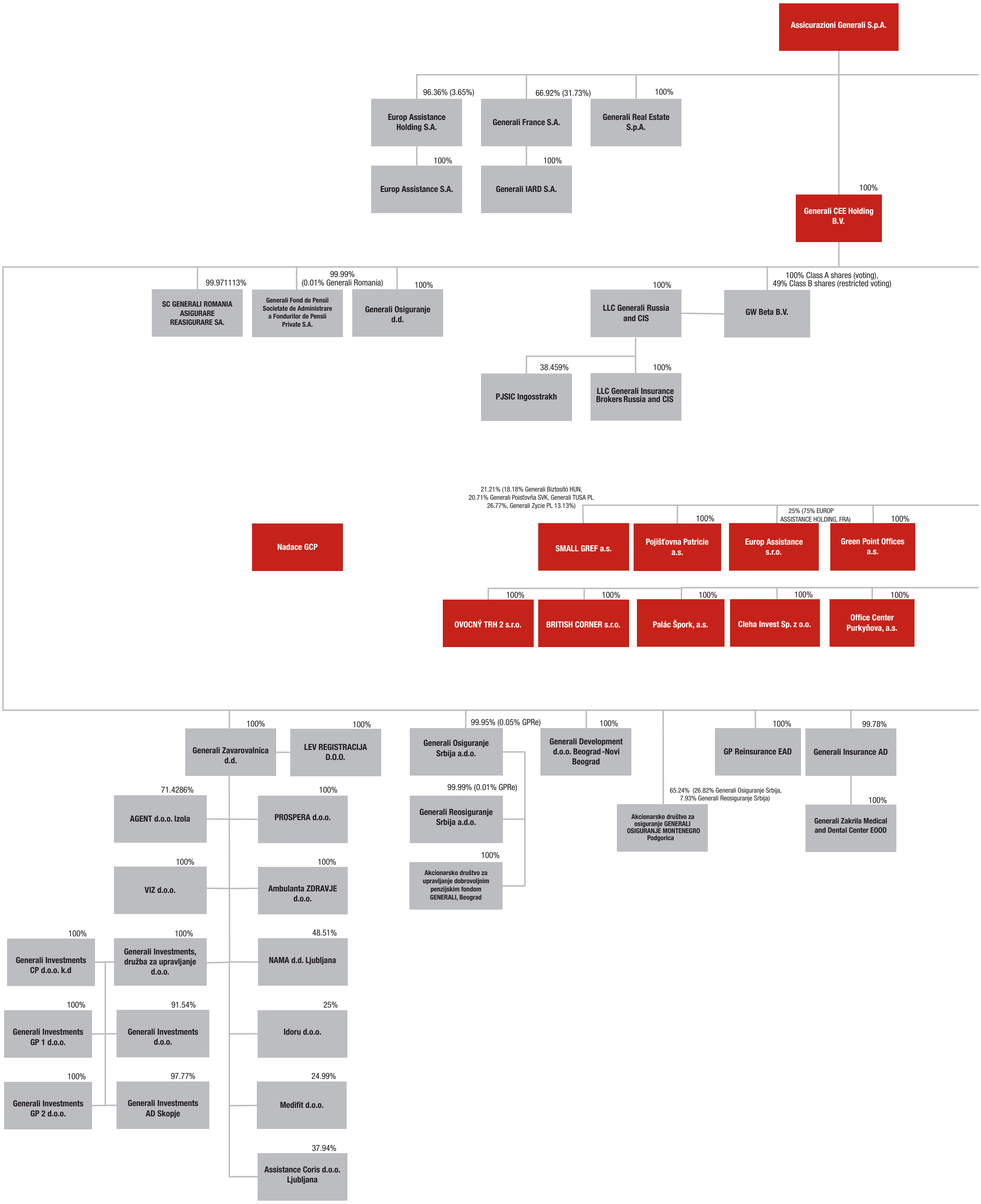
| | |
|---|---|
| Date of inception: | 5 April 2006 |
| Registered office: | De Entree 91, 1101 BH Amsterdam, Netherlands |
| File number in the Register of the Amsterdam Chamber of Commerce and Industry: | 34245976 |
| Registered capital: | EUR 100 million |
| Principal business: | financial holding |

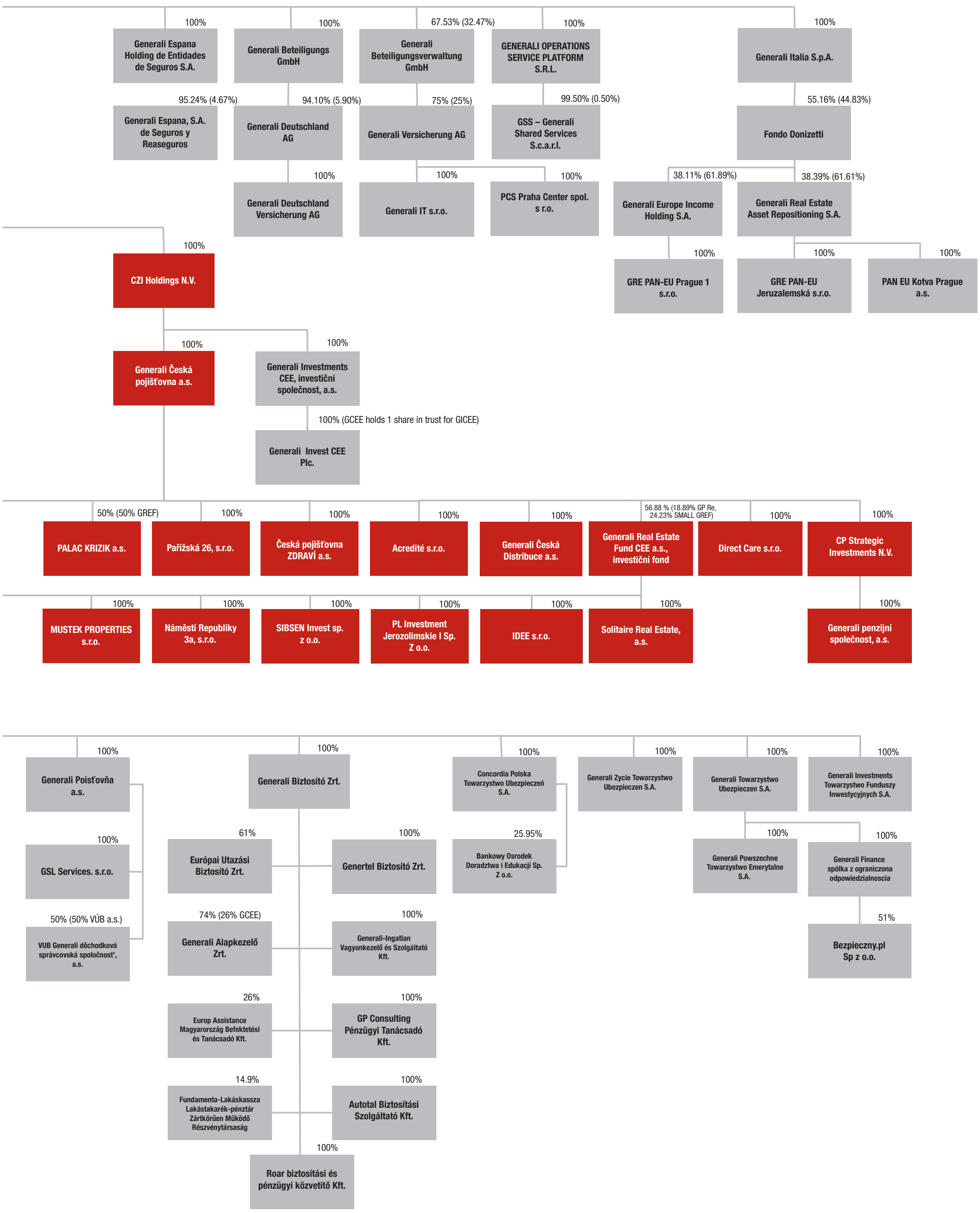
## GENERALI CEE HOLDING B.V.

| | |
|---|---|
| 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, Russia and Austria.

## GENERALI CEE HOLDING B.V. GROUP STRUCTURE AS AT 31 DECEMBER 2020




100%
Generali Espana Holding de Entidades de Seguros S.A.
95.24% (4.67%)
Generali Espana, S.A. de Seguros y Reaseguros
100%
Generali Beteiligungs GmbH
94.10% (5.90%)
Generali Deutschland AG
100%
Generali Deutschland Versicherung AG
67.53% (32.47%)
Generali Beteiligungsverwaltung GmbH
75% (25%)
Generali Versicherung AG
100%
Generali IT s.r.o.
100%
GENERALI OPERATIONS SERVICE PLATFORM S.R.L.
99.50% (0.50%)
GSS – Generali Shared Services S.c.a.r.l.
100%
PCS Praha Center spol. s r.o.
100%
Generali Italia S.p.A.
55.16% (44.83%)
Fondo Donizetti
38.11% (61.89%)
Generali Europe Income Holding S.A.
100%
GRE PAN-EU Prague 1 s.r.o.
38.39% (61.61%)
Generali Real Estate Asset Repositioning S.A.
100%
GRE PAN-EU Jeruzalemská s.r.o.
100%
PAN EU Kotva Prague a.s.
100%
CZI Holdings N.V.
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.
50% (50% GREF)
PALAC KRIZIK a.s.
100%
Pařížská 26, s.r.o.
100%
Česká pojišťovna ZDRAVÍ a.s.
100%
Acredité s.r.o.
100%
Generali Česká Distribuce a.s.
56.88 % (18.89% GP Re, 24.23% SMALL GREF)
Generali Real Estate Fund CEE a.s., investiční fond
100%
Direct Care s.r.o.
100%
CP Strategic Investments N.V.
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 penzijní společnost, a.s.
100%
Generali Poisťovňa a.s.
100%
GSL Services. s.r.o.
50% (50% VÚB a.s.)
VUB Generali dôchodková správcovská spoločnosť, a.s.
100%
Generali Biztosító Zrt.
61%
Európai Utazási Biztosító Zrt.
100%
Genertel Biztosító Zrt.
74% (26% GCEE)
Generali Alapkezelő Zrt.
100%
Generali-Ingatlan Vagyonkezelő és Szolgáltató Kft.
26%
Europ Assistance Magyarország Befektetési és Tanácsadó Kft.
100%
GP Consulting Pénzügyi Tanácsadó Kft.
14.9%
Fundamenta-Lakáskassza Lakástakarék-pénztár Zártkörűen Működő Részvénytársaság
100%
Autotal Biztosítási Szolgáltató Kft.
100%
Roar biztosítási és pénzügyi közvetítő Kft.
100%
Concordia Polska Towarzystwo Ubezpieczeń S.A.
25.95%
Bankowy Osrodek Doradztwa i Edukacji Sp. Z o.o.
100%
Generali Zycie Towarzystwo Ubezpieczen S.A.
100%
Generali Towarzystwo Ubezpieczen S.A.
100%
Generali Powszechne Towarzystwo Emerytalne S.A.
100%
Generali Finance spólka z ograniczona odpowiedzialnoscia
51%
Bezpieczny.pl Sp z o.o.
100%
Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A.

# 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 dôchodková 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.; Generali Česká pojišťovna a.s.; Pojišťovna Patricie a.s.; Generali PPF Holding B.V. (from 2015 Generali CEE Holding B.V.); PPF Group

**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**
### 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**
**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 Business Officer**
**Karel Bláha**

**Chief Operating Officer**
**Jiří Doubravský**

**Chief Retail Sales Officer**
**Pavol Pitoňák**

**Chief 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 Insurance Association; 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: 1975
Education: Prague University of Economics and Business

**Member**
### Beáta Petrušová
Appointment: 10 February 2017
Born: 1968
Education: University of Economics, Bratislava

**Member**
### Roman Smetana
Appointment: 1 January 2016
Born: 1974
Education: Prague University of Economics and Business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# Management Report

Generali Česká pojišťovna is traditionally viewed as one of the most prominent institutions in the Czech Republic. 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. With a market share of 26.7% of all insurance contracts (by volume), it is the largest insurance company on the Czech insurance market.

While tradition and stability remain important in the insurance industry, only a modern financial institution capable of responding flexibly to change can be a market leader. In 2020, this proved more important than ever. The year 2020 rigorously tested how able companies were to adapt to the new landscape. The pandemic necessitated numerous measures with the absolute priority of keeping the Company running smoothly while protecting the health of employees and customers.

The Company proved adept at taking full advantage of the crisis. By radically speeding up its digitalisation plans, it was able to introduce a raft of innovations that helped to increase customer convenience, made the settlement of insurance claims more efficient and faster, and simplified remote insurance contracting. Product innovations were also rolled out. For example, property and business insurance were modernised, and motor insurance assistance services were revised.

As a socially responsible business, the Company supported a number of charity projects in 2020 and was also involved in helping medical staff who faced unprecedented workloads due to the coronavirus crisis. In the spring, Generali Česká pojišťovna was quick to launch a large-scale project aimed at helping nurses. Besides aiding them financially and materially, the project encouraged public involvement and provided moral support, which was greatly appreciated by healthcare workers.

The Company is also heavily involved in The Human Safety Net, a global initiative organised by its parent Generali Group. In the Czech Republic, Generali Česká pojišťovna 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.

Active employee involvement has an important role to play in corporate social responsibility. All Generali Česká pojišťovna staff are allowed to spend two days a year on corporate volunteering. As a result, hundreds of employees are regularly involved in volunteering activities and, altogether, they have spent tens of thousands of hours working for good causes.

Thanks to the foundation set up in 2009, 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.

## THE CZECH INSURANCE MARKET – SITUATION AND OUTLOOK

**The Market in 2020**

Despite the adverse situation brought about by the covid-19 pandemic and the related government restrictions, the value of insurance policies taken out with Czech Insurance Association (ČAP) members continued to grow in 2020, this time rising by 3.6% to CZK 141 billion. However, the pandemic did have the effect of slowing the momentum considerably compared to the year before, when the market grew by 5.7%.

During 2020, most insurers made greater use of remote contracting and moved other services online, minimising the disruption caused by reduced face-to-face contact.

The main growth driver remains non-life insurance, which grew by 3.9% to CZK 95 billion. Its share in total premiums has continued to increase to the extent that it now stands at more than two thirds. Motor insurance was a major contributor to this growth, with MTPL rising by 7.1% and collision insurance up by 6.7%, despite an almost 20% drop in new vehicle sales over 2020 as a whole.

During this problematic year, other non-life insurance segments also kept to high growth rates - similar to the previous year - with business insurance climbing by 4.7% and non-life personal lines expanding by 5.5%. Travel insurance was the segment most affected by the crisis. According to market reports, most insurers shouldered declines of 50% or more in this field, depending on which particular travel insurance segment they serve. The travel agency insurance market suffered the most, retail travel insurance a little less, and credit card insurance remained comparatively unscathed by the crisis.

Regular-premium life insurance, which accounts for more than 97% of all life insurance, outperformed 2019 by rising 3.7%. Despite the slump during the spring wave of the pandemic, new policy sales were down just 2% year on year, a result even better than in the year previous.

**Economic Situation**

The year 2020 was marred by the covid-19 pandemic and related restrictions that triggered a downturn in the global economy. The pandemic's impact on GDP was particularly dramatic in the first half of the year, and the Czech economy was no exception. The second wave of the outbreak led to renewed restrictions in some sectors at the end of the year, which were carried over into early 2021. Nevertheless, growth is projected to pick up this year. Vaccinations are expected to bring the pandemic under control, paving the way for restrictions in the economy to be lifted.

Expert estimates indicate that the Czech economy recorded a 5.6% decline in GDP last year. The spring restrictions linked to the first wave of the pandemic had an impact on both domestic demand and exports as the measures affected not only services and retail, but also industry and foreign trade. By the time of the autumn wave of the pandemic, industry and exports were no longer directly restricted, and the impact on the economy was less dramatic, with GDP posting modest quarter-on-quarter growth in the final quarter of 2020. The Czech Republic's GDP is forecast to show recovery over 2020 as a whole, but just how strongly it grows will depend on how quickly the pandemic-related restrictions can be eased.

The CNB eased monetary policy in response to the pandemic, cutting the repo rate from 2.25% to 0.25% during the first half of the year. Relatively high inflation, which remained above the 2% target throughout 2020, kept the CNB from lowering interest rates further in the second half of the year. Its forecast from last November anticipated three rate hikes in 2021, the first in the spring, with the repo rate going up to 1.00%. However, falling inflation combined with the appreciation of the Czech crown could delay the CNB's interest rate rises.

# REPORT ON FINANCIAL PERFORMANCE

Generali Česká pojišťovna has long been a highly capitalised and stable company, with assets totalling almost CZK 117 billion as at CZK 31 December 2020. The shareholder's equity is more than CZK 19 billion and the share capital stands at CZK 4 billion.

## ASSETS

The value of equity investments decreased by CZK 5 billion due to the impairment in the value of Pojišťovna Patricie. Pojišťovna Patricie paid dividends to the Company in 2020, resulting in lower equity and impairment.

The largest asset item by volume is investments, amounting to CZK 78.5 billion as at 31 December 2020 (up by approximately CZK 3.6 billion on 2019).

The significant increase in deferred tax assets to CZK 1.7 billion is related to a new statutory measure regulating the income tax base, which is now linked to the value of insurance liabilities according to rules set out in the European Solvency II Directive.

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 2020 accounting period.

## EARNINGS

In 2020, Generali Česká pojišťovna reported a post-tax profit of CZK 4.8 billion according to international accounting standards, a CZK 1.6 billion rise on 2019.

Generali Česká pojišťovna's gross premiums written in 2020, reported according to Czech Insurance Association guidelines[2], were CZK 37.7 billion. Of this figure, non-life insurance accounted for CZK 27.4 billion and life insurance for CZK 10.4 billion. The increase compared to 2019 can mainly be explained by the transfer of the insurance portfolio from the former Generali Pojišťovna and ČP ZDRAVÍ at the end of 2019.

## SHARE CAPITAL AND RESERVES

The Company's share capital was unchanged at CZK 4 billion in 2020.

In 2020, shareholder's equity grew by CZK 1.7 billion to CZK 19.9 billion.

## DIVIDENDS IN PREVIOUS YEARS

In November 2020, the sole shareholder, acting in the capacity of the General Meeting, decided to pay a gross dividend for 2019 totalling CZK 3.2 billion.

## INSURANCE PROVISIONS

Total insurance provisions (net of the reinsurer share) under the Insurance Act slipped by CZK 2.1 billion year on year to CZK 77.6 billion as at 31 December 2020.

[2] – 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

## 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 2020, gross life insurance provisions totalled CZK 49 billion, down by CZK 1.4 billion on the previous year.

## 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 2020, these provisions for non-life insurance claims totalled CZK 21 billion, down by CZK 0.9 billion on the previous year.

They also include a provision for unearned premiums, which changed little year on year and stood at CZK 7.1 billion as at 31 December 2020.

## RECEIVABLES AND PAYABLES

There were no major changes in receivables. The increase in tax liabilities is related to the aforementioned new statutory regulation in place for the taxation of provisions, which resulted in a liability of CZK 1.2 billion for the Company in 2020. Financial liabilities decreased year on year by CZK 3.2 billion as a result of repo operations.

# REPORT ON BUSINESS ACTIVITIES

## NON-LIFE INSURANCE

The company still maintains its leading position as a provider of non-life insurance services. This was further strengthened by the merger of the insurance portfolios of two major insurance companies, Česká pojišťovna and Generali Pojišťovna, into one - Generali Česká pojišťovna.

In 2020, Generali Česká pojišťovna accounted for 28.9% of the volume of non-life insurance premiums written in the Czech Republic. Non-life insurance premium billing came to CZK 27.8 billion in 2020, up by CZK 6.5 billion (30.3%) on the previous year. This result was heavily influenced by the purchase of insurance portfolios in late 2019.

The volume of claims costs increased by CZK 1.4 billion compared to 2019. There were two main contributors to this result, i.e. the purchase of insurance portfolios, the impact of which on the growth in claims costs was partially mitigated by a fall in the number of claims due to the downturn in economic activity, caused by government measures to manage the covid-19 pandemic.

There were three natural disasters in 2020: storm Sabina and the smaller hurricane Yulia in February, followed in June by a minor calamity in agricultural crop insurance. The total damage from these events amounted to CZK 380 million, which is much lower than the CZK 600 million reported in disaster costs in 2019.

As in 2019, there were no exceptionally large claims in 2020.

**Business Risk Insurance**
In business risk insurance (including accepted reinsurance), billing rose to CZK 1.4 billion in 2020. The largest contributors to this billing growth were natural hazards insurance and liability insurance.

This increase is solely due to the aforementioned merger of insurance portfolios. Costs in the business insurance segment rose by CZK 300 million (17.1%) year on year in 2020.

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 2020, the increase in claims was heavily influenced by business interruption insurance, as clients were able to claim financial losses and costs caused by the government’s covid-19 pandemic measures.

The spread of covid-19 in the Czech Republic and the subsequent government measures to combat it resulted in a slump in road freight transport, especially in the spring. In particular, problems were faced by carriers linked to the automotive industry. The decline in orders was felt throughout this sector. In order to mitigate these impacts on the road haulier segment, Generali Česká pojišťovna a.s. came up with a number of support measures. Even so, there was a steep drop in road haulage contractors liability insurance premiums.

One of the hardest hit sectors was (and remains) the tourist trade. The pandemic was a blow to travel agencies’ activities. Because they are required to have insurance covering them for bankruptcy, the financial impacts were subsequently passed on to the Company. The scale of vouchers issued and deposits paid for trips that did not take place is enormous. From the perspective of this insurance, the risk of travel agency insolvency rose, which pushed up claims costs and the risk of the availability of reinsurance cover.

In crop insurance, a level II natural disaster was declared for southern and northern Moravia. The year 2020 was characterised by the fact that all risks insured under these policies – especially hail, windstorms, flooding and spring frost – contributed to claims. In livestock insurance, diseases (avian influenza, salmonella in poultry, etc.), fish damage and, traditionally, individual insured events were major loss factors.

**Non-life Personal Lines**
In personal lines insurance, in 2020 there was a year-on-year increase in premiums written by CZK 580 million, while claims costs climbed by CZK 29 million. In both cases, this rise can again be attributed entirely to the merger of insurance portfolios. Without this merger, non-life insurance would have been highly influenced by the covid-19 pandemic, resulting in a decline in both billing and costs. Much of this downtrend, especially in liability insurance, is steered by restrictions in the movement of people, as this means there is less chance that damage will be caused.

**Motor Insurance**
Although motor insurance recorded a CZK 4 billion increase in billing this year, the rise was again mainly due to the merger of portfolios. As in previous years, this segment played a decisive role in the generally positive results reported for non-life insurance.

Claims costs in 2020 went up by CZK 450 million, although, had it not been for the merger of the portfolios, they would have been lower. Like the low claims costs, the very modest rise in income from premiums can again be linked to covid-19. GČP remains the largest insurer in the motor insurance segment.

In 2020, motor third party liability insurance premiums written were CZK 2 billion higher than in 2019. The main contribution to this development was made by retail insurance, with a share of CZK 1.4 billion. Claims costs increased by CZK 240 million compared to 2019. This is again due to the portfolio purchase. However, if the costs of both portfolios were factored into the 2019 results, the Company would have reported a decrease. Again, this situation can be linked to the reduced mobility of individuals. Despite a slight increase in costs, MTPL has a significant impact on the stabilisation of economic results and on the profitability of non-life insurance in general.

The Czech collision insurance market is evolving somewhat more slowly than the MTPL market. The same trend can be identified within the Company. Premiums written increased by CZK 1.9 billion year on year, spearheaded by the retail insurance segment, where the rise was CZK 1.1 billion. The parallel development in business collision insurance was rather more muted, with premiums written up by CZK 860 million.

Claims costs grew by CZK 211 million in both business and personal motor insurance. The bulk of these costs relate to personal lines. As with MTPL, the portfolio purchase has played an important role here. Without it, claims costs would have been much lower, which again can be explained by the impact of the covid-19 pandemic.

**Innovation and Future Developments in Non-life Insurance**

**Business Risk Insurance**
The covid-19 pandemic's impact on property insurance is driven solely by business interruption claims in the SME segment (the large-risk segment was affected by only a handful of claims). Selected insurance policies introduced a new clause on official intervention on health or safety grounds without a link to material damage. As a result of this arrangement, clients could and can claim financial losses – in the form of loss of earnings and the need to cover fixed costs – caused by government measures 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 response to the prevailing situation, the claim settlement methodology was revised and regularly updated. Product management and the legal department were involved in this process.

In 2021, Phase II of ProfiPlán will be launched. This will include directors and officers insurance, professional indemnity insurance, medical provider insurance, cyber risk insurance, assistance service insurance and building contractor insurance. From 2021, the new insurance terms and conditions under which ProfiPlán property and liability insurance is arranged will also be used for what are known as “large risks”.

**SME Property and Liability Insurance**
Phase I of **ProfiPlán**, the new property and liability insurance product designed for legal entities (including municipalities) and natural persons engaging in business, was launched in 2020. The new HUGO online contracting tool is used to arrange policies. New policy conditions and contract templates were created. Profiplán encompasses life insurance, theft insurance, business interruption insurance, machinery insurance, electronics insurance, and liability insurance. This product can be used to arrange a wide range of types of insurance covering all manner of perils. Depending on the type of insurance, it is possible to take out policies covering either specified insurance risks or all perils (based on the all-risk principle - if it is not excluded in the insurance contract, it is insured).

**Agricultural Insurance**
In agricultural insurance, the internal TIA system was interlinked with output from the LPIS (geographic information system) in 2020. Output from the LPIS can be used to run a check in the insurance contract that the stated insurance locations and acreages of individual crops correspond to the actual situation. New crop insurance offers can also be drawn up on the basis of this output. As a result, it is now simpler to process new offers. Fruit insurance has also been modified, with the new insurance concept due for launch in spring 2021.

**Non-life Personal Lines**

The main product changes in non-life personal lines in 2020 took place at the end of the year. In a new variant of Můj majetek (My Property), completely new risks, such as coverage of aesthetic units, have been introduced. In addition to the new risks, the limits of indemnity have been increased and adjustments have been made to increase transparency for clients. For 2021, there are plans to modify the contracting process, with an emphasis on making it much simpler, and to integrate additional services.

In professional indemnity insurance, the Company's primary focus in 2020 was on improving profitability through new technical solutions. It also continued to work with clients with a high claims ratio. In collective professional indemnity, all original contracts were migrated to the new OH product. In 2021, in individual professional indemnity insurance, the Company will concentrate on developing segmentation parameters for more detailed pricing.

**Motor Insurance**

In motor insurance, adjustments were made to improve the profitability of retail insurance in 2020. The Company also introduced a unique service enabling customers to check a vehicle's history, so they can find out whether the vehicle has ever been in an accident and other useful information.

New assistance services have been introduced for both retail and fleet insurance, providing clients with a very wide range of services when needed. It is also now very easy to navigate the range of services provided.

There were fundamental changes in fleet insurance in 2020. A completely new product was introduced that allows for significant product variability in the areas of both main risks and supplementary insurance.

In 2021, the Company is also planning a number of product innovations in retail insurance and other areas of vehicle insurance, with an emphasis on leasing insurance.

## LIFE INSURANCE

In its regular-premium life insurance, Generali Česká pojišťovna a.s. paid close attention in 2020 to measures stemming from the declaration of the state of emergency following the outbreak of the covid-19 pandemic in the Czech Republic. In order to protect the health of intermediaries and clients, the Company introduced a fully remote form of life insurance contracting in the spring. Generali Česká pojišťovna also assured clients that, in life insurance contractual documentation, it would not exclude pandemic outbreaks, and that it would thus fully honour all its commitments. It made a public pledge, over and above the framework agreed in the policy conditions, that it would extend benefits under incapacity insurance to any quarantine ordered by the client's attending physician or a health officer. The Company was flexible in its response to the unfavourable and ever-changing epidemiological situation over the course of the year. It simplified the conditions for medical underwriting by accepting documentation with medical records not more than 12 months old.

The Company considers its benefit coverage for medical staff (Company clients) and nurses registered with the Czech Association of Nurses to be a particularly important initiative. In the period from May until the end of 2020, it provided a benefit of CZK 500 per day to medical staff who required hospitalisation after contracting covid-19. This rose to CZK 1,000 for hospitalisation in an intensive care unit. In the event of a health professional's death, the survivors received CZK 1,000,000.

Generali Česká pojišťovna a.s. continued to innovate its flagship products by introducing a completely new generation of the life insurance product Bel Mondo 20. This insurance, a modern modular product with an investment component, covers all situations in the lives of clients served by external distribution channels. During the autumn, this product was supplemented by a fully automated process for the online evaluation of data on the state of health of insurance applicants. As a result, intermediaries and clients received instant feedback on the conditions of admission to insurance.

In 2020, in its life insurance product development, the Company adapted Bel Mondo 20 to the specific needs of clients served by its distribution partner MONETA Money Bank, a.s. The Company created a new automated sales process for this distribution channel that included an analysis and evaluation of the requirements, goals and needs of the bank's clients. This gave the bank's relationship managers a tool they could use to create individualised and comprehensible recommendations for insurance in accordance with the requirements of Act No 170/2018 on the distribution of insurance and reinsurance.

In the realm of single-premium life insurance, the Company continued to sell Moje jednorázové pojištění (My Single-premium Insurance), enabling customers to take out insurance covering death and accidental death while making returns on their disposable resources in three different underlying risk funds run by Generali Investments CEE.

**Financial Indicators**
Following a 2% year-on-year decrease, gross premiums written under new regular-premium life insurance contracts came to CZK 10.4 billion. Single-premium products generated CZK 0.3 billion in premiums written. Regular-premium life insurance products were purchased by over 96,000 customers in 2020.

In 2020, life insurance claims paid fell by 12% year on year to CZK 7.8 billion. This was due to the lower 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 3.7 billion) were released in the form of endowments. In 2020, the Company handled 224,000 claims from the life insurance portfolio.

**Outlook**
In the area of legal regulation, in 2021 the Company will continue to devote itself unceasingly to consumer protection in the distribution, sale and revision of life insurance. In particular, the functioning of business processes will be evaluated on an ongoing basis in order to ensure full compliance with legislative requirements and any amendments to or supplementation thereof in connection with Directive (EU) 2016/97 of the European Parliament and of the Council on insurance distribution (the Insurance Distribution Directive – IDD) and Act No 170/2018 on the distribution of insurance and reinsurance as the national legislation applicable in the Czech Republic.

In 2021, the Company will also concentrate on implementing the requirements of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR), which requires financial institutions to be more transparent with clients about the management of sustainability-related risks or the impacts of their investments on sustainability.

This year, it will also monitor the pending amendment to Act No 586/1992 on income taxes to gauge potential effects on the tax deductibility of premiums for death and survival insurance.

## SALES OF INSURANCE

**Internal Distribution Channels**
The internal distribution channels concentrated in the two subsidiaries ČP Distribuce and Generali Distribuce entered 2020 with the backing of a massive media campaign presenting the benefits of the merger between Česká pojišťovna and Generali Pojišťovna.

As 2020 began, the Company prepared for a year in which it would have to comply with legislative obligations under Directive (EU) 2016/97 of the European Parliament and of the Council on insurance distribution (IDD), requiring all salespeople and internal distribution managers to pass a mandatory examination.

In February 2020, the first ever meeting of the sales staff and management of ČP Distribuce and Generali Distribuce was held to set out plans and business opportunities for 2020.

At the end of February 2020, as the coronavirus spread and preventive measures were adopted by Chinese authorities, the Ministry of Foreign Affairs of the Czech Republic advised against travel to China. Generali Česká pojišťovna agreed to accept client claims filed for the cancellation of tours/accommodation throughout China. This move, the first activity to affect internal distribution, was the harbinger of a year that would be plagued by covid-19. By March 2020, covid-19 was the main theme of society at large. A series of precautionary measures was initiated in internal distribution to minimise the impact that the spread of covid-19 would have. Internal distribution members had to adapt very quickly to a situation where it was necessary to maintain a quality customer service without physical contact. To achieve this, tools and conditions had to be in place so that they could work in these emergency conditions.

Internal distribution support teams were deployed with all haste. In March, the "distance method" of insurance contracting (without the need to meet in person) was launched for most of Generali Česká pojišťovna's products. Acredité, a company providing internal distribution training, also responded promptly to set up a new online platform - GČP Telka – in record time. The aim of the Telka GCP was to broadcast lessons electronically as in-person training was out of the question. A series of TV broadcasts was prepared, giving internal distribution members the opportunity, for example, to prepare thoroughly for the "IDD" professional examinations, which were suspended in March because of the covid-19 pandemic. The central IT teams were also of great assistance. In April, a new option for signing life insurance contracts with the ePodpis (eSignature) app was introduced so that documents could be signed "remotely". This did away with the requirement for clients to send documents by post or courier. Instead, everything took place electronically and there was no need to meet in person. The Company's operations were adapted to the new conditions, and the pace of digitalisation picked up significantly. This showed clients that the Company was a truly trustworthy partner they could rely on in all situations.

In June, a very significant event took place: the largest distribution company on the Czech insurance market was created. The merger of ČP Distribuce and Generali Distribuce resulted in a single robust distribution company called Generali Česká Distribuce. This was the legal culmination of the large distribution companies, which was smoothly followed by a change in the organisational structure. As it is always a major challenge to maintain the position of market leader, the next logical step was to simplify and streamline the organisational structure in the sales network. As of 1 October, all internal distribution salespeople and managers began working in 15 newly defined regions managed by selected regional directors.

Throughout 2020, cooperation with strategic partner MONETA Money Bank was increased in order to expand the product portfolio of the Company's distribution network, paving the way for a comprehensive consultative approach. This consultative approach remains a key internal distribution theme in 2021.

**Specific Distribution Channels**

**External retail partners – focused on personal lines**
Generali Česká pojišťovna continued to deepen its cooperation with important external partners in 2020. It introduced a great many innovations to its business partners. Above all else, there was the new-look Generali Česká pojišťovna which, following the merger of the portfolios, offered two new life insurance products – Bel Mondo 20 and Alegro, along with the e-obchodník (e-salesperson) and e-podpis (e-signature) applications. The launch of Můj majetek, the new non-life insurance product, generated growth in new business in this segment. During the past year, the Company continued to connect business partners to the web services consolidating its market position. The pandemic in 2020 did not allow for as many in-person events as the previous year. The training of business partners was therefore largely conducted online.

# 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.

The Company continues to use the NPS client satisfaction measurement system provided by the Medallia tool. Customers are approached with an e-mail questionnaire. They use a scale from 0 (worst) to 10 (best) in assessments of Company services. Customers awarding scores from 0 to 6 are called back by a Company employee to identify the root cause of their 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.

The biggest challenge in the loss adjustment process in 2020 was unquestionably the covid-19 pandemic. Within days, a new work regime was set up with an emphasis on the continuity of all services and on the protection of the health of clients and staff. Numerous measures were quickly implemented, including arrangements for damaged items to be inspected without personal contact, and the further digitalisation of the claim settlement process was accelerated. Throughout the year, Generali Česká pojišťovna remained a reliable partner for its customers, who registered no change in the Company's internal workings during the pandemic.

The Loss Adjustment Department 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 2020, the CHATBOT was deployed for customers to conduct inspections themselves. This made it much easier for customers to document simple claims. Another new feature is Assisted Video Inspection, which allows damage to be evidenced without the need for physical contact. Lastly, we successfully introduced artificial intelligence to handle inbound emails. As a result, documents and requests sent by clients will reach a loss adjuster for processing even faster and more efficiently.

In insurance administration, in 2020 the Company continued to optimise operational activities, chiefly in the fields of digitalisation, electronic communications and printing. In 2020, the Company completed projects to speed up and simplify the procedural path from the creation of contracts to the settlement of a claim - these include mobile scanning and biometric signing on mobile devices. The Company managed to implement suitable solutions for internal and external business channels, including the possibility to arrange insurance remotely or to supply all necessary documents for processing online. The final phase of biometrics was the introduction of an electronic "notice of survival" application form along with a biometric signature. Taking a longer-term view, this should reduce the printing and physical distribution of documents to the salesperson.

The extended support should help to increase the efficiency of the sales service, reduce errors by staff, and provide other customer-friendly solutions. Although 2020 was significantly affected by the covid-19 pandemic, the customer service staff learned to react promptly to the external influences associated with it in order to minimise the negative impact on the insurance administration process for both the customer and the sales staff. The long-term goal is to maximise support for customer satisfaction by relying on swift and efficient communication. In 2020, more than 67% of all correspondence was delivered to customers electronically.

In 2020, the Company's operators handled almost 1.9 million incoming and outgoing calls, processed more than 600,000 electronic documents, and chatted online with nearly 70,000 customers. The new CHATBOT LEO, which has won numerous industry and client awards, conducted another 90,000 conversations.

Thanks to the "co-browsing" technology, operators can now share documents or web pages with customers during a phone call to help them navigate insurance contracts or the Generali Česká pojišťovna website better.

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. The operating hours of the customer service line were adjusted to align it better with client demand, thus ensuring higher availability of the necessary services at times when clients need to communicate most often with the Company.

In 2020, the Company also modified a number of processes and procedures for call centre operators to ensure that as many requests as possible are resolved with customers directly during the call.

**Ombudsman**
The Ombudsman Offices 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 2020 was the same as in 2019. 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.

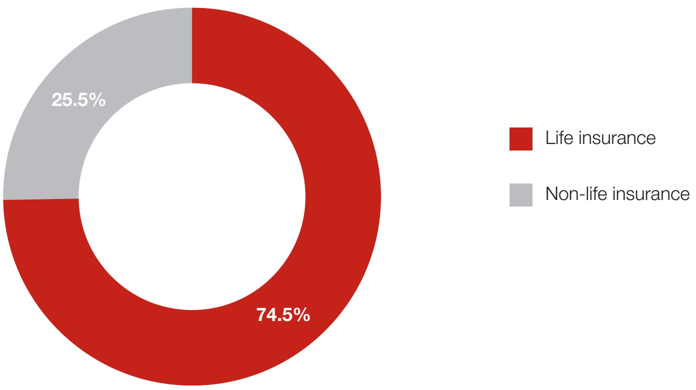
In keeping with the Insurance Act, the Company makes investments based on the principle of prudent investment and a valid investment policy with the aim of achieving safety, liquidity and profitability in order to ensure that the Company is fully capable of meeting its commitments to customers. As required 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 the Generali Group, the Company exercises and asserts its shareholder rights in order to mitigate risks and increase the value of the Company 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.

In 2020, the financial markets were dominated by the covid-19 pandemic. The Company witnessed unprecedented volatility in all manner of financial assets – equities, bonds, currencies, or credit. The sharp spring decline among risk-bearing assets was reversed by a timely and decisive response from central banks and governments. The Fed cut rates to zero and, in step with the ECB, announced colossal programmes of financial asset purchases, especially bonds. The CNB cut rates by 200 basis points during the year from 2.25% in February to the current 0.25%. Governments in key countries were generous in supporting their economies, even at the cost of the highest post-war budget deficits and soaring debt levels. However, this did prevent government bond yields from falling to historic lows. The Brexit agreement was also crucial for Europe as it eliminated the risk of a no-deal exit. For 2021, the biggest risk remains the success of vaccination programmes in stopping the pandemic and meeting the high expectations that the global economy will rebound strongly. If this positive scenario unfolds, central bank support could be phased out, with potentially negative consequences for bond markets in particular. The first step for the ECB and the Fed would be to rein in their asset purchase schemes, while the CNB would be looking to increase interest rates.

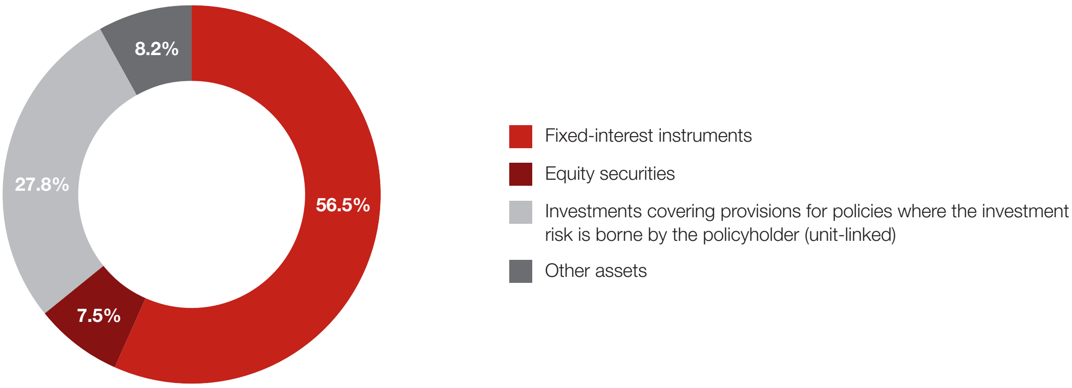
At the end of 2020, financial investments totalled CZK 82.9 billion, with life insurance accounting for CZK 61.7 billion and non-life insurance for the remaining CZK 21.2 billion. For the most part, this money is invested in fixed-income instruments, especially Czech and foreign government bonds and corporate bonds of issuers generally with 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**



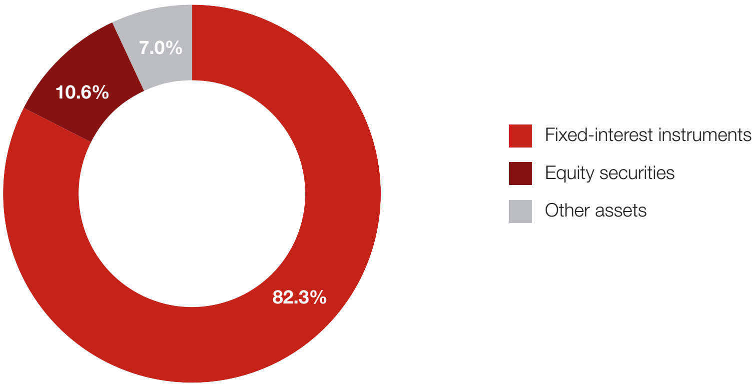

Another significant item in the structure of financial investments is equity securities (shares, unit certificates, and other variable-yield securities), with a book value of CZK 4.7 billion as at 31 December 2020. These instruments are purchased for the portfolio to act as a counterweight to fixed-income instruments for purposes of risk diversification and to optimise overall medium- and long-term returns.

The investment portfolio is rounded out by other fixed assets. Here, the Company invests in real estate, mainly in the form of equity interests in companies that own real estate and whose main business is property management and leasing, or through the Generali Group's real estate fund. At the end of 2020, the real estate allocation remained at the level of the previous year, amounting to CZK 5.1 billion. Investment property is a suitable source of higher, long-term stable yield, and also offers the opportunity of capital gains as the market price of real estate rises.

The gross return on life financial investments, before the deduction of management fees, was CZK 1.3 billion. Of this amount, investments covering insurance provisions where the risk is borne by the policyholder accounted for CZK 141 million. Interest on debt securities was the biggest source of returns.

**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 investment 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 return on financial investments within the non-life insurance segment, before the deduction of management expenses, was CZK 328 million. As in the life insurance segment, the biggest contributor to this result was interest income from bonds.

## 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.

The completion of the transfer of Pojišťovna Patricie's insurance portfolio resulted in the migration of its ceded reinsurance contracts to Generali Česká pojišťovna in December 2020. Similarly, Pojišťovna Patricie's accepted reinsurance portfolio was transferred to Generali Česká pojišťovna.

## 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 2020, employees numbered 3,598, of whom 3,178 were full-time contracted employees and 420 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 particularly important for onboarding purposes. The chief guarantor of multiple programmes is the CFO.

In 2020, there were also specific programmes for key groups of employees, such as talents, graduates, new recruits, the project community, and managers. The programmes were tailored to the needs of these employee groups. In 2020, all training moved completely online, using the latest forms of development such as video training, streaming, podcasts, and e-learning. GČP Telka, an internal television studio, was also set up to transmit online broadcasts.

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, the Company focuses primarily on the employment of the health impaired, on equal opportunities, and on age diversity.

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. Mobility (Mobilita), a programme designed to broaden career opportunities within the Company and the Generali Group, both in the Czech Republic and abroad, also continued successfully in 2020. This year, this activity also benefited from the unique opportunities offered by the online environment.

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 employees. The aim is to maximise flexibility in the provision of those benefits in order to cover the diverse requirements of all Company staff.

# 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 16 hereof.

Prague, 29 March 2021

**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**

**Petr Bohumský**

**Audit of the Financial Statements**
Since 2012, the financial statements have been audited by Ernst & Young Audit, s.r.o. Generali Česká pojišťovna's financial statements were audited on 30 March 2021.
Registration number: 267 04 153
Registered office: Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Statutory audit licence number: 401
Auditor-in-charge: Lenka Bízová
Authorisation number: 2331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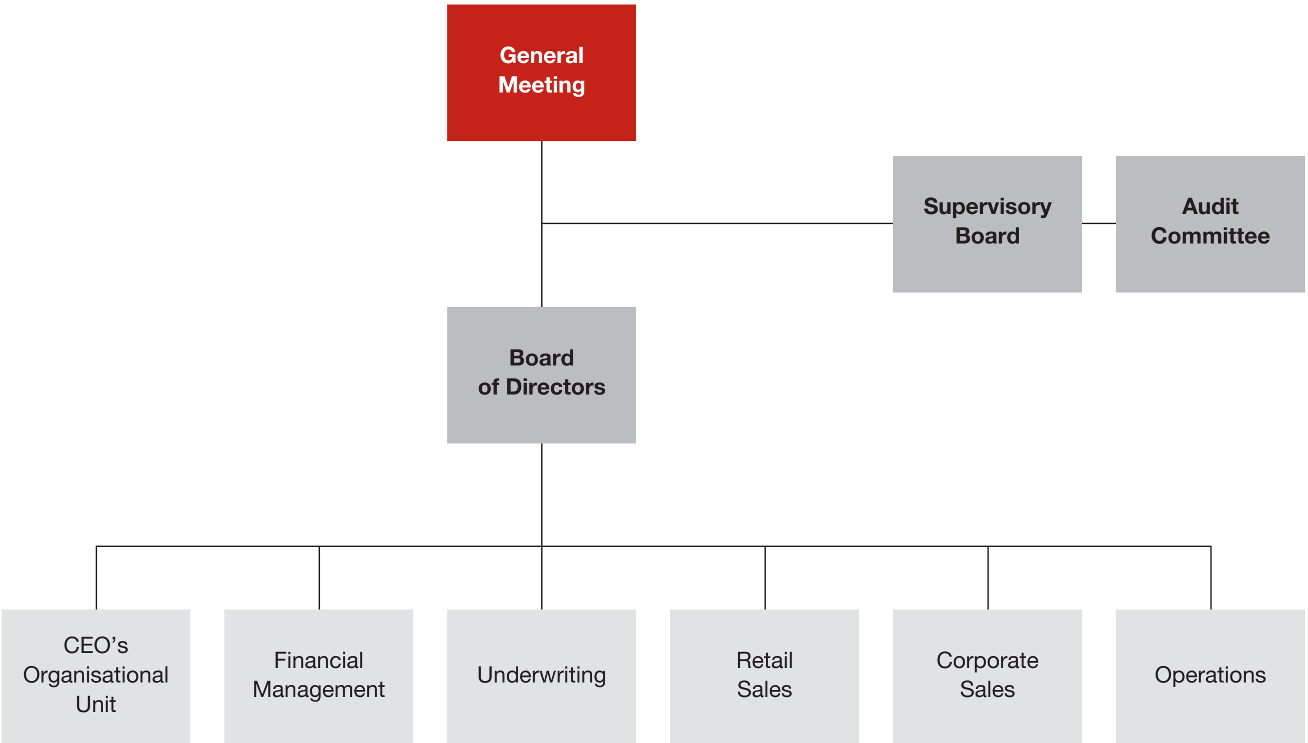
We pay out claims for injuries right from the start of treatment.

# 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

**Head Office**
Generali Česká pojišťovna a.s.
Registered office: Spálená 75/16, 110 00 Praha 1
Address of head office: Na Pankráci 123, 140 00 Praha 4
GČP Customer Service: 241 114 114
GČP Asistent, roadside assistance service: +420 224 557 004
Telephone: +420 224 550 411
Website: www.generaliceska.cz

| Regional director | Assistant | E-mail | Address | Telephone |
|---|---|---|---|---|
| David Konáš | Renata Košová | renata.kosova2@generaliceska.cz | Štefánikova 10, Praha 5, 150 00 | 420 224 556 409 |
| Šárka Dolanská | Zuzana Bártů | zuzana.bartu@generaliceska.cz | Dejvická 52, Praha 6, 160 00 | 420 224 551 538 |
| Pavel Kafka | Markéta Vrbská | marketa.vrbska@generaliceska.cz | Seydlovo nám. 25/4, Beroun, 266 59 | 420 326 320 730 |
| David Hrdlička | Radka Kvantová | radka.kvantova@generaliceska.cz | Pražská 1280, České Budějovice 3, 370 04 | 420 387 841 573 |
| Jiří Turek | Monika Příhodová | monika.prihodova@generaliceska.cz | Slovanská alej 2442/24, Plzeň, 326 00 | 420 604 293 504 |
| Lukáš Podmanický | Monika Říhová | monika.rihova@generaliceska.cz | Felberova 604, Liberec, 460 95 | 420 485 343 308 |
| Ladislav Hříbal | Lenka Kaftanová | lenka.kaftanova@generaliceska.cz | Revoluční 2, Ústí nad Labem, 400 01 | 420 476 440 960 |
| Zdeněk Tlusťák | Dita Kadlecová | dita.kadlecova@generaliceska.cz | nám. 28.října 20/2, Hradec Králové, 500 02 | 420 495 076 401 |
| Ondřej Šetina | Aneta Misařová | aneta.misarova@generaliceska.cz | tř. Míru 2647, Pardubice, 530 02 | 420 466 677 423 |
| Jan Blažek | Hana Slavíková | hana.slavikova@generaliceska.cz | Masarykovo náměstí 1102/37, Jihlava, 586 01 | 420 569 472 925 |
| Zbyněk Dostál | Kristýna Olbertová | kristyna.olbertova@generaliceska.cz | Nábř. Přemyslovců 867, Olomouc, 772 00 | 420 585 571 813 |
| Petr Kleveta | Lenka Protivanská | lenka.protivanska@generaliceska.cz | Moravské nám. 144/8, Brno, 601 24 | 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

# 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<br>The Company is 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<br>Register entry: Section B, File 1464 |
| Date and purpose of most recent change in the Commercial Register | On 4 November 2020, Antonella Maier was registered as a new member of the Supervisory Board with effect from 1 September 2020. |

The Company has no branches or other business units outside the Czech Republic.

As at 31 December 2020, the approved share capital consisted of 40,000 dematerialised, registered ordinary shares totalling CZK 4,000 million.

| | |
|---|---|
| **Issue (ISIN)** | **CZ0009106043** |
| 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. Reinsurance 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 other wise, 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 2020, 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 2020, the following changes were made to the Company's bodies:**

**Board of Directors:**
David Vosika was appointed a member of the Board of Directors with effect as of 1 January 2020.

**Supervisory Board:**
Gregor Pilgram's membership of the Supervisory Board ended as at 31 August 2020.
Marek Jankovič was appointed a member of the Supervisory Board with effect as of 1 January 2020.
Antonella Maier was appointed a member of the Supervisory Board with effect as of 1 September 2020.

**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 2020:**

**Karel Bláha:**
– member of the board of directors of Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.).

**Petr Bohumský:**
– chairman of the supervisory board of Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.);
– vice-chairman of the supervisory board of Generali Česká Distribuce a.s.;
– member of the supervisory board of Česká pojišťovna ZDRAVÍ a.s.;
– member of the supervisory board of Generali penzijní společnost, a.s.;
– member of the supervisory board of Nadace GCP (GCP Foundation);
– member of the supervisory board of Europ Assistance s.r.o.;
– vice-chairman of the executive committee of the Czech Table Tennis Association.

**Luciano Cirinà:**
– head of the organisational unit Generali CEE Holding B.V., organizační složka;
– head of the organisational unit Generali Shared Services Czech Branch, organizační složka;
– 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;
– chairman of the supervisory board of Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A., Poland (until 25 June 2020);
– vice-chairman of the supervisory board of Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A., Poland (as of 26 June 2020);
– 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 Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.) (until 29 February 2020);
– chairman of the supervisory board of ADRIATIC SLOVENICA Zavarovalna družba d.d. (until 3 January 2020);
– member of the supervisory board of Generali zavarovalnica d.d., Slovenia (as of 11 February 2020);
– 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;

**Gregor Pilgram:**
- member of the governing body of Generali CEE Holding B.V., Netherlands (until 20 June 2020);
- chairman of the board of directors and CEO of Generali Versicherung AG, Austria (as of 1 May 2020);
- member of the supervisory board of Generali Versicherung AG, Austria (until 15 April 2020);
- chairman of the supervisory board of BAWAG PSK Versicherung AG, Austria (as of 23 June 2020);
- member of the supervisory board of Generali Bank, Austria (as of 23 June 2020);
- chairman of the supervisory board of Europaische Reiseversicherung Aktiengesellschaft, Austria (as of 23 June 2020);
- member of the supervisory board of FK Austria Wien, Austria (as of 22 October 2020);
- member of the supervisory board of Generali Beteiligungverwaltung GmbH, Austria (until 5 June 2020);
- member of the supervisory board of Generali Investments CEE, investiční společnost, a.s. (until 31 August 2020);
- member of the supervisory board of Generali Poisťovňa, a. s., Slovakia (until 2 July 2020);
- vice-chairman of the supervisory board of Generali Towarzystwo Ubezpieczeń S.A. (until 25 June 2020) and Generali Życie Towarzystwo Ubezpieczeń S.A., Poland (until 25 June 2020);
- chairman of the supervisory board of Generali Finance Sp. Z o.o., Poland (until 25 June 2020);
- member of the supervisory board of Generali Biztosító Zrt.(until 31 October 2020) and Genertel Biztosító Zrt., Hungary (until 15 November 2020);
- chairman of the supervisory board of Akcionarsko društvo za osiguranje GENERALI OSIGURANJE SRBIJA, Serbia;
- member of the board of directors of Akcionarsko društvo za osiguranje GENERALI OSIGURANJE MONTENEGRO Podgorica, Montenegro (until 19 June 2020);
- chairman of the supervisory board of Generali osiguranje dioničko društvo, Croatia;
- chairman of the supervisory board of Generali Zavarovalnica d.d. Ljubljana, Slovenia;
- member of the supervisory board of Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.) (until 29 February 2020);
- chairman of the board of directors of ADRIATIC SLOVENICA Zavarovalna družba d.d., Slovenia (until 3 January 2020);
- member of the supervisory board of Generali Investments, družba za upravljanje, d.o.o (formerly KD SKLADI, družba za upravljanje, d.o.o.), Slovenia;
- member of the supervisory board of GENERALI INVESTMENTS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA, Poland (until 14 October 2020).

**Pavol Pitoňák:**
- chairman of the supervisory board of Generali Česká Distribuce a.s.;
- member of the supervisory board of Europ Assistance s.r.o;
- 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 Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.);
- chairman of the supervisory board of Generali Poisťovňa, a. s., Slovakia;
- chairman of the supervisory board of ADRIATIC SLOVENICA Zavarovalna družba d.d., Slovenia (until 3 January 2020);
- member of the supervisory board of Generali zavarovalnica d.d., Slovenia (as of 11 February 2020).

**Miloslava Mášová:**
- This member of the Supervisory Board engages in no significant activity in other companies.

**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;
– member of the management board of Zemědělská společnost Lípa a.s.;
– member of the supervisory board of Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.) (as of 1 March 2020).

**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.;
– member of the supervisory board of Generali Beteiligungverwaltung GmbH and Generali Versicherung AG Austria (as of 15 April 2020);
– member of the supervisory board of Generali Poisťovňa, a. s., Slovakia (as of 3 July 2020).

**David Vosika:**
– member of the board of directors of Česká pojišťovna ZDRAVÍ a.s;
– member of the board of directors of Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.).

**Antonella Maier:**
– member of the supervisory board of Generali Investments CEE, investiční společnost, a.s. (As of 1 September 2020).

## 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.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# Financial Section

(Translation of a report originally issued in Czech)

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. (hereinafter also 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 2020, and the income statement, statement of comprehensive income, statement of changes in equity and 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 information. For details of the Company, see 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 Generali Česká pojišťovna a.s. as at 31 December 2020, 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 the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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.

*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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor 's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Estimates used in calculation of insurance liabilities and Liability Adequacy Test

The Company's insurance liabilities, disclosed in Note E.10 Insurance liabilities of the financial statements, represent a significant part of the Company's total liabilities. Insurance liabilities are valued in accordance with IFRS 4. The Company also calculates its insurance provisions based on Solvency II framework for corporate income tax purposes. Consistent with the insurance industry, the Company uses actuarial models to support the valuation of the insurance liabilities.

Economic and actuarial assumptions, such as investment return, costs, interest rates, Covid-19 pandemics implications, mortality, morbidity, claims settlement expectations and patterns and customer behavior, including the impact of observable court practice on such behaviors (as disclosed in Note D.7 Insurance risks of the financial statements) are key inputs used to estimate these long-term liabilities. The implication of Covid-19 pandemics were also considered as disclosed in Note D.11 Covid-19 implications.

This area involves significant management estimate and judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long-term policyholder liabilities, which requires significant audit effort. As a consequence, we considered it a key audit matter for our audit.

We used actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered as more complex or requiring significant judgement in the setting of assumptions such as mortality, morbidity and claims development.

We assessed the governance and process over the calculation of insurance liabilities. We tested the design and the operating effectiveness of internal controls over the actuarial process including governance and approval process for setting of economic and actuarial assumptions.

We also assessed the process over the Company's actuarial analyses including estimated versus actual results and experience studies. For the assumption setting process, we evaluated the results of the experience analyses performed by the Company. Our assessments also included, as necessary, review of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied along with comparison to applicable industry experiences. In cooperation with our legal specialists we specifically assessed the impact of observable court practice, related to life insurance contracts, on assumptions used for estimate of insurance liabilities.

We evaluated actuarial judgements, including consideration of impacts of Covid-19 pandemic, used in the models, which may vary depending on the product and the specifications of the product, and also the compliance of the models with International Financial Reporting Standards as adopted by the European Union and with Solvency II rules for corporate income tax purposes. We also performed audit procedures to test the mathematical accuracy of the models used for calculating the insurance liabilities.

We evaluated the results of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included testing of existence and completeness of the projected cash flows and of the assumptions adopted in the context of both the Company and industry experience and specific product features.

We also assessed the adequacy of the disclosures regarding these liabilities in Notes E.10 Insurance liabilities, D.7 Insurance risks, D.10 Capital management and D.11 Covid-19 implications of the financial statements to determine they were in accordance with International Financial Reporting Standards as adopted by the European Union.

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Fair value of financial instruments

The Company's financial instruments portfolio, including derivatives, disclosed in Note E.3 Investments of the financial statements, represents a major part of the Company's total asset. These financial instruments are either carried at fair value in accordance with IAS 39 or such fair value is disclosed in the notes to the financial statements. The Company assesses the market activity in order to determine the classification and the appropriate valuation method for financial instruments in its portfolio. The fair value of financial instruments traded on active market is determined using the market observable prices. A significant part of the financial instruments consists of illiquid or non-quoted instruments, classified under IFRS 13 as Level 2 and Level 3 of the fair value hierarchy. Fair values of these instruments are based on valuation models that use inputs and assumptions other than quoted prices included within Level 1 that are either observable or unobservable (as described in Note C.1.30.7 Fair value measurements). The determination of the fair value of these financial instruments involves higher degree of management judgment and estimate applied in the valuation models, including assessment of implication of Covid-19 pandemics as disclosed in Note D.11 Covid-19 implications and assessment of IBOR reform impact as disclosed in Note C.1.30.7 Fair value measurements. Due to this fact this area requires significant audit effort.

Due to the significance of financial instruments portfolio, including derivatives, to the financial statements and due to extensive audit effort required for testing of fair value determination this area was assessed as a key matter for our audit.

Our audit procedures considered both the positions that are presented at fair value in the statement of financial position and those positions carried at amortized cost in the statement of financial position but for which the fair value is required to be disclosed.

We assessed the governance and process over the classification and valuation of financial instruments portfolio, including derivatives. We tested design and operating effectiveness of the Company`s internal controls over the classification and valuation process.

We reviewed the methodology applied by the Company to assess the market activity of financial instruments in its portfolio. For a selected sample of financial instruments, we tested that illiquid or non-quoted instruments were identified and adequately classified in the fair value hierarchy.

For a sample of financial instruments trade on active markets we compared their fair value as determined by the Company to the observable market price. With the assistance of valuation specialists, we evaluated the models, inputs and assumptions used by the Company in determining fair values of illiquid or non-quoted financial instruments. In case of non-observable inputs, we performed an expert assessment of their reasonableness such as review, and analysis of the projected cash flows or corroboration of the assumptions used. For a sample of illiquid or non-quoted financial instruments we performed independent calculation of the fair value and compared it to the one determined by the Company. The procedures performed for both liquid and illiquid financial instrument included also assessment of impact of Covid-19 pandemics and implementation of IBOR reform.

We also assessed the adequacy of the Company`s disclosures about these financial instruments in Notes E.3 Investments, C.1.30.7 Fair value measurements and D.11 Covid-19 implications of the financial statements to determine they were in accordance with International Financial Reporting Standards as adopted by the European Union.

*Other Information*

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

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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 law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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 Company's Board of Directors and Supervisory board for the Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors 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 Board of Directors 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 Board of Directors 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.

*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 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 law or regulation, we exercise professional judgment and maintain professional skepticism 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.

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- 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 Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 the Board of Directors, the Supervisory board and the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, the Supervisory board and the Audit Committee, 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 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 Decision of the sole shareholder acting in the capacity of the General Meeting of the Company on 8 October 2020 and our uninterrupted engagement has lasted for 9 years.

*Consistence 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 29 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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*Provision of Non-audit Services*

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

*Statutory auditor responsible for the engagement*

Lenka Bízová is the statutory auditor responsible for the audit of the financial statements of the Company as at 31 December 2020, based on which this independent auditor's report has been prepared.

Ernst & Young Audit, s.r.o.
License No. 401

| | |
|---|---|
| Lenka Bízová<br>Podepsal Lenka Bízová<br>DN: cn=Lenka Bízová, c=CZ, o=Ernst & Young Audit, s.r.o., ou=LB, email=lenka.bizova@cz.ey.com<br>Datum: 2021.03.30 18:35:21 +02'00' | Tomáš Němec<br>Podepsal Tomáš Němec<br>DN: cn=Tomáš Němec, c=CZ, o=Ernst & Young Audit, s.r.o., ou=TN, email=tomas.nemec@cz.ey.com<br>Datum: 2021.03.30 18:34:07 +02'00' |
| Lenka Bízová, Auditor<br>License No. 2331 | Tomáš Nemec<br>Procurist |

30 March 2021
Prague, Czech Republic


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# 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 |

| 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 | 2020 | 2019 |
|---|---|---|---|
| Investments to subsidiaries and associates | B | 10,387 | 15,249 |
| Intangible assets | E.1 | 1,526 | 1,477 |
| Tangible assets | E.2 | 745 | 901 |
| Right-of-use assets | E.2 | 602 | 753 |
| Investments | | 78,452 | 74,893 |
| Investment properties | E.3 | 295 | 317 |
| Loans | E.3.1 | 6,962 | 8,194 |
| Available-for-sale | E.3.2 | 53,043 | 49,170 |
| Financial assets at fair value through profit or loss | E.3.3 | 18,152 | 17,212 |
| Reinsurance assets | E.4 | 14,240 | 14,422 |
| Receivables | E.5 | 6,008 | 6,907 |
| of which: current income tax receivables | E.5 | | |
| Non-current assets held for sale | E.6 | 756 | 756 |
| Deferred tax receivable | E.25.1 | 1,686 | 806 |
| Accruals and prepayments | E.8 | 1,735 | 2,203 |
| of which: deferred acquisition costs | E.8.1 | 1,397 | 1,419 |
| Cash and cash equivalents | E.7 | 1,228 | 1,653 |
| **Total assets** | | **116,763** | **119,267** |
| | | | |
| Share capital | | 4,000 | 4,000 |
| Retained earnings and other reserves | | 15,851 | 14,213 |
| **Total equity** | **E.9** | **19,851** | **18,213** |
| Insurance liabilities | E.10 | 77,624 | 79,732 |
| Other provisions | E.11 | 67 | 57 |
| Financial liabilities | E.12 | 4,266 | 7,478 |
| Payables | E.13 | 12,411 | 11, 654 |
| of which: current income tax payables | | 1,403 | 90 |
| Accruals and deferred income | E.14 | 2,544 | 2,133 |
| **Total liabilities** | | **96,912** | **101,054** |
| **Total equity and liabilities** | | **116,763** | **119,267** |

# Income statement

## For the year ended 31 December

| In CZK million | Note | 2020 | 2019 |
|---|---|---|---|
| **Net earned premium revenue** | **E.15** | **24,284** | **18,222** |
| Insurance premium revenue | | 38,347 | 29,079 |
| Insurance premium ceded to reinsurers | | (14,063) | (10,857) |
| Interest and other investment income | E.16 | 1,316 | 1,707 |
| Income from subsidiaries and associates | E.17 | 5,762 | 1,199 |
| Other income from financial instruments and other investments | E.16 | 1,061 | 560 |
| Net income/loss from financial instruments at fair value through profit or loss | E.18 | (202) | 836 |
| Other income | E.19 | 4,774 | 2,847 |
| **Total income** | | **36,995** | **25,371** |
| **Net insurance benefits and claims** | **E.20** | **(13,911)** | **(12,700)** |
| Gross insurance benefits and claims | | (19,808) | (17,793) |
| Reinsurers' share | | 5,897 | 5,093 |
| Expenses from subsidiaries and associates | E.22 | (4,861) | (444) |
| Other expenses for financial instruments and other investments | E.21 | (815) | (624) |
| Acquisition costs | E.23 | (3,226) | (2,741) |
| Administration costs | E.23 | (2,291) | (1,827) |
| Other expenses | E.24 | (6,088) | (3,217) |
| **Total expenses** | | **(31,192)** | **(21,553)** |
| Profit before tax | | 5,803 | 3,818 |
| Income tax expense | E.25 | (985) | (602) |
| **Net profit for the year** | | **4,818** | **3,216** |

# Statement of comprehensive income

## For the year ended 31 December

| In CZK million | Note | 2020 | 2019 |
|---|---|---|---|
| **Net profit for the year** | | **4,818** | **3,216** |
| **Other comprehensive income - elements which may be recycled to profit or loss** | | | |
| Exchange rate differences in equity | E.9 | | 1 |
| Available-for-sale financial assets revaluation in equity | E.9 | 169 | 2,339 |
| Available-for-sale financial assets revaluation realised in income statement | E.9 | (297) | (143) |
| Available-for-sale impairment losses | E.9 | 163 | 55 |
| Other comprehensive income before tax effects | | 35 | 2,252 |
| Tax on items of Other comprehensive income | E.9 | (7) | (447) |
| Other comprehensive income/loss, net of tax | | 28 | 1,805 |
| Total comprehensive income | | 4,846 | 5,021 |

# Statement of changes in equity

## For the year ended 31 December

| In CZK million | Note | Share capital | Revaluation - financial assets AFS | Reserve fund | Other funds | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2019** | **E.9** | **4,000** | **1,721** | **800** | **64** | **15,750** | **22,335** |
| Net profit for the year | | | | | | 3,216 | 3,216 |
| Exchange rate differences in equity | | | 1 | | | | 1 |
| Available-for-sale financial assets revaluation in equity | | | 2,339 | | | | 2,339 |
| Available-for-sale financial assets revaluation realised in income statement | | | (143) | | | | (143) |
| Available-for-sale impairment losses | | | 55 | | | | 55 |
| Tax on items of other comprehensive income | | | (447) | | | | (447) |
| **Total Comprehensive income** | | | **1,805** | | | **3,216** | **5,021** |
| Dividends to shareholder | | | | | | (5,384) | (5,384) |
| Share-based payment reserve | | | | | (12) | 32 | 20 |
| Effect of business combination transaction (see Note A.5) | | | | | | (3,779) | (3,779) |
| **Balance as at 1 January 2020** | | **4,000** | **3,526** | **800** | **52** | **9,835** | **18,213** |
| Net profit for the year | | | | | | 4,818 | 4,818 |
| Exchange rate differences in equity | | | | | | | |
| 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 (see Note A.5) | | | | | | (17) | (17) |
| **Balance as at 31 December 2020** | **E.9** | **4,000** | **3,554** | **800** | **47** | **11,450** | **19,851** |

# Statement of Cash Flows

## For the year ended 31 December

| In CZK million | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before tax | | 5,803 | 3,818 |
| Adjustments for: | | | |
| Depreciation and amortisation | E.24 | 792 | 647 |
| Impairment and reversal of impairment of current and non-current assets | | 5,160 | 485 |
| Profit/Loss on disposal of PPE, intangible assets and investment property | | 6 | |
| Profit/Loss on sale and revaluation of financial assets | | (194) | (254) |
| Gains/losses on disposal of subsidiaries and associated companies | E.17, E.22 | | (319) |
| Dividends income | | (5,852) | (1,015) |
| Interest expense | | 126 | 181 |
| Interest income | | (1,246) | (1,495) |
| Income/expenses not involving movements of cash | | (915) | (1,558) |
| Share based compensation | | 27 | 20 |
| Change in loans and advances to banks | | 159 | 16,722 |
| Change in loans and advances to non-banks | | (32) | (24) |
| Change in receivables | | 1,171 | (94) |
| Change in reinsurance assets | | 196 | (154) |
| Change in other assets, prepayments and accrued income | | 468 | 8 |
| Change in payables | | (640) | 326 |
| Change in liabilities for investment contracts with DPF | | (33) | (100) |
| Change in liabilities to banks | | (3,249) | (16,485) |
| Change in insurance liabilities (excluding DPF) | | (2,397) | (786) |
| Change in other liabilities, accruals and deferred income | | 412 | 317 |
| Change in other provisions | E.11 | 10 | (312) |
| Interest on securities received | | 1,233 | 1,295 |
| Dividends received | | 1,652 | 1,015 |
| Purchase of financial assets at FVTPL | | (4,783) | (2,718) |
| Purchase of financial assets available-for-sale | | (9,473) | (3,767) |
| Proceeds from financial assets at FVTPL | | 4,454 | 1,980 |
| Proceeds from financial assets available-for-sale | | 10,223 | 15,707 |
| Short-term lease payments, payments for leases of low-value assets and variable lease payments | | | (4) |
| Income taxes paid | | (525) | (540) |
| **Net cash flow from operating activities** | | **2,553** | **12,896** |

| In CZK million | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Interest on loans received | | 201 | 352 |
| Purchase of tangible assets and intangible assets | | (739) | (683) |
| Acquisition of subsidiaries and associated companies | | | (7,268) |
| Loans granted | | | (2,045) |
| Proceeds from disposals of tangible and intangible assets | | 127 | 50 |
| Proceeds from sale of investment property | | 2 | |
| Purchase of investment property | | (94) | (97) |
| Proceeds from disposal of subsidiaries and associated companies and other proceeds from subsidiaries | | | 1,189 |
| Repayment of loans granted | | 1,114 | 1,442 |
| **Net cash flow from investing activities** | | **611** | **(7,060)** |
| **Cash flow from financing activities** | | | |
| Payment of lease liability | | (336) | (330) |
| Interest paid on lease liability | | (36) | (41) |
| Dividends paid to shareholders | E.9.2 | (3,217) | (5,384) |
| **Net cash flow from financing activities** | | **(3,589)** | **(5,755)** |
| **Net decrease in cash and cash equivalents** | | **(425)** | **81** |
| **Cash and cash equivalents as at 1 January** | | **1,653** | **1,304** |
| **Cash in consequence in Business Combination** | | | **268** |
| **Cash and cash equivalents as at 31 December** | | **1,228** | **1,653** |

# 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. On 21 December 2019 the name of the Company was changed from Česká pojišťovna a.s. to Generali Česká pojišťovna a.s.

Structure of Shareholders
The Company's sole shareholder is CZI Holdings N.V., registered office De Entrée 91, 1101BH, Amsterdam, the Netherlands; registered on 5 April 2006, identification number 34245976.

CZI Holdings is an integral part of Generali CEE Holding B.V. a company fully owned by Assicurazioni Generali S.p.A. ("Generali"), which is ultimate parent company of the Company. The 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

The Directors authorised the financial statements for issue on 29 March 2021. The financial statements are subject to an approval of the sole shareholder.

**A.2 Statutory bodies**
Board of Directors as at the end of the reporting period:

| | |
|---|---|
| Chairman: | Roman Juráš, Liptovský Hrádok |
| Vice Chairman: | Petr Bohumský, Prague |
| Member: | David Vosika, Hovorčovice |
| Member: | Karel Bláha, Prague |
| Member: | Pavol Pitoňák, Bratislava |
| Member: | Jiří Doubravský, Prague |

On 1 January 2020 David Vosika was elected a new member of the Board. Pavel Mencl resigned from his post on 31 December 2019.

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 |

On 1 January 2020 Marek Jankovič was elected new member of the Supervisory Board. On 3 June 2020 Luciano Cirinà was elected new member of the Supervisory Board. On 1 September 2020 Antonella Maier was elected new member of the Supervisory Board.

**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 2020 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 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 Business combination**

Following the purchase of the major part of the insurance portfolio in 2019, the Company, Česká pojišťovna ZDRAVÍ a.s. ("ČPZ") and Pojišťovna Patricie a.s. ("PP") had signed, on 9 July 2020, 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 Business combination consists 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 an reinsurance company including contracts whose term has already expired and assets and liabilities related to the reinsurance portfolio.

The acquisition of these businesses is an important step driven by the strategy of the Generali Group. There is a project for a corporate merger of all entities in 2021 (see F.2).

The transaction is considered as a related to the business combination made in 2019 and is 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 are recognised at their carrying amounts in the books of the acquire using the Group's existing accounting policies. No adjustments are made to reflect their fair values and no new assets (goodwill or VOBA) or liabilities arose. The difference between the fair value of the consideration for the businesses and the value of the assets acquired and obligations assumed measured using the Group's existing accounting policies in the books of the acquiree was recognised in retained earnings.

The acquired assets and liabilities at their respective carrying amounts in the books of the acquirees:

| In CZK million | 2020 | | 2019 | |
|---|---|---|---|---|
| | ČPZ | PP | ČPZ | PP |
| **Assets** | | **338** | **95** | **17,569** |
| Intangible assets | | | | 225 |
| Subsidiaries | | | | 496 |
| Investments | | | | 11,498 |
| Reinsurance assets | | 14 | 32 | 3,733 |
| Receivables | | 324 | 60 | 1,250 |
| Other assets | | | 3 | 231 |
| Cash and cash equivalents | | | | 136 |
| **Liabilities** | **4** | **320** | **512** | **21,698** |
| Insurance liabilities | 4 | 317 | 487 | 19,212 |
| Payables | | 3 | 25 | 2,156 |
| Other liabilities | | | | 330 |

Difference between purchase price and value of the assets acquired and obligations assumed is recorded in the retained earnings in amount of CZK 21 million (2019: CZK 4,665 million). The difference is in accordance with local tax rules treated as an intangible asset and for tax purposes amortized over 15 years. A respective deferred tax asset has been recorded in amount of CZK 4 million (2019: CZK 886 million) also against the retained earnings.

Difference between balance recorded in retained earnings and sum of assets and liabilities shown above represents payable from transfer of businesses, to Pojišťovna Patricie amounting to CZK 28 million, payable to Česká pojišťovna Zdraví amounting to CZK 9 million (2019: payable to PP amounting to CZK 10 million and receivable from ČPZ amounting to CZK 129 million). The receivable from ČPZ was settled in 2020.

## 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 2020 | Country | Cost of investment | Accumulated impairment | Net cost of investment | Proportion of ownership interest (%) | Proportion of voting power (%) | Accounting treatment | Note |
|---|---|---|---|---|---|---|---|---|
| Direct Care s.r.o. | Česká republika | 65 | (58) | 7 | 100.00 | 100.00 | Cost less impairment | 3. |
| Česká pojišťovna ZDRAVÍ a.s. | Czech Republic | 196 | | 196 | 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 | | |
| Acredité s.r.o. | Czech Republic | | | | 100.00 | 100.00 | | |
| CP Strategic Investments N.V. | Netherlands | 2,866 | | 2,866 | 100.00 | 100.00 | | |
| Pařížská 26, s.r.o. | Czech Republic | 346 | | 346 | 100.00 | 100.00 | | |
| PALAC KRIZIK a.s. | Czech Republic | 527 | | 527 | 50.00 | 50.00 | | |
| 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 | | 1. |
| Pojišťovna Patricie a.s. | Czech Republic | 6,621 | (5,265) | 1,356 | 100.00 | 100.00 | | 2. |
| SMALL GREF a.s. | Czech Republic | 424 | | 424 | 21.21 | 21.21 | | |
| **TOTAL** | | **15,710** | **(5,323)** | **10,387** | | | | |

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

1. Generali Česká Distribuce a.s.
In accordance with the strategy of Generali Group which aims at concentration of activities the two distribution companies, ČP Distribuce a.s. and Generali Distribuce a.s. merged as at 1 January 2020. Following the merger Generali Distribuce ceased to exist and ČP Distribuce as a successor has been renamed to Generali Česká distribuce a.s.

2. Impairment of Pojišťovna Patricie a.s.
The Board of Directors of the Company approved additional impairment of the subsidiary Pojištovna Patricie a.s. in the amount of CZK 4,857 million. The impairment corresponds with a decrease in equity of the subsidiary following a dividend payment (see also E.17).

3. Impairment of Direct Care s.r.o.
The Board of Directors of the Company approved the impairment Direct Care s.r.o. The impairment corresponds with the reduction of equity of the subsidiary.

| In CZK million, for the year ended 31 December 2019 | Country | Cost of investment | Accumulated impairment | Net cost of investment | Proportion of ownership interest (%) | Proportion of voting power (%) | Accounting treatment |
|---|---|---|---|---|---|---|---|
| Direct Care s.r.o. | Česká republika | 65 | (53) | 12 | 100.00 | 100.00 | Cost less impairment |
| Česká pojišťovna ZDRAVÍ a.s. | Czech Republic | 196 | | 196 | 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 | |
| Acredité s.r.o. | Czech Republic | | | | 100.00 | 100.00 | |
| CP Strategic Investments N.V. | Netherlands | 2,866 | | 2,866 | 100.00 | 100.00 | |
| Pařížská 26, s.r.o. | Czech Republic | 346 | | 346 | 100.00 | 100.00 | |
| PALAC KRIZIK a.s. | Czech Republic | 527 | | 527 | 50.00 | 50.00 | |
| Europ Assistance s.r.o. | Czech Republic | 30 | | 30 | 25.00 | 25.00 | |
| ČP Distribuce a.s. | Czech Republic | 57 | | 57 | 100.00 | 100.00 | |
| Generali Distribuce a.s. | Czech Republic | 72 | | 72 | 100.00 | 100.00 | |
| Pojišťovna Patricie a.s. | Czech Republic | 6,621 | (408) | 6,213 | 100.00 | 100.00 | |
| SMALL GREF a.s. | Czech Republic | 424 | | 424 | 21.21 | 21.21 | |
| **TOTAL** | | **15,710** | **(461)** | **15,249** | | | |

# 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 semi-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 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.1.3) 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.1.3 Property and equipment

Property and equipment are measured at the purchase price or production cost, less accumulated depreciation and any accumulated impairment losses. Historical cost includes 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 separate assets with different depreciation rates.

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

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.1.4 Subsidiaries and associates

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

The Company controls Generali CEE Invest Plc. (previously denominated Generali PPF Invest Plc.) incorporated in Ireland, which manages open-ended investment funds. In the separate financial statements, interests in these funds are measured at fair value in accordance with IAS 39 and are reported as financial assets at fair value through profit or loss or available-for-sale (Financial assets – see C.1.5.3 and C.1.5.4).

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.1.5 Investments

Investments 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.1.5.1 to C.1.5.4.

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.1.5.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than classified 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.1.5.2 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.1.5.3 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.1.23. When available-for-sale assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement (Income from other financial instruments/Interest and other expenses for financial instruments and other investments).

### C.1.5.4 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.1.6 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.1.7 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.1.8 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 468 lease contracts as at 31 December 2020 (2019: 418) 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

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.

*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 used. 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 follows:

| Lease term | Discount rate |
|---|---|
| Less or equal 3 years | 1.10% |
| 3-5 years | 1.50% |
| Over 5 years | 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 Polish Zloty 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

Investment 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 2020 and 2019.

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

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

The change in technical provisions 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 C.1.13.6) 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 assets**
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 in the equity.

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, unrealised gains/losses from subsequent measurement at fair value, 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 arises 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 directly to equity, 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% (2019: 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% (2019: 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.

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.1.5.4), 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 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 in the case of insurance contracts or within the Guaranteed liability for investment contracts with DPF in the case of investment contracts with DPF.

### 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 instruments and their unobservable inputs of Level 3 (mil CZK):

| 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 |

| Description | Fair value as at 31 December 2019 | Valuation technique(s) | Non-market observable input(s) | Range |
|---|---:|---:|---:|---:|
| Equities | 716 | Net asset value | n/a* | n/a |
| Investment funds | 18 | Expert judgment | Value of underlying instruments | n/a |
| Bonds Government | 2,660 | Discounted cash flow technique | Level of credit spread | 31 - 135 bps |
| Bonds Corporate | 1,582 | Discounted cash flow technique | Level of credit spread | (16) - 428 bps |

*Level 3 equities consist mainly 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 2020 | Sensitivity result |
|---|---:|---:|
| Bonds Government | 2,708 | (551) - 749 |
| Bonds Corporate | 1,774 | (31) - 32 |
| **Total** | **4,482** | |

| Description | Fair value as at 31 December 2019 | Sensitivity result |
|---|---:|---:|
| Bonds Government | 2,660 | (747) – 756 |
| Bonds Corporate | 1,582 | (23,7) - 24 |
| **Total** | **4,242** | |

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.1.5.4), 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.1.13.34) 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”. 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. 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. This provision corresponds to the expected value of insurance claims 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.

| | 2019-2021 | From 2022 |
|---|---|---|
| Discount rate | 1.5% | 1.5% |
| Annuity inflation | | |
| – Wages inflation | 6.0% | 3.5% |
| – Pensions inflation | 4.0% | 3.5% |

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

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 purposes 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 internal 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 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
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 impact on profit for the year and equity.

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

### 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 2020<br>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 |

| In CZK million, for the year ended 31 December 2019<br>Variable | Change in variable | Change in insurance liabilities (gross) | Change in insurance liabilities (net) |
|---|---|---|---|
| Discount rate | (100) bp | 368 | 234 |
| Pension growth rate | 100 bp | 346 | 220 |

## 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.

The amount of claim payment for damage of property and compensation for losses of earnings does not exceed CZK 100 million per claim, as well as compensation for damage to health.

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 a few years up to medium 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 results 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.1.30.7).

### 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

*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. 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).

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

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

### 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

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

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

On 7 February 2018, the IASB published 'Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)' to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2020.

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

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

*Amendments to IFRS 9, Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019)*

*Annual Improvements 2015 – 2017*

In the 2015 - 2017 annual improvements cycle, the IASB issued, in December 2017, amendments to four standards (IFRS 3, IFRS 11, IAS 12 and IAS 23). The changes are effective 1 January 2020.

*Amendments to IFRS 3 Business Combinations*

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

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

*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

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

The Company has chosen to apply the deferral approach (see Note C.5.5).

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

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

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

On 25 June 2020, the IASB approved that the effective date of IFRS 17, which will be replacing IFRS 4, is now 1 January 2023; the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 has been deferred to 1 January 2023.

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

*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.

**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.

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.

**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 2020 and for the period ending a fair value and a change in the fair value of financial assets within the scope of IFRS 9 with detail of instruments that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding is disclosed in the following table:

| 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.

| In CZK million, as at 31 December 2019 | Fair value | Fair value change from 31 December 2018 |
|---|---|---|
| **Financial assets managed on fair value basis and held for trading** | **17,182** | **937** |
| Derivatives | 123 | (24) |
| Investments back to policies where the risk is borne by the policyholders and pension funds | 16,652 | 961 |
| Other | 407 | |
| **Available for sale financial assets (AFS), held to maturity and loans and receivables*** | **57,379** | **2,568** |
| **Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest** | **50,770** | **1,841** |
| Bonds | 42,562 | 1,818 |
| Loans and other debt instruments | 8,208 | 23 |
| **Financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest**** | **6,609** | **727** |
| Equity instruments | 2,092 | 164 |
| Investment fund units | 4,517 | 563 |
| **Total** | **74,561** | **3,505** |

* 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 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

| In CZK million, as at 31 December 2019 | Carrying amount* (IAS 39) |
|---|---|
| AAA | 2,669 |
| AA | 17,978 |
| A | 4,361 |
| BBB | 14,715 |
| BB | 1,621 |
| B | 950 |
| Not rated | 268 |
| **Total** | **42,562** |

*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 2020 | Carrying amount* (IAS 39) |
|---|---|
| A | 1,920 |
| BBB | 5,066 |
| Not rated | |
| **Total** | **6,986** |

| In CZK million, as at 31 December 2019 | Carrying amount* (IAS 39) |
|---|---|
| A | 1,050 |
| BBB | 3,845 |
| Not rated | 3,299 |
| **Total** | **8,194** |

* 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 2020 | Fair value | Book value* (IAS 39) |
|---|---|---|
| Bonds | 189 | 189 |
| Loans and other debt instruments | | |
| **Total** | **189** | **189** |

| In CZK million, as at 31 December 2019 | Fair value | Book value* (IAS 39) |
|---|---|---|
| Bonds | 1,218 | 1,218 |
| Loans and other debt instruments | 3,299 | 3,299 |
| **Total** | **4,517** | **4,517** |

*before impairment

## 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 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 | |

| In CZK million, as at 31 December 2019 | | 100bp parallel increase | | 100bp parallel decrease | |
|---|---|---|---|---|---|
| | Current value | Income statement | Shareholders' equity | Income statement | Shareholders' equity |
| **Loans and receivables** | **8,194** | | | | |
| **Bonds** | | | | | |
| Bonds AFS | 42,561 | | | | |
| – gross impact on fair value | | (788) | (2,136) | 931 | 2,682 |
| – income tax charge /(credit) | | 150 | 406 | (177) | (510) |
| Bonds FVTPL | 30 | | | | |
| – gross impact on fair value | | | | 1 | |
| – income tax charge /(credit) | | | | | |
| **Derivatives** | | | | | |
| **Derivatives** FVTPL | (243) | | | | |
| – gross impact on fair value | | 726 | | (849) | |
| – income tax charge /(credit) | | (138) | | 161 | |

### 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 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)** |

| In CZK million, as at 31 December 2019 | | Equity price +10% | | Equity price -10% | |
|---|---|---|---|---|---|
| | Current value | Income statement | Shareholders' equity | Income statement | Shareholders' equity |
| **Equities** | | | | | |
| Equities AFS | 6,609 | | | | |
| – gross impact on fair value | | | 660 | | (660) |
| – income tax charge /(credit) | | | (125) | | 125 |
| **Total net impact** | | | **535** | | **(535)** |

### 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.

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 2020 | Current | EUR | | USD | | CZK | | Other | |
|---|---|---|---|---|---|---|---|---|---|
| | value | 10% | -10% | 10% | -10% | 10% | -10% | 10% | -10% |
| **FX investment portfolio exposure** | **60,670** | | | | | | | | |
| **Income statement** | | | | | | | | | |
| – Impact on income statement | | 192 | (192) | 72 | (72) | | | (3) | 3 |
| – Income tax charge /(credit) | | (36) | 36 | (13) | 13 | | | 1 | (1) |

| In CZK million, as at 31 December 2019 | Current | EUR | | USD | | CZK | | Other | |
|---|---|---|---|---|---|---|---|---|---|
| | value | 10% | -10% | 10% | -10% | 10% | -10% | 10% | -10% |
| **FX investment portfolio exposure** | **58,003** | | | | | | | | |
| **Income statement** | | | | | | | | | |
| – Impact on income statement | | 459 | (459) | 78 | (78) | | | (5) | 5 |
| – Income tax charge /(credit) | | (88) | 88 | (14) | 14 | | | | |

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

| In CZK million, as at 31 December 2020 | Current | EUR | | USD | | CZK | | Other | |
|---|---|---|---|---|---|---|---|---|---|
| | value | 10% | -10% | 10% | -10% | 10% | -10% | 10% | -10% |
| **FX insurance liabilities exposure** | **60,370** | | | | | | | | |
| **Income statement** | | | | | | | | | |
| – Impact on income statement | | 128 | (128) | 4 | (4) | | | 12 | (12) |
| – Income tax charge /(credit) | | (24) | 24 | (1) | 1 | | | (2) | 2 |

| In CZK million, as at 31 December 2019 | Current | EUR | | USD | | CZK | | Other | |
|---|---|---|---|---|---|---|---|---|---|
| | value | 10% | -10% | 10% | -10% | 10% | -10% | 10% | -10% |
| **FX insurance liabilities exposure** | **63,010** | | | | | | | | |
| **Income statement** | | | | | | | | | |
| – Impact on income statement | | 119 | (119) | 3 | (3) | | | 13 | (13) |
| – Income tax charge /(credit) | | (23) | 23 | (1) | 1 | | | (2) | 2 |

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

| 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 |

| In CZK million, as at 31 December 2019 | EUR | USD | CZK | Other | Total |
|---|---|---|---|---|---|
| Loans | 977 | | 7,217 | | 8,194 |
| Financial assets available-for-sale | 14,368 | 9,654 | 23,817 | 1,331 | 49,170 |
| Financial assets at fair value through profit or loss | 4,112 | 707 | 12,081 | 312 | 17,212 |
| Reinsurance assets | 11 | 1 | 14,407 | 3 | 14,422 |
| Receivables | 650 | 75 | 5,837 | 345 | 6,907 |
| Cash and cash equivalents | 361 | 74 | 1,088 | 130 | 1,653 |
| **Total assets** | **20,479** | **10,511** | **64,447** | **2,121** | **97,558** |
| | | | | | |
| Insurance liabilities | 1,191 | 30 | 78,380 | 131 | 79,732 |
| Financial liabilities | 4,161 | 739 | 1,176 | 2 | 6,078 |
| Deposits received from reinsurers | | | 1,400 | | 1,400 |
| Payables | 198 | 16 | 11,364 | 76 | 11,654 |
| Other liabilities | 6 | | 2,127 | | 2,133 |
| **Total liabilities** | **5,556** | **785** | **94,447** | **209** | **100,997** |
| | | | | | |
| Net foreign currency position | 14,923 | 9,726 | (29,999) | 1,912 | (3,438) |

### 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 | 2020 | 2019 |
|---|---|---|---|
| **Bonds and Loans** | | **53,155** | **50,799** |
| Bonds available-for-sale | E.3.2 | 46,138 | 42,561 |
| Bonds at fair value through profit or loss | E.3.3 | 31 | 30 |
| Loans (fair value) | E.3.1 | 6,986 | 8,208 |
| **Trade and other receivables** | **E.5** | **6,008** | **6,907** |
| **Reinsurance assets** | **E.4** | **14,240** | **14,422** |
| **Total** | | **73,403** | **72,128** |

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. Three 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 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 | 2020 | 2019 |
|---|---|---|
| AAA | 1,686 | 2,669 |
| AA | 21,943 | 17,977 |
| A | 7,263 | 5,410 |
| BBB | 18,313 | 16,094 |
| BB | 2,090 | 1,621 |
| B | 189 | 950 |
| Non-rated | 1,671 | 6,078 |
| **Total** | **53,155** | **50,799** |

Significant part of non-rated bonds and loans are loans to subsidiaries (2020: CZK 1,438 million, 2019: CZK 2,510 million) and reverse REPO operations (2020: nil, 2019: CZK 5,700 million). The decrease of non-rated loans in 2020 is caused change in rating of reverse repo transactions amounting to CZK 3,130 million which was reclassified to BBB category. All reverse REPO operations are collateralised by Czech short-term government bonds or by treasury bills of the Czech Nation Bank.

### Rating of reinsurance assets

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| AA | 185 | 263 |
| A | 408 | 451 |
| BBB | | 1 |
| Captive reinsurance | 12,650 | 12,543 |
| Non-rated | 997 | 1,164 |
| **Total** | **14,240** | **14,422** |

There were no past due or impaired reinsurance assets either in 2020 or 2019.

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 | | Trade and other receivables | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Individually impaired – carrying amount | | | 1,614 | 1,566 |
| Gross amount | 19 | 19 | 2,420 | 2,403 |
| 31 days to 90 days after maturity | | | 1,293 | 1,340 |
| 91 days to 180 days after maturity | | | 214 | 196 |
| 181 days to 1 year after maturity | | | 213 | 128 |
| Over 1 year after maturity | 19 | 19 | 700 | 739 |
| Allowance for impairment | (19) | (19) | (806) | (837) |
| Past due but not impaired - carrying amount | | | 335 | 450 |
| Neither past due nor impaired – carrying amount | 6,962 | 8,194 | 4,059 | 4,891 |
| **Total Amortised costs** | **6,962** | **8,194** | **6,008** | **6,907** |
| **Total Fair value** | **6,986** | **8,208** | **6,008** | **6,907** |

The Company held no past due or impaired bonds either in 2020 or in 2019.

Individually impaired receivables consist mostly of receivables from direct insurance, receivables from intermediaries, from reinsurance operations (trade and other 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 trade and other 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, 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 | |
|---|---|---|
| | 2020 | 2019 |
| Against individually impaired | 5 | 5 |
| Property | 5 | 5 |
| Against neither past due nor impaired | 5,501 | 5,956 |
| Securities | 5,501 | 5,956 |
| **Total** | **5,506** | **5,961** |

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 | 2020 | | 2019 | |
|---|---|---|---|---|
| | CZK million | in % | CZK million | in % |
| **Economic concentration** | | | | |
| Public sector | 28,199 | 53.05 | 26,208 | 51.59 |
| Financial | 15,068 | 28.36 | 15,892 | 31.28 |
| Energy | 2,808 | 5.28 | 2,682 | 5.28 |
| Utilities | 1,910 | 3.59 | 1,629 | 3.21 |
| Consumer Discretionary | 1,319 | 2.48 | 689 | 1.36 |
| Industrial | 1,156 | 2.17 | 1,242 | 2.44 |
| Materials | 1,092 | 2.05 | 771 | 1.52 |
| Telecommunication services | 813 | 1.53 | 1,332 | 2.62 |
| Consumer Staples | 790 | 1.49 | 354 | 0.70 |
| **Total** | **53,155** | **100.00** | **50,799** | **100.00** |

| In CZK million, as at 31 December | 2020 | | 2019 | |
|---|---|---|---|---|
| | CZK million | in % | CZK million | in % |
| **Geographic concentration** | | | | |
| Czech Republic | 31,832 | 59.89 | 27,520 | 54.18 |
| Rest of Europe | 3,978 | 7.48 | 4,288 | 8.44 |
| Other central-eastern European countries | 3,669 | 6.90 | 2,935 | 5.78 |
| Rest of world | 2,753 | 5.18 | 4,763 | 9.38 |
| Poland | 2,612 | 4.91 | 3,434 | 6.76 |
| Russia | 2,540 | 4.78 | 2,393 | 4.71 |
| Slovakia | 1,227 | 2.31 | 1,184 | 2.33 |
| USA | 1,097 | 2.06 | 1,022 | 2.01 |
| Italy | 1,080 | 2.03 | 376 | 0.74 |
| United Kingdom | 1,077 | 2.03 | 761 | 1.50 |
| Netherlands | 752 | 1.41 | 1,168 | 2.30 |
| Austria | 429 | 0.81 | 895 | 1.76 |
| Slovenia | 109 | 0.21 | 60 | 0.12 |
| **Total** | **53,155** | **100.00** | **50,799** | **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 financial assets and liabilities broken down into their relevant maturity bands based on the residual contractual maturities (undiscounted cash flows).

Residual contractual maturities of financial assets:

| 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** |

| In CZK million, as at 31 December 2019 | 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** | **6,582** | **709** | **4,945** | **26,145** | **25,001** | **21,007** | **84,389** |
| Loans | 5,697 | | 2,066 | 553 | | | 8,316 |
| Available-for-sale | 124 | 443 | 2,761 | 23,984 | 24,647 | 6,609 | 58,568 |
| Bonds | 124 | 443 | 2,761 | 23,984 | 24,647 | | 51,959 |
| Equities | | | | | | 2,092 | 2,092 |
| Investment fund units | | | | | | 4,517 | 4,517 |
| Financial assets at fair value through profit or loss | 761 | 266 | 118 | 1,608 | 354 | 14,398 | 17,505 |
| Bonds | | | | 31 | | | 31 |
| Unit-linked investments | 639 | 19 | 34 | 1,321 | 336 | 14,398 | 16,747 |
| Derivatives | 122 | 247 | 84 | 256 | 18 | | 727 |
| **Receivables** | **3,422** | **2,326** | **19** | **673** | **467** | | **6,907** |
| **Cash and cash equivalents** | **1,653** | | | | | | **1,653** |
| **Total financial assets** | **11,657** | **3,035** | **4,964** | **26,818** | **25,468** | **21,007** | **92,949** |

Residual contractual maturities of liabilities:

| 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 |
| **Total liabilities** | **6,603** | **8,280** | **2,887** | **1,067** | **346** | **19,183** |

| In CZK million, as at 31 December 2019 | 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 | 1,942 | 2,727 | 1,715 | 960 | 150 | 7,494 |
| Other financial liabilities | 1,909 | 2,642 | 1,400 | | | 5,951 |
| Financial liabilities at fair value through profit or loss | | 20 | 120 | 235 | 79 | 454 |
| Lease liabilities | 33 | 65 | 195 | 725 | 71 | 1,089 |
| Payables | 3,452 | 6,869 | 1,193 | 4 | 136 | 11,654 |
| Other liabilities | 2,018 | 115 | | | | 2,133 |
| **Total liabilities** | **7,412** | **9,711** | **2,908** | **964** | **286** | **21,281** |

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

| 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** |

| In CZK million, as at 31 December 2019 | 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** | **11,727** | **6,367** | **1,685** | **862** | **641** | **1,935** | **22,677** |
| RBNS & IBNR | 11,028 | 6,367 | 1,685 | 862 | 641 | 1,935 | 21,978 |
| Other insurance liabilities | 699 | | | | | | 699 |
| **Life assurance liabilities** | **4,920** | **13,142** | **11,011** | **7,746** | **5,773** | **7,445** | **50,037** |
| Of which guaranteed liability for investment contracts with DPF | 60 | 102 | 200 | 182 | 207 | 466 | 1,217 |
| **Total** | **16,647** | **19,509** | **12,696** | **8,608** | **6,414** | **8,840** | **72,714** |

### 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 behavior, 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.1.33.

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.

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 | 2020 | 2019 |
|---|---|---|
| Pojistné závazky se zaručenou mírou výnosů | | |
| Mezi 0 % a 2,49 % | 11 261 | 11 844 |
| Mezi 2,5 % a 3,49 % | 3 505 | 3 824 |
| Mezi 3,5 % a 4,49 % | 3 195 | 3 675 |
| Více než 4,5 % (včetně) | 6 452 | 7 194 |
| Pojistné závazky bez zaručené míry výnosu | 3 003 | 3 294 |
| **Celkem** | **27 416** | **29 831** |

### D.7.1.4 Non-life underwriting risk

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

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Motor | 14,331 | 10,405 |
| Accident, Health and Disability | 643 | 658 |
| Marine, aviation and transport | 418 | 384 |
| Property | 9,078 | 7,457 |
| General liability | 3,139 | 2,289 |
| Other | 85 | 139 |
| **Total** | **27,694** | **21,332** |

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 Generali Trieste 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 Generali Trieste.

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 2020:

| 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 | Generali Trieste |
| Group life insurance | Quota Share | Generali Trieste |
| 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;
- assessment methodologies to identify significant risk event types and evaluate their impact on Company objectives;
- process of collecting the information on operational losses occurred to validate the results of different assessments and 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 Company operations and collecting information on actually occurred losses. Outputs of these analyses are used to target investment in new or modified 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: 2013 Information technology - Security techniques - Information security management systems - Requirements and on guidelines and policies created by Generali Group: Group Security Policy effective in CZE 11/2020 , Group IT Security Guideline effective in CZE 11/2018 and Group Security Governance, Guideline effective in CZE 07/2020.

**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 taking into account 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 18 December 2020.

**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 taking into account 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 has to 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.

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 (2020: CZK 19,851 million, 2019: CZK 18,213 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 2020 and 2019. 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 2Q 2020 after the 1st Covid-19 wave in Czech Republic and again in 4Q 2020 together with the update of the business plan. The Covid-19 introduced 2 new main risks (investment and operational losses related to Covid-19), some other risk were affected by the Covid-19 pandemic but the overall risk profile of the Company did not changed significantly.

Operational risks related to Covid-19 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 and compensated by the savings due to e.g. cancelled business trips. The only material loss was represented by special incentives for distribution network to stabilize the income of the intermediaries. 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 | 2020 | 2019 |
|---|---|---|
| Software | 1,456 | 1,393 |
| Other intangible assets | 70 | 84 |
| **Total** | **1,526** | **1,477** |

### E.1.1 Software

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Acquisition cost as at the beginning of the year** | **7,259** | **6,583** |
| **Accumulated amortisation and impairment as at the beginning of the year** | **(5,866)** | **(5,562)** |
| **Carrying amount as at the beginning of the year** | **1,393** | **1,021** |
| Additions | 567 | 469 |
| Disposals | (1) | |
| Accumulated amortisation related to disposals | 1 | |
| Amortisation for the period | (426) | (304) |
| Impairment | (67) | |
| Business combination | | 224 |
| Other movements | (16) | (17) |
| Accumulated amortisation related to other movements | 5 | |
| **Acquisition cost as at the end of the year** | **7,742** | **7,259** |
| **Accumulated amortisation and impairment as at the end of the year** | **(6,286)** | **(5,866)** |
| **Carrying amount as at the end of the year** | **1,456** | **1,393** |

### E.1.2 Other intangible assets

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Acquisition cost as at the beginning of the year** | **135** | **46** |
| **Accumulated amortisation and impairment as at the beginning of the year** | **(51)** | **(40)** |
| **Carrying amount as at the beginning of the year** | **84** | **6** |
| Additions | 1 | 80 |
| Disposals | | |
| Accumulated amortization related to disposals | | |
| Amortisation for the period | (18) | (11) |
| Business combination | | 1 |
| Other movements | 3 | 8 |
| **Acquisition cost as at the end of the year** | **139** | **135** |
| **Accumulated amortisation and impairment as at the end of the year** | **(69)** | **(51)** |
| **Carrying amount as at the end of the year** | **70** | **84** |

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

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Land and buildings (self-used) | 55 | 74 |
| Right-of-use assets (self-used) | 602 | 753 |
| Other tangible assets | 65 | 51 |
| Other assets | 23 | 23 |
| **Total** | **745** | **901** |

### E.2.1 Land and buildings (self-used)

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Acquisition cost as at the beginning of the year** | **329** | **297** |
| **Accumulated depreciation and impairment as at the beginning of the year** | **(255)** | **(234)** |
| **Carrying amount as at the beginning of the year** | **74** | **63** |
| Additions | 11 | 37 |
| Disposals | (19) | (5) |
| Accumulated depreciation related to disposals | 1 | 2 |
| Depreciation of the period | (12) | (23) |
| **Acquisition cost as at the end of the year** | **321** | **329** |
| **Accumulated depreciation and impairment as at the end of the year** | **(266)** | **(255)** |
| **Carrying amount as at the end of the year** | **55** | **74** |

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

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Acquisition cost as at the beginning of the year** | **953** | **923** |
| **Accumulated depreciation and impairment as at the beginning of the year** | **(200)** | |
| Carrying amount as at the beginning of the year | 753 | 923 |
| Additions | 96 | 32 |
| Disposals | (53) | (2) |
| Accumulated depreciation related to disposals | 33 | 2 |
| Depreciation of the period | (227) | (202) |
| **Acquisition cost as at the end of the year** | **996** | **953** |
| **Accumulated depreciation and impairment as at the end of the year** | **(394)** | **(200)** |
| **Carrying amount as at the end of the year** | **602** | **753** |

### E.2.3 Other tangible assets

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Acquisition cost as at the beginning of the year** | **151** | **125** |
| **Accumulated depreciation and impairment as at the beginning of the year** | **(100)** | **(101)** |
| **Carrying amount as at the beginning of the year** | **51** | **24** |
| Additions | 64 | 65 |
| Disposals | (60) | (42) |
| Accumulated depreciation related to disposals | 11 | 10 |
| Depreciation of the period | (10) | (9) |
| Impairment loss of the period/reversal of impairment | 3 | |
| Other movements | 6 | 3 |
| **Acquisition cost as at the end of the year** | **164** | **151** |
| **Accumulated depreciation and impairment as at the end of the year** | **(99)** | **(100)** |
| **Carrying amount as at the end of the year** | **65** | **51** |

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 2019** | | **24,258** | **54,119** | **8,302** |
| Initial recognition at the beginning of the year - new standard IFRS16 | 322 | | | |
| Purchases/additions | 97 | 354,457 | 3,767 | 2,903 |
| Business combination | | | 4,811 | 6,687 |
| Disposals/repayments/sales/maturities | | (370,524) | (15,571) | (1,900) |
| Depreciation | (97) | | | |
| Gains/losses from termination of contract | | | | |
| Fair value gains/losses recorded in the income statements | | | 205 | 1,201 |
| Fair value gains/losses recorded in other comprehensive income | | | 2,143 | |
| Movement in impairment allowance | | | | |
| Accrued interest | | 4 | (227) | 19 |
| Foreign exchange adjustments | | (1) | (77) | |
| Other movements | (5) | | | |
| **Balance as at 31 December 2019** | **317** | **8,194** | **49,170** | **17,212** |
| Purchases/additions | 94 | 372,482 | 13,678 | 4,783 |
| Disposals/repayments/sales/maturities | | (373,723) | (10,220) | (4,549) |
| Depreciation | (99) | | | |
| Gains/losses from termination of contract | | | | |
| Fair value gains/losses recorded in the income statements | | | 489 | 606 |
| Fair value gains/losses recorded in other comprehensive income | | | 167 | |
| Movement in impairment allowance | | | | |
| 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** |

Significant increase of investments in 2019 by CZK 11,498 million (including accrued interest amounting to CZK 38 million) is consequence of the Business combination (see Note A.5).

### E.3.1 Loans

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| **Loans** | | |
| Loans to subsidiaries | 1,414 | 2,495 |
| Other loans | 5,548 | 5,699 |
| **Total** | **6,962** | **8,194** |
| **Current portion** | **6,467** | **7,698** |
| **Non-current portion** | **495** | **496** |

In November 2020 a loan to CZI Holdings N.V. of CZK 1,110 mil. has been repaid.

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 | 2020 | 2019 |
|---|---|---|
| **Loans** | | |
| Loans to subsidiaries | 1,438 | 2,510 |
| Other loans | 5,548 | 5,698 |
| **Total** | **6,986** | **8,208** |

| 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** |

| In CZK million, as at 31 December 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Loans** | | | | |
| Loans to subsidiaries | | 2,510 | | 2,510 |
| Other loans | | 5,698 | | 5,698 |
| **Total** | | **8,208** | | **8,208** |

### E.3.2 Available-for-sale financial assets

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Unquoted equities at cost | | 4 |
| Equities at fair value | 2,174 | 2,088 |
| Quoted | 1,227 | 1,376 |
| Unquoted | 947 | 712 |
| Bonds | 46,138 | 42,561 |
| Quoted | 45,905 | 42,317 |
| Unquoted | 233 | 244 |
| Investment fund units | 4,731 | 4,517 |
| **Total** | **53,043** | **49,170** |
| **Current portion** | **3,017** | **2,186** |
| **Non-current portion** | **50,026** | **46,984** |

Increase of balance of quoted bonds is mainly result of investments of an income from dividends from subsidiaries.

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

| In CZK million, as at 31 December 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Unquoted equities at cost | | | | |
| 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** |

| In CZK million, as at 31 December 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Unquoted equities at cost | | | 4 | 4 |
| Equities at fair value | 1,376 | | 712 | 2,088 |
| Quoted | 1,376 | | | 1,376 |
| Unquoted | | | 712 | 712 |
| Bonds | 32,264 | 6,850 | 3,447 | 42,561 |
| Quoted | 32,264 | 6,850 | 3,203 | 42,317 |
| Unquoted | | | 244 | 244 |
| Investment fund units | 4,517 | | | 4,517 |
| **Total** | **38,157** | **6,850** | **4,163** | **49,170** |

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 | 2020 | 2019 |
|---|---|---|
| **Opening balance** | **4,163** | **3,005** |
| Transfers into Level 3 | | 134 |
| Total gains or losses | 133 | 542 |
| in income statement | 89 | 46 |
| in other comprehensive income | 44 | 496 |
| Purchases | 507 | 851 |
| Sales | (77) | |
| Other | | 5 |
| Transfer out of Level 3 | (110) | (374) |
| **Closing balance** | **4,616** | **4,163** |
| **Total change** | **453** | **1,158** |

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 | 2020 | 2019 |
|---|---|---|
| Transfer into Level 1 from Level 2 | | |
| Transfer into Level 2 from Level 1 | | 164 |
| Transfer into Level 2 from Level 3 | 110 | 374 |
| Transfer into Level 3 from Level 2 | | 134 |

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

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Up to 1 year | 3,018 | 2,186 |
| Between 1 and 5 years | 18,375 | 21,486 |
| Between 5 and 10 years | 13,256 | 7,984 |
| More than 10 years | 11,489 | 10,905 |
| **Total** | **46,138** | **42,561** |

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

| 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)** |

| In CZK million, for the year ended 31 December 2019 | Realised gains | Realised losses | Impairment losses |
|---|---|---|---|
| Equities | 84 | (15) | (41) |
| Bonds | 106 | (129) | |
| Investment fund units | 98 | | (14) |
| **Total** | **288** | **(144)** | **(55)** |

### 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Bonds** | | | **31** | **30** | | | **31** | **30** |
| Unquoted | | | 31 | 30 | | | 31 | 30 |
| **Derivatives** | **283** | **123** | | | **679** | **407** | **962** | **530** |
| **Unit-linked investments** | | | **17,159** | **16,652** | | | **17,159** | **16,652** |
| Allocated to policyholders | | | 17,254 | 16,723 | | | 17,254 | 16,723 |
| Not allocated to policyholders | | | (95) | (71) | | | (95) | (71) |
| **Total** | **283** | **123** | **17,190** | **16,682** | **679** | **407** | **18,152** | **17,212** |
| **Current portion** | | | | | | | **1,905** | **984** |
| **Non-current portion** | | | | | | | **16,247** | **16,228** |

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

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

| 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** |

| In CZK million, as at 31 December 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Bonds | | | 30 | 30 |
| Unquoted | | | 30 | 30 |
| Derivatives | 11 | 519 | | 530 |
| Unit-linked investments | 15,044 | 825 | 783 | 16,652 |
| **Total** | **15,055** | **1,344** | **813** | **17,212** |

The following table presents the changes in Level 3 instruments:

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Opening balance** | **813** | **147** |
| Transfers into Level 3 | | 6 |
| Total gains or losses | 7 | |
| in profit or loss | 7 | |
| Purchases | 12 | 2 |
| Business combination | | 663 |
| Disposals | (8) | (5) |
| Transfer out of level 3 | 5 | |
| **Closing balance** | **829** | **813** |
| **Total change** | **16** | **666** |

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Transfer into Level 2 from Level 3 | 5 | |
| Transfer into Level 3 from Level 2 | | 6 |

### E.4 Reinsurance assets

| In CZK million, as at 31 December | Direct insurance | | Accepted reinsurance | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Non-life reinsurance assets** | **12,487** | **12,746** | **916** | **805** | **13,403** | **13,551** |
| Provisions for unearned premiums | 2,933 | 2,877 | 3 | 3 | 2,936 | 2,880 |
| Provisions for outstanding claims | 7,463 | 7,809 | 796 | 706 | 8,259 | 8,515 |
| IBNR | 2,057 | 2,010 | 117 | 96 | 2,174 | 2,106 |
| Other insurance liabilities | 34 | 50 | | | 34 | 50 |
| **Life reinsurance assets** | **837** | **865** | | **6** | **837** | **871** |
| Provisions for unearned premiums | 71 | 69 | | | 71 | 69 |
| Provisions for outstanding claims | 360 | 384 | | 6 | 360 | 390 |
| IBNR | 380 | 387 | | | 380 | 387 |
| Mathematical provision | 26 | 25 | | | 26 | 25 |
| **Total** | **13,324** | **13,611** | **916** | **811** | **14,240** | **14,422** |
| **Current portion** | **7,908** | **7,940** | **467** | **406** | **8,375** | **8,346** |
| **Non-current portion** | **5,416** | **5,671** | **449** | **405** | **5,865** | **6,076** |

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 | 2020 | 2019 |
|---|---|---|
| Receivables arising out of direct insurance operations | 2,506 | 2,349 |
| Amounts owed by policyholders | 2,444 | 2,322 |
| Amount owed by intermediaries | 62 | 27 |
| Receivables arising out of reinsurance operations | 2,995 | 3,251 |
| Trade and other receivables | 414 | 713 |
| Receivables from derivatives collateral | 93 | 594 |
| **Total** | **6,008** | **6,907** |
| **Current portion** | **5,907** | **5,767** |
| **Non-current portion** | **101** | **1,140** |

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Balance as at 1 January** | **6,907** | **5,280** |
| Net change in gross value of receivables | (1,022) | 324 |
| Movement in impairment allowance | (85) | 127 |
| Business combination | 324 | 1,310 |
| Gross value of receivables | 324 | 1,430 |
| Movement in impairment allowance | | (120) |
| Write offs | (116) | (134) |
| **Balance as at 31 December** | **6,008** | **6,907** |

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

As at 31 December 2020 and 2019 the Company classifies as non-current assets held for sale its investment in a subsidiary Green Point Offices a. s. in the amount of CZK 756 million. Due to failed negotiations with a buyer the property has not been sold so far, however the sale is expected during the first quarter 2021.

### E.7 Cash and cash equivalents

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | 2 | 2 |
| Cash at bank | 1,096 | 1,451 |
| Short term deposits | 130 | 200 |
| **Total** | **1,228** | **1,653** |

### E.8 Accruals and prepayments

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Deferred acquisition costs | 1,397 | 1,419 |
| Accrued income and prepayments | 338 | 784 |
| **Total** | **1,735** | **2,203** |
| **Current portion** | **1,735** | **2,203** |

The decrease of Accrued income and prepayments in 2020 is mainly consequence of a decrease of shared services to Pojišťovna Patricie.

### E.8.1 Deferred acquisition costs

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Carrying amount as at the beginning of the year** | **1,419** | **1,218** |
| Net change of deferred acquisition costs | (22) | (31) |
| Business combination | | 232 |
| **Carrying amount as at the end of the year** | **1,397** | **1,419** |

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 | 2020 | 2019 |
|---|---|---|
| Share capital | 4,000 | 4,000 |
| Reserve for unrealised gains and losses on investments available-for-sale | 3,554 | 3,526 |
| Statutory reserve fund | 800 | 800 |
| Retained earnings brought forward | 6,696 | 10,395 |
| Retained earnings, effect of adoption of IFRS16 Leases | | 55 |
| Retained earnings, effect of Business combination | (21) | (4,665) |
| Retained earnings, tax effect of Business combination | 4 | 886 |
| Net profit for the year | 4,818 | 3,216 |
| **Total** | **19,851** | **18,213** |

Shareholders equity has been in 2020 and 2019 influenced by the Business combination pooling of interest accounting (see Note A.5).

Moreover the shareholders equity has been in 2019 influenced by the method of transition which The Company used for initial application of IFRS 16 on leases.

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

| | 2020 | 2019 |
|---|---|---|
| **Balance as at 1 January** | **3,526** | **1,721** |
| **Gross revaluation as at the beginning of the year** | **4,348** | **2,096** |
| **Tax on revaluation as at the beginning of the year** | **(822)** | **(375)** |
| Exchange rate differences in equity | | 1 |
| Revaluation gain/loss in equity – gross | 169 | 2,339 |
| Revaluation gain/loss on realisation in income statement – gross | (297) | (143) |
| Impairment losses – gross | 163 | 55 |
| Tax on revaluation | (7) | (447) |
| **Gross revaluation as at the end of the year** | **4,383** | **4,348** |
| **Tax on revaluation as at the end of the year (Note E.1.16)** | **(829)** | **(822)** |
| **Balance as at 31 December** | **3,554** | **3,526** |

### 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 | 2020 | 2019 |
|---|---|---|
| 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

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.

The sole shareholder approved on 29 April 2019 the distribution of a prior year profit of the Company in the amount of CZK 3,113 million. The 2018 profit in the amount of CZK 3,113 million and retained earnings amounting to CZK 2,271 million, i.e. in total CZK 5,384 million was paid in the form of dividend of CZK 134,610 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 | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Non-life insurance liabilities** | **27,177** | **28,301** | **1,798** | **1,394** | **28,975** | **29,695** |
| Provisions for unearned premium | 7,156 | 6,971 | 43 | 47 | 7,199 | 7,018 |
| Provisions for outstanding claims (RBNS) | 14,628 | 16,052 | 1,479 | 1,139 | 16,107 | 17,191 |
| Claims incurred but not reported (IBNR) | 4,680 | 4,600 | 248 | 187 | 4,928 | 4,787 |
| Other insurance liabilities | 713 | 678 | 28 | 21 | 741 | 699 |
| **Life assurance liabilities** | **48,649** | **50,037** | | | **48,649** | **50,037** |
| Provisions for unearned premium | 234 | 250 | | | 234 | 250 |
| Provisions for outstanding claims (RBNS) | 1,381 | 1,409 | | | 1,381 | 1,409 |
| Claims incurred but not reported (IBNR) | 1,414 | 1,422 | | | 1,414 | 1,422 |
| Mathematical provision | 27,416 | 29,831 | | | 27,416 | 29,831 |
| Unit-linked provision | 17,254 | 16,722 | | | 17,254 | 16,722 |
| Other insurance liabilities | 950 | 403 | | | 950 | 403 |
| **Total** | **75,826** | **78,338** | **1,798** | **1,394** | **77,624** | **79,732** |
| **Current** | **22,716** | **22,931** | **948** | **734** | **23,664** | **23,665** |
| **Non-current** | **53,110** | **55,407** | **850** | **660** | **53,960** | **56,067** |

Other insurance liabilities consist of nonlife provision for profit-sharing in the amount CZK 741 million (2019: CZK 699 million). Other life provisions represent mainly provision for profit sharing and provisions for maturities amounting to CZK 383 million (2019: CZK 349 million) and provision of CZK 547 million for amounts expected to be paid on top of the value of basic life assurance liability.

### E.10.1 Non-life insurance liabilities

#### E.10.1.1 Provision for unearned premiums

| 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 | 28,554 | (2,261) | 26,293 |
| Released to the income statement | (28,428) | 2,233 | (26,195) |
| Business combination | 55 | (28) | 27 |
| **Balance as at 31 December** | **7,199** | **(2,936)** | **4,263** |

| In CZK million, for the year ended 31 December 2019 | Gross | Reinsurance | Net |
|---|---|---|---|
| **Balance as at 1 January** | **5,164** | **(2,005)** | **3,159** |
| Added during the year | 22,010 | (1,722) | 20,288 |
| Released to the income statement | (21,990) | 1,686 | (20,304) |
| Business combination | 1,834 | (839) | 995 |
| **Balance as at 31 December** | **7,018** | **(2,880)** | **4,138** |

### E.10.1.2 Provisions for outstanding claims

| 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** |

| In CZK million, for the year ended 31 December 2019 | Gross | Reinsurance | Net |
|---|---|---|---|
| **Balance as at 1 January** | **12,503** | **(6,233)** | **6,270** |
| Plus claims incurred | 11,571 | (4,963) | 6,608 |
| Current year | 10,481 | (4,518) | 5,963 |
| Transfer from IBNR | 1,090 | (445) | 645 |
| Less claims paid | (10,611) | 4,575 | (6,036) |
| Released to the income statement | (1,016) | 337 | (679) |
| Foreign currency translation | (14) | | (14) |
| Business combination | 4,758 | (2,231) | 2,527 |
| **Balance as at 31 December** | **17,191** | **(8,515)** | **8,676** |

### E.10.1.3 Claims incurred but not reported

| 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** |

| In CZK million, for the year ended 31 December 2019 | Gross | Reinsurance | Net |
|---|---|---|---|
| **Balance as at 1 January** | **3,560** | **(1,452)** | **2,108** |
| Plus additions recognised during the year | 1,685 | (687) | 998 |
| Less transfer to claims reported provision | (1,090) | 445 | (645) |
| Released to the income statement | (657) | 227 | (430) |
| Business combination | 1,289 | (639) | 650 |
| **Balance as at 31 December** | **4,787** | **(2,106)** | **2,681** |

### E.10.1.4 Development of policyholders claims (RBNS and IBNR)

| 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 2020 | Gross | Reinsurance | Net |
|---|---|---|---|
| **Balance as at 1 January** | **699** | **(50)** | **649** |
| Creation of provisions | 2,523 | (240) | 2,283 |
| Utilisation of provisions | (2,491) | 256 | (2,235) |
| Business combination | 10 | | 10 |
| **Balance as at 31 December** | **741** | **(34)** | **707** |

| In CZK million, for the year ended 31 December 2019 | Gross | Reinsurance | Net |
|---|---|---|---|
| **Balance as at 1 January** | **463** | **(50)** | **413** |
| Creation of provisions | 811 | (38) | 773 |
| Utilisation of provisions | (619) | 41 | (578) |
| Business combination | 44 | (3) | 41 |
| **Balance as at 31 December** | **699** | **(50)** | **649** |

### E.10.2 Life assurance liabilities

| In CZK million, for the year ended 31 December 2020 | Gross | Reinsurance | Net |
|---|---|---|---|
| **Balance as at 1 January** | **50,037** | **(871)** | **49,166** |
| Premium allocation | 7,597 | | 7,597 |
| Release of liabilities due to benefits paid, surrenders and other terminations | (7,762) | | (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 |
| Change in IBNR and RBNS | (39) | 37 | (2) |
| Change in UPR and Mathematical provision | (16) | (3) | (19) |
| Business combination | 3 | | 3 |
| **Balance as at 31 December** | **48,649** | **(837)** | **47,812** |

| In CZK million, for the year ended 31 December 2019 | Gross | Reinsurance | Net |
|---|---|---|---|
| **Balance as at 1 January** | **39,230** | **(763)** | **38,467** |
| Premium allocation | 7,495 | | 7,495 |
| Release of liabilities due to benefits paid, surrenders and other terminations | (8,385) | | (8,385) |
| Fees deducted from account balances | (1,883) | | (1,883) |
| Unwinding of discount / accretion of interest | 768 | | 768 |
| Changes in unit-prices | 1,041 | | 1,041 |
| Change in IBNR and RBNS | 3 | (7) | (4) |
| Change in UPR and Mathematical provision | (7) | (17) | (24) |
| Business combination | 11,775 | (84) | 11,691 |
| **Balance as at 31 December** | **50,037** | **(871)** | **49,166** |

#### E.10.2.1 Insurance liabilities and investment contract liabilities related to policies of the life segment

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Insurance contracts | 47,469 | 48,820 |
| Investments contracts with discretionary participation feature | 1,180 | 1,217 |
| **Total** | **48,649** | **50,037** |
| **Current portion** | **5,038** | **4,920** |
| **Non-current portion** | **43,611** | **45,117** |

### E.11 Other provisions

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Restructuring provision | 35 | 37 |
| Provisions for commitments | 32 | 20 |
| **Total** | **67** | **57** |
| **Current portion** | **33** | **20** |
| **Non-current portion** | **34** | **37** |

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Carrying amount as at 1 January** | **57** | **369** |
| Provisions created during the year | 49 | 52 |
| Provisions used during the year | (39) | (47) |
| Provisions released during the year | | (317) |
| **Carrying amount as at 31 December** | **67** | **57** |

In 2019 provisions for the MTPL deficit, included in provisions for commitments of CZK 317 million was released due to the fact that all liable insurance companies paid the Czech Insurers' Bureau an extraordinary membership fee to cover a deficit.

### E.12 Financial liabilities

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Financial liabilities at fair value through profit or loss | 753 | 438 |
| Derivatives | 753 | 438 |
| Other financial liabilities | 2,591 | 5,951 |
| Lease liabilities | 922 | 1,089 |
| **Total** | **4,266** | **7,478** |
| **Current portion** | **2,948** | **6,300** |
| **Non-current portion** | **1,318** | **1,178** |

Change in other financial liabilities is caused by decrease of REPO operations. The assets transferred within REPO operations but not derecognized amount to CZK 1,191 million (2019: CZK 4,551 million).

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

| 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 |

| In CZK million, as at 31 December 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial liabilities at fair value through profit or loss | | 438 | | 438 |
| Lease liabilities | | 1,080 | | 1,080 |
| Other financial liabilities | | 5,951 | | 5,951 |

### E.12.1 Other financial liabilities and lease liabilities

| In CZK million, as at 31 December | | 2020 | | | 2019 | |
|---|---|---|---|---|---|---|
| | Amortised cost | Fair value | Fair value level | Amortised cost | Fair value | Fair value level |
| **Loans, bonds** | **2,591** | **2,591** | | **5,951** | **5,951** | |
| Deposits received from reinsurers | 1,400 | 1,400 | 2 | 1,400 | 1,400 | 2 |
| Repurchase agreement (REPO) | 1,191 | 1,191 | 2 | 4,551 | 4,551 | 2 |
| **Lease liabilities** | **922** | **961** | **2** | **1,089** | **1,080** | **2** |
| **Total** | **3,513** | **3,552** | | **7,040** | **7,031** | |
| **Current portion** | **2,887** | **2,900** | | **6,242** | **6,240** | |
| **Non-current portion** | **626** | **652** | | **798** | **791** | |

### E.13 Payables

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Payables arising out of direct insurance operations | 2,364 | 2,483 |
| Payables arising out of reinsurance operations | 6,467 | 6,605 |
| Payables relating to taxation | 1,469 | 139 |
| Payables to client and suppliers | 196 | 236 |
| Payables to employees | 133 | 133 |
| Social security | 69 | 66 |
| Other payables | 1,713 | 1,992 |
| **Total** | **12,411** | **11,564** |
| **Current portion** | **12,100** | **11,514** |
| **Non-current portion** | **311** | **140** |

The increase of payables is caused by the increase of payables relating to taxation (see note E.25).

The most significant item of other payables is a payable to the Ministry of Finance of the Czech Republic for the employer´s liability insurance of CZK 1,076 million (2019: CZK 985 million) which the Company administers for the state.

### E.14 Accruals and deferred income

| In CZK million, as at 31 December | 2020 | 2019 |
|---|---|---|
| Reinsurance deferrals | 100 | 115 |
| Other accrued expense | 2,413 | 1,995 |
| Thereof: Non-invoiced supplies | 533 | 363 |
| Commissions | 1,384 | 1,267 |
| Accrued expenses for untaken holidays and bonuses | 496 | 365 |
| Deferred income | 31 | 23 |
| **Total** | **2,544** | **2,133** |
| **Current portion** | **2,544** | **2,133** |

### E.15 Net earned premium

| In CZK million, for the year ended 31 December | Gross amount | | Reinsurer's share | | Net amount | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Non-life earned premium** | **27,694** | **21,332** | **(12,583)** | **(9,581)** | **15,111** | **11,751** |
| Premiums written | 27,820 | 21,352 | (12,611) | (9,617) | 15,209 | 11,735 |
| Change in the UPR | (126) | (20) | 28 | 36 | (98) | 16 |
| **Life earned premium** | **10,653** | **7,747** | **(1,480)** | **(1,276)** | **9,173** | **6,471** |
| Premium written | 10,653 | 7,747 | (1,480) | (1,276) | 9,173 | 6,471 |
| **Total** | **38,347** | **29,079** | **(14,063)** | **(10,857)** | **24,284** | **18,222** |

### E.16 Income from other financial instruments and investment properties

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Interest income** | **1,226** | **1,572** |
| Interest income from loans and receivables | 155 | 409 |
| Interest income from available-for-sale financial assets | 1,065 | 1,148 |
| Interest income from cash and cash equivalents | 6 | 15 |
| **Other income** | **90** | **135** |
| Income from equities available-for-sale | 37 | 74 |
| Other income from investment fund units | 53 | 61 |
| **Interests and other investment income** | **1,316** | **1,707** |
| **Realised gains** | **568** | **290** |
| Realised gains on land and buildings (investment properties) | 3 | |
| Realised gains on loans and receivables | | 2 |
| Realised gains on available-for-sale financial assets (Note E.3.3) | 565 | 288 |
| **Unrealised gains** | **493** | **256** |
| Unrealised gains on hedged instruments | 493 | 256 |
| **Reversal of impairment** | | **14** |
| Reversal of impairment on other receivables from reinsurers | | 13 |
| Reversal of impairment of other receivables | | 1 |
| **Other income from financial instruments and other investments** | **1,061** | **560** |
| **Total** | **2,377** | **2,267** |

### E.17 Income from subsidiaries and associates

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Dividends and other income | 5,762 | 880 |
| Realised gains from disposal (Note B) | | 319 |
| **Total** | **5,762** | **1,199** |

There were no realised gains from disposal in 2020. In 2019 a realised gain from disposal was booked on Generali Societate de Administrare a Fondurilor de Pensii Private S.A. in the amount of CZK 154 million and on Generali Real Estate Fund CEE a.s., investiční fond in the amount of CZK 165 million.

Income from dividends consists of the dividends received from:

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Acredité s. r. o. | 21 | |
| CP Strategic Investments N.V. | | 557 |
| Česká pojišťovna ZDRAVÍ a.s. | 520 | 96 |
| Generali Česká Distribuce a.s. | 100 | 62 |
| Direct Care s.r.o. | 5 | 31 |
| Europ Assistance s.r.o. | 7 | 2 |
| Generali Real Estate Fund CEE a.s. | 31 | 43 |
| Generali SAF Pensii Private SA | | 75 |
| Green Point Offices a.s. | | |
| Pařížská 26, s.r.o. | 9 | 14 |
| Pojišťovna Patricie a.s. | 5,067 | |
| Small GREF a.s. | 2 | |
| **Total** | **5,762** | **880** |

### 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 | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Financial assets** | | | | | | | | | |
| Interests and other income | | 119 | 48 | 58 | 2 | (1) | (21) | 176 | 29 |
| Realised | – gains | 5 | 38 | 201 | 111 | | | 206 | 149 |
| | – losses | | (17) | (344) | (35) | | | (344) | (52) |
| Unrealised | – gains | 157 | 25 | 652 | 970 | | 30 | 809 | 1,025 |
| | – losses | (43) | (49) | (419) | (9) | (65) | (62) | (527) | (120) |
| **Financial liabilities** | | | | | | | | | |
| Interest expenses | | (62) | (40) | | | (170) | (103) | (232) | (143) |
| Realised | – gains | 17 | 22 | | | | | 17 | 22 |
| | – losses | (106) | (152) | | | | | (106) | (152) |
| Unrealised | – gains | 16 | 47 | | | 50 | 106 | 66 | 153 |
| | – losses | (45) | (35) | | | (290) | (159) | (335) | (194) |
| Other income | | | | | | 68 | 119 | 68 | 119 |
| **Total** | | **58** | **(113)** | **148** | **1,039** | **(408)** | **(90)** | **(202)** | **836** |

### E.19 Other income

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Gains on foreign currency | 3,874 | 1,102 |
| Reversal of other provisions (E.11) | 39 | 364 |
| Income from services and assistance activities and recovery of charges | 725 | 1,227 |
| Income from sale of assets | 1 | 18 |
| Other income | 3 | |
| Other technical income | 132 | 136 |
| **Total** | **4,774** | **2,847** |

The decrease of income from services and assistance activities and recovery of charges in 2020 is consequence of decrease of shared services to Pojišťovna Patricie.

### E.20 Net insurance benefits and claims

| In CZK million, for the year ended 31 December | Gross amount | | Reinsurer's share | | Net amount | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Non-life net insurance benefits and claims** | **13,420** | **12,079** | **(5,470)** | **(4,675)** | **7,950** | **7,404** |
| Claims paid | 14,008 | 11,238 | (5,847) | (4,574) | 8,161 | 6,664 |
| Claims settlement expenses | 269 | 209 | | | 269 | 209 |
| Profit sharing and premium refunds paid | 660 | 572 | (47) | (38) | 613 | 534 |
| Change in the provision for outstanding claims | (1,593) | (70) | 437 | (51) | (1,156) | (121) |
| Change in the IBNR provision | 44 | (62) | (29) | (15) | 15 | (77) |
| Change in other insurance liabilities | 32 | 192 | 16 | 3 | 48 | 195 |
| **Life net insurance benefits and claims** | **6,388** | **5,714** | **(427)** | **(418)** | **5,961** | **5,296** |
| Claims paid | 7,732 | 6,642 | (461) | (394) | 7,271 | 6,248 |
| Claims settlement expenses | 13 | 7 | | | 13 | 7 |
| Profit sharing and premium refunds paid | 34 | 33 | | | 34 | 33 |
| Change in the provision for UPR | (16) | (7) | (2) | | (18) | (7) |
| Change in the provision for outstanding claims | (28) | 60 | 30 | (29) | 2 | 31 |
| Change in the IBNR provision | (11) | (57) | 7 | 22 | (4) | (35) |
| Change in the mathematical provision | (2,415) | (2,501) | (1) | (17) | (2,416) | (2,518) |
| Change in the unit-linked provision | 532 | 1,527 | | | 532 | 1,527 |
| Change in other insurance liabilities | 547 | 10 | | | 547 | 10 |
| **Total** | **19,808** | **17,793** | **(5,897)** | **(5,093)** | **13,911** | **12,700** |

*Non-life insurance*

The increase of individual items (especially Claims paid and Change in the provision for outstanding claims) in 2020 is caused by takeover of former Generali pojišťovna portfolios. This impact outweighs both effects of the extraordinary pandemic year 2020 and a relatively high comparative period 2019 affected by above-average occurrence of natural events (especially wind and hail - e.g. windstorm Eberhard).

*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 an overall increase of value of underlying assets, however lower compared to previous year. Increase in claim payments is caused by the takeover of insurance portfolios. When evaluating only old portfolio, the claim payments decreased year-on-year by CZK 788 million due to lower lapses and lower benefits from accidental riders as a result of "lockdown" and other covid-19 measures adopted during the year 2020. Change in other insurance provision represent 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.

### E.21 Other expenses for financial instruments and other investments

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Interest expense** | **108** | **181** |
| Interest expense on loans, bonds and other payables | 39 | 107 |
| Interest expense on deposits received from reinsurers | 33 | 33 |
| Interest expense on lease liabilities (IFRS 16) | 36 | 41 |
| **Other expenses** | **201** | **193** |
| Other expenses on investments | 100 | 96 |
| Depreciation of right-of-use assets investment properties (IFRS 16) (Note E.3) | 101 | 97 |
| **Realised losses** | **268** | **144** |
| Realised losses on available-for-sale financial assets (Note E.3.2) | 268 | 144 |
| **Unrealised losses** | **4** | **51** |
| Unrealised losses on hedged instruments | 4 | 51 |
| **Impairment losses** | **234** | **55** |
| Impairment of loans and receivables | 54 | |
| Impairment of available-for-sale financial assets (Note E.3.2) | 163 | 55 |
| Impairment on receivables from reinsurers | 13 | |
| Impairment of other receivables | 4 | |
| **Other expenses for financial instruments and other investments** | **815** | **624** |

### E.22 Expenses from subsidiaries and associates

In 2020 an impairment loss was booked on Pojišťovna Patricie a. s. in the amount of CZK 4,857 milion (2019: CZK 408 million) and on Direct Care s.r.o. in the amount of CZK 4.5 million (2018: CZK 36 million), see Note B.

No realised losses were booked in 2020 and in 2019.

### E.23 Acquisition and administration costs

| In CZK million, for the year ended 31 December | Non-life segment | | Life segment | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Gross acquisition costs and other commissions | 2,167 | 2,238 | 1,037 | 472 | 3,204 | 2,710 |
| Change of deferred acquisition costs | 38 | 30 | (16) | 1 | 22 | 31 |
| Other administration costs | 1,538 | 1,243 | 753 | 584 | 2,291 | 1,827 |
| of which: statutory audit | | | | | 16 | 16 |
| of which: non-audit services | | | | | 9 | 10 |
| of which: short term and low value leasing expenses | | | | | | 4 |
| **Total** | **3,743** | **3,511** | **1,774** | **1,057** | **5,517** | **4,568** |

### E.24 Other expenses

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Amortisation of intangible assets | 510 | 316 |
| Depreciation of tangible assets | 23 | 32 |
| Depreciation of right-of-use assets (own use) IFRS 16 (Note E.2.2) | 227 | 202 |
| Losses on foreign currency | 3,879 | 1,113 |
| Restructuring charges and allocation to other provisions (Note E.11) | 49 | 52 |
| Other taxes | 4 | |
| Expense from service and assistance activities and charges incurred on behalf of third parties | 1,072 | 1,247 |
| Other technical expenses | 314 | 253 |
| Other expenses | 10 | 2 |
| **Total** | **6,088** | **3,217** |

### E.25 Income taxes

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Current income taxes | 1,975 | 625 |
| of which: related to prior years | 3 | 8 |
| Deferred taxes | (990) | (23) |
| **Total** | **985** | **602** |

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 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 is payable. The remaining amount will be payable in 2021.

This new regulation has an impact both on the current income taxes and on deferred taxes booked in 2020.

Reconciliation between expected and effective tax rates:

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| **Expected income tax rate** | **19%** | **19%** |
| **Earnings before taxes** | **5,803** | **3,818** |
| **Expected income tax expense** | **1,103** | **725** |
| Expenses not allowable for tax purposes | 993 | 87 |
| Income not subject to tax | (1,122) | (224) |
| Other reconciliations | 11 | 16 |
| Tax expense | 985 | 602 |
| **Effective tax rate** | **16.97%** | **15.77%** |

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 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Intangible assets | | | (82) | (85) |
| Business combination | 831 | 886 | | |
| Tangible assets and Land and buildings (self used) | | | (2) | (1) |
| Land and buildings (investment properties) | | | (56) | (60) |
| Available-for-sale financial assets | | | (230) | (99) |
| Financial liabilities and other liabilities | 62 | 43 | | |
| Insurance liabilities | 1,048 | | | |
| Other | 198 | 233 | (83) | (111) |
| **Total** | **2,139** | **1,162** | **(453)** | **(356)** |
| **Net deferred tax asset/liability** | **1,686** | **806** | | |

The changes in deferred tax assets and liabilities were recognised through the income statement in the amount of CZK 990 million (increase) and through the equity in the amount of CZK 110 million (decrease).

Increase of deferred tax asset in 2020 is caused mainly by the deferred tax related to new tax base on insurance liabilities, see E.25.

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 2020 and following years is 19% (2019: 19%).

### E.25.2 Current tax and deferred tax recognised directly in equity

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Deferred tax - revaluation gain/losses on financial assets at AFS | (221) | (107) |
| Current tax - unrealised gain/losses on financial assets at AFS | (608) | (715) |
| Total tax on revaluation on financial assets at AFS | (829) | (822) |
| Deferred tax – revaluation in relation with Business combination | 4 | 886 |
| **Total** | **(825)** | **64** |

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 Cycle, 2019-2021, 2020-2022 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 | 2020 | 2019 |
|---|---|---|
| **Total expenses per year** | **19** | **21** |
| Employee plan | 3 | 1 |
| 2017-2019 Plan | 0 | 4 |
| 2018-2020 Plan | 10 | 6 |
| 2019-2021 Plan | 5 | 10 |
| 2020-2022 Plan | 1 | |
| **Total equity reserve as at 31.12.** | **47** | **52** |
| Employee plan | 4 | 1 |
| 2017-2019 Plan | 0 | 24 |
| 2018-2020 Plan | 27 | 17 |
| 2019-2021 Plan | 15 | 10 |
| 2020-2022 Plan | 1 | |

In 2020, 2017-2019 Cycle vested with share assignment, in 2019, 2016-2018 Cycle vested with share assignment. Equity reserves related to 2016-2018 cycle and 2017-2019 cycle were reclassified to revenue reserves. There is no fiscal implications and related tax effect for the Company.

### E.27 Informace o zaměstnancích

| Number of employees, as at 31 December | 2020 | 2019 |
|---|---|---|
| Top management | 28 | 29 |
| Other managers | 204 | 203 |
| Employees | 2,944 | 2,794 |
| Others | 2 | 3 |
| **Total** | **3,178** | **3,029** |

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Wages and salaries | 2,103 | 1,919 |
| Compulsory social security contributions | 675 | 625 |
| Thereof: state-defined contribution pension plan | 413 | 378 |
| Other expenses | 100 | 105 |
| Thereof: contribution to the private pension funds | 38 | 35 |
| **Total staff costs** | **2,878** | **2,649** |
| **Total remuneration included in staff cost for top management** | **133** | **134** |

The following table shows an allocation of staff costs in the income statement.

| In CZK million, for the year ended 31 December | 2020 | 2019 |
|---|---|---|
| Acquisition costs | 600 | 459 |
| Insurance Benefits and Claims | 689 | 547 |
| Administration costs | 1,589 | 1,643 |
| **Total** | **2,878** | **2,649** |

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).

## 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.

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 31.12.2020 | 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) |

| In CZK million | Fair value as at 31.12.2019 | FX gain/(loss) for the period from 1.1. to 31.12.2019 |
|---|---|---|
| **Hedged items** | | |
| Equities, bonds, investment funds units | 25,353 | (121) |
| Term deposits, current bank accounts and other | 1,143 | (28) |
| **Hedging instruments** | | |
| Derivatives | 330 | 124 |
| Financial liabilities (Sell-buy operations) | (4,551) | 25 |

Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Company on a monthly basis. In every month of 2020 and 2019 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 31.12.2020 | 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

| In CZK million | Fair value as at 31.12.2019 | Change in fair value attributable to interest rate risk for the period from 1.1. to 31.12.2019 |
|---|---|---|
| Hedged items | 14,503 | 205 |
| Hedging instruments* | (274) | (167) |

* Notional principal amount is CZK 15,103 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 2020 and 2019 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 2020 and 2019, 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 2020 and 2019.

| In CZK million, as at 31 December 2020 | Note | Derivative assets | Derivative liabilities | Reinsurance receivables |
|---|---|---|---|---|
| Financial instrument total carrying value | E.12 | 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)** |

| In CZK million, as at 31 December 2019 | Note | Derivative assets | Derivative liabilities | Reinsurance receivables |
|---|---|---|---|---|
| Financial instrument total carrying value | E.12 | 530 | (438) | 2,918 |
| Financial instruments not subject to master netting agreements | | 70 | (47) | 2,065 |
| Financial instrument subject to master netting agreements | | 460 | (391) | 853 |
| Collateral paid/Cash deposit received | E.5 | (160) | 594 | (1,400) |
| Amounts presented in the balance sheet | | 300 | 203 | (547) |
| Effect of master netting agreement | | (391) | 460 | |
| **Net amount after master netting agreement** | | **(91)** | **663** | **(547)** |

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 2020, the Company had a commitment under investment agreements of CZK 874 million (2019: CZK 1,051 million) to make an additional contribution into the private equity funds. Till 2020, the Company already invested CZK 947 million into these private equity funds.

### E.30.2 Pledged assets and collaterals

As at 31 December 2020, CZK 1,339 million has been pledged in repurchase agreements (2019: CZK 5,291 million). The fair value of the guaranteed liabilities in repurchase agreements amounted to CZK 1,191 million (2019: CZK 4,551 million).

Furthermore, as at 31 December 2020 the Group has received financial assets as collateral for CZK 5,579 million (2019: CZK 6,085 million), in particular for transactions in bonds and loans. Fair value of collateral held is CZK 5,507 million (2019: 5,961 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 | 2020 | 2019 |
|---|---|---|
| Liability (w/o D&O liability) | 253 | 232 |
| D&O liability only | 29 | 27 |
| FLEXA extended coverage of nuclear Risks plus BI | 709 | 680 |
| **Total** | **991** | **939** |

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 Collateral pledged on behalf of third party
There is no collateral pledged on behalf of third party as at 31 December 2020 and 2019.

#### E.30.3.4 Membership in the Czech Insurers' Bureau
As a member of the Czech 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 (see E11).

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 Transactions with key management personnel of the Company

There were no significant transactions with members of Supervisory Board during 2020 and 2019. Transactions with members of Board of Directors comprised:

| 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 | |

| In CZK million, as at 31 December 2019 | | Board of Directors |
|---|---|---|
| | Related to the board membership | Related to employment contract |
| Short-term employee benefits | 146 | |
| State-defined contribution pension plan | 2 | |

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 2020 termination benefits to the key management personnel of the Company in the amount of CZK 5 million (2019: CZK 15 million) were paid.

As at 31 December 2020 and 31 December 2019, the members of the statutory bodies held no shares of the Company.

### 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 2020 or in 2019, 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 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 Group2 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 2019 | Notes | Group 1a | Group 1b | Group 2 | Group 3 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investments | i | 1,385 | | 1,110 | 1,590 |
| Reinsurance assets | ii | 106 | | 12,841 | |
| Receivables | iii | 357 | 43 | 2,798 | |
| Other assets | | 686 | 3 | 54 | 1 |
| **Total assets** | | **2,534** | **46** | **16,803** | **1,591** |
| **Liabilities** | | | | | |
| Insurance liabilities | iv | | | 806 | |
| Financial liabilities | v | 74 | | 1,400 | |
| Payables | vi | 845 | 28 | 6,183 | 37 |
| Other liabilities | | 271 | 6 | 95 | 7 |
| **Total liabilities** | | **1,190** | **34** | **8,484** | **44** |

Notes:
i. The balances with companies in Group 1a comprise mainly loan to Green Point Offices a.s. in the amount of CZK 889 million and loan to Palac Krizik a.s. in the amount of CZK 408 million, the balances with companies in Group 2 comprise loans to CZI Holdings N.V. in the amount of CZK 1,110 million (the only outstanding balance with the sole shareholder) and the balances with companies in Group 3 comprise loans from REPO with MONETA Money bank a.s. in the amount of CZK 1.350 million.
ii. The balances with companies in Group 2 comprise technical provisions ceded to GP Re in the amount of CZK 12,543 million and technical provisions ceded to Assicurazioni Generali S.p.A. in the amount of CZK 275 million.
iii. The balances with companies in Group2 comprise mainly receivables from reinsurance from GP Re in the amount of CZK 2,676 million and receivables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 41 million.
iv. The balances with companies in Group 2 comprise technical provisions from accepted reinsurance from Generali Insurance AD in the amount of CZK 670 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 6,049 million and payables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 59 million.

| In CZK million, for the year ended 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** | | **(9,040)** | **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.
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) and 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).

| In CZK million, for the year ended 31 December 2019 | Notes | Group 1a | Group 1b | Group 2 | Group 3 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Net earned premium | I | 97 | | (9,902) | |
| Income from subsidiaries and associates | Ii | 1,196 | 2 | | |
| Other income for financial instruments and other investments | | 41 | | 24 | 19 |
| Other income | | 984 | 9 | 85 | |
| **Total income** | | **2,318** | **11** | **(9,793)** | **19** |
| **Expenses** | | | | | |
| Net insurance benefits and claims | Iii | (57) | (2) | 4,606 | |
| Expenses from subsidiaries and associates | | (444) | | | |
| Other expenses for financial instruments and other investments | | (3) | | (49) | (3) |
| Acquisition and administration costs | iv | (2,950) | 17 | 2,034 | (5) |
| Other expenses | | (148) | (1) | (29) | |
| **Total expenses** | | **(3,602)** | **14** | **6,562** | **(8)** |

Notes:
i. The balances in Group 2 include ceded earned premium from GP Re in the amount of CZK 10,082 million and ceded earned premium from Assicurazioni Generali S.p.A. in the amount of CZK 62 million.
ii. The balances in Group 1a include dividend received from CP Strategic Investments N.V. in amount of CZK 557 million.
iii. The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 4,602 million and reinsurance with Assicurazioni Generali S.p.A. in the amount of CZK 49 million (ceded claims paid).
iv. The balances in Group 1a include transactions with ČP Distribuce a.s. in the amount of CZK 2,812 million (acquisition costs) and the balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 2,470 million (ceded commission).

As at 31 December 2020 and 31 December 2019, 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 A.15, E.30.2 and E.30.1.

Transactions connected to transfer of portfolio are described in Note A.5.

## F. SUBSEQUENT EVENTS

**F.1 Impact of SARS-Cov-2**
The management of the Company has evaluated potential impacts of covid-19 on the activities and business of the Company, included it in the risk assessment (see note D.11) and concluded, that it 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 Corporate merger**

Board of Directors of the Company has discussed an intention for a project of a transformation of the Company via a merger with its subsidiaries Pojišťovna Patricie and ČP Zdraví. The project will be accomplished after an approval of the Czech National Bank and an approval by the sole shareholder of the Company.

Except for the disclosures above, the Company has identified no significant events that have occurred since the end of the reporting period up to 29 March 2021.

Date: 29 March 2021

Responsible person
for Accounting and annual closing

**Petr Bohumský**

# WE USE MODERN MEANS OF COMMUNICATION

**You can contact our advisers in person, on the phone, via email, and on the website.**

# Report on Related-party Transactions for the 2020 Accounting Period

Generali Česká pojišťovna a.s., incorporated by entry in the Commercial Register kept by the Municipal Court in Prague, Section B, File 1464, on 1 May 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 prepare a report on related-party transactions for the 2020 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 2020 was CZI Holdings N.V., having its registered office at De Entree 91, 1101 BH, Amsterdam, Netherlands (the controlling entity). Generali Česká pojišťovna a.s.'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 (the "Generali Group").

Controlling entities wield control within the Generali Group by the weight of their votes alone, i.e. by exercising voting rights at general meetings.

The Group structure and the Company's status are described in a separate section of the Annual Report.

On 23 June 2020, Generali Česká pojišťovna, acting in its capacity as the sole shareholder, decided to approve the merger, in the form of a "merger by acquisition", of ČP Distribuce a.s., registration number: 44795084 (the "acquiring company" or the "company"), and Generali Distribuce a.s., registration number: 27108562 (the "company being acquired"), whereby the aforementioned companies were merged into Generali Česká Distribuce a.s., with the merger taking effect on 1 January 2020. The contracts and agreements previously concluded with either of the two merging companies 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 Acredité s.r.o., having its registered office at Na Pankráci 1658, 140 21 Praha 4:
  – Insurance Contracts (including addenda);
  – Contract on the Fulfilment of Obligations Arising from Group Participation (VAT);
  – KPMG Helpline Access Agreement;
  – APH Access Agreement (including addendum);
  – Insurance Examinations Contract;
  – IT Operation and Support Cost-sharing Agreement (including addendum);
  – Lease/Sublease Agreements;
  – Service Agreements (including addenda);
  – Cost-sharing Agreements (including addenda);
  – GDPR Project Participation.

- Contracts with ADRIATIC SLOVENICA Zavarovalna družba d.d., having its registered office at Ljubljanska cesta 3A, 6000 Koper - Capodistria:
  – Cooperation Agreement.

- Contracts with Akcionarsko društvo za osiguranje Generali Osiguranje Montenegro, having its registered office at Kralja Nikole 27a, Podgorica:
  – Assistance Service Cooperation Agreement.

- 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) Agreement.

- Contracts with Akcionářsko društvo za reosiguranje Generali Reosiguranje Srbija, Beograd, having its registered office at Vladimíra 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 Agreement on the Appointment of a Proxy to Exercise Voting Rights at General Meetings of Companies;
  – Reinsurance Contracts.

- Contracts with BRITISH CORNER s.r.o., having its registered office at Václavské náměstí 823/33, Nové Město, 110 00 Praha 1:
  – Insurance Contracts.

- Contracts with CEBC Pankrác a.s. v likvidaci, having its registered office at Seifertova 823/9, Žižkov, 130 00 Praha 3:
  – Insurance Contracts.

- Contracts with Česká pojišťovna ZDRAVÍ a.s., having its registered office at Na Pankráci 1720/123, Nusle, 140 00 Praha 4:
  – Agreement on the Assignment of Rights and Assumption of Obligations Deriving from the Development of Software Applications;
  – Insurance Contracts (including addenda);
  – Implementing Agreement on IT and non-IT Sharing (including addenda);
  – Framework Cost-sharing Agreements (including addenda);
  – Contract on the Fulfilment of Obligations Arising from Group Participation (VAT);
  – Sublease Agreement for Non-residential Premises (including addendum);
  – KPMG Helpline Access Agreement;
  – Insurance Portfolio Transfer Agreement;
  – Cooperation Agreement (including addenda);
  – GDPR Project Participation Agreement.

- Contracts with Direct Care s.r.o., having its registered office at Na Pankráci 1658/121, Nusle, 140 00 Praha 4:
  – Insurance Contracts (including addendum);
  – Implementing Agreement on IT and non-IT Sharing (including Addendum);
  – Lease/Sublease Agreement (including addenda);
  – Contract on the Fulfilment of Obligations Arising from Group Participation (VAT);
  – Cost-sharing Agreement (including addenda);
  – Life Insurance Cooperation Agreement;
  – Contracts Granting Rights of Software Use.

- 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:
  – Insurance Contracts;
  – Framework Cost-sharing Agreement;
  – Lease/Sublease Agreement;
  – KPMG Helpline Access Agreement;
  – Assistance Service Cooperation Agreements (including addenda);
  – Assistance Service Agreements (including addenda);
  – Contractual Penalty Agreement.

- Contracts with Generali Biztosító Zrt., having its registered office at Teréz krt. 42-44, Budapest, 1066:
  – IT Support Agreement (including addendum);
  – Reinsurance Contracts.

- Contracts with De Entrée 91, 1101BH, Amsterdam, having its registered office at Diemerhof 42, Amsterdam, 1112 XN:
  – Agreement on the Assignment of Rights and Assumption of Obligations;
  – Earnix Licensing Agreement;
  – Insurance Contracts;
  – Contract on the Fulfilment of Obligations Arising from Group Participation (VAT);
  – KPMG Helpline Access Agreement;
  – Service Agreement (including addenda);
  – Cooperation Agreement;
  – Lease/Sublease Agreements (including addendum);
  – Cost-sharing Agreements (including addenda).

- Contracts with Generali Companhia de Seguros, S.A., having its registered office at Avenida da Liberdade, 242, 1250-149 Lisboa:
  – Reinsurance Contract.

- Contracts with Generali Česká Distribuce a.s., having its registered office at Na Pankráci 1658/121, Nusle, 140 00 Praha 4:
  – Insurance Contracts;
  – Framework IT and non-IT Sharing Agreement (including addenda);
  – Contract on the Fulfilment of Obligations Arising from Group Participation (VAT);
  – Service Agreement;
  – Cooperation Agreement (including addendum);
  – Loan Agreement (including addendum);
  – Lease/Sublease Agreements;
  – Agency Agreement (including addendum);
  – KPMG Helpline Access Agreement (including addendum);
  – Cost-sharing Agreements (including addenda).

- 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 at 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;
  – Contract on the Assignment of an IT Administration Agreement by Generali Česká pojišťovna.

- 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, Nusle, 140 00 Praha 4, service number: 140 21:
  – STAR.NET Contract Assignment Agreement;
  – Investment Management Agreement (including addendum);
  – Framework Agreement and Implementing Agreements on the Sharing of non-IT and IT and Related Operating Expenditure (including addendum);
  – Framework ISDA Agreement (including addendum);
  – Insurance Contracts (including addendum);
  – Framework Cost-sharing Agreements (including addenda);
  – Agency Agreement (including addenda);
  – Management Contract;
  – Contract on the Fulfilment of Obligations Arising from Group Participation (VAT);
  – KPMG Helpline Access Agreement;
  – Lease/Sublease Agreements;
  – Loyalty Bonus Agreements (including addenda).

- Contracts with Generali IT s. r. o., having its registered office at Heydukova 12-14, Bratislava:
  – Software Development and Maintenance Support Contract.

- Contracts with Generali Italia S.p.A., Via Marocchesa 14, Mogliano Veneto:
  – Reinsurance Contracts.

- Contracts with Generali penzijní společnost, a.s., having its registered office at Na Pankráci 1720/123, 140 21 Praha 4:
  – Insurance Contracts;
  – Framework Marketing Cooperation Agreement;
  – Framework Agreement on the Sharing of IT and non-IT and Related Operating Expenditure (including addenda);
  – KPMG Helpline Access Agreement;
  – Contract on the Fulfilment of Obligations Arising from Group Participation (VAT);
  – Lease/Sublease Agreements;
  – Cost-sharing Agreements (including addenda);
  – Cooperation Agreements.

- Contracts with Generali Poisťovňa, a. s., having its registered office at Lamačská cesta 3/A, Bratislava 841 04:
  – Framework Cost-sharing Agreement (including addenda);
  – Contract Granting Rights of Software Use;
  – Contract on the Assignment of an IT Administration Agreement by Generali Česká pojišťovna;
  – Reinsurance Contracts.

- Contracts with Generali Real Estate Fund CEE a.s., investiční fond, having its registered office at Na Pankráci 1658/121, 140 00 Praha 4:
  – Cost-sharing Agreement.

- Contracts with Generali Real Estate S.p.A., having its registered office at Piazza Duca degli Abruzzi, 1, Trieste:
  – Insurance Contract;
  – Shared Services Agreement;
  – Cost-sharing Agreement.

- Contracts with Generali Shared Services S.c.a.r.l., having its registered office at Piazza Duca degli Abruzzi, 2, Trieste:
  – Framework Consortium Agreement;
  – Framework Cost-sharing Agreement (including addenda);
  – Service Agreement (including addenda);
  – Contract on the Fulfilment of Obligations Arising from Group Participation (VAT);
  – Lease/Sublease Agreements (including addenda).

- Contracts with Generali Towarzystwo Ubezpieczeń Spółka akcyjna, having its registered office at ul. Postępu 15B, 02-676 Warszawa:
  – IT Support Agreement (including addendum);
  – Contract Granting Rights of Software Use;
  – Contract on the Assignment of an IT Administration Agreement by Generali Česká pojišťovna;
  – Reinsurance Contracts.

- Contracts with Generali Versicherung AG, having its registered office at Landskrongasse 1-3, Wien:
  – Outsourcing and Service Cooperation Agreement;
  – Reinsurance Contracts.

- Contracts with GENERALI zavarovalnica d. d., 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 a.s., having its registered office at Lamačská cesta 3/A, 841 04 Bratislava:
  – Insurance Contracts;
  – Lease/Sublease Agreement;
  – Credit Agreement (including addendum).

- Contracts with IDEE s.r.o., having its registered office at Václavské náměstí 823/33, Nové Město, 110 00 Praha 1:
  – Insurance Contracts.

- Contracts with MUSTEK PROPERTIES, s.r.o., having its registered office at Václavské náměstí 823/33, 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:
  – Gift Agreement;
  – KPMG Helpline Access Agreement;
  – Lease/Sublease Agreement;
  – Cost-sharing Agreement (including addendum).

- Contracts with Náměstí Republiky 3a, s.r.o., having its registered office at Václavské náměstí 823/33, Nové Město, 110 00 Praha 1:
  – Insurance Contracts.

- Contracts with Office Center Purkyňova, a.s. having its registered office at Václavské náměstí 823/33, Nové Město, 110 00 Praha 1:
  – Insurance Contracts;
  – Lease/Sublease Agreement.

- Contracts with OVOCNÝ TRH 2 s.r.o., having its registered office at Václavské náměstí 823/33, 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 823/33, 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 PCS - Praha Center spol. s.r.o., having its registered office at Václavské náměstí 823/33, 110 00 Praha 1:
  – Insurance Contracts.

- Contracts with Pojišťovna Patricie a.s., having its registered office at Spálená 75/16, Nové Město, 110 00 Praha 1:
  – Framework non-IT and IT Sharing Agreement (including addenda);
  – Framework Agreement on Cost-sharing in the Arrangement of Insignificant Activities (including addendum);
  – Framework Agreement on Cost-sharing in the Arrangement of Significant Activities (including addendum);
  – Lease/Sublease Agreement;
  – Contract on the Fulfilment of Obligations Arising from Group Participation (VAT);
  – KPMG Helpline Access Agreement;
  – Insurance Portfolio and Reinsurance Contract Portfolio Transfer Agreement;
  – Agreement on the Transfer of Securities for Consideration;
  – Reinsurance 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 823/33, Nové Město, 110 00 Praha 1:
  – Insurance Contracts.

- Contracts with Velký Špalíček s.r.o., having its registered office at Dominikánské 350/5, Brno-město, 602 00 Brno:
  – 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 2020 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 the Generali Group, the Company cooperates on Group projects and policies. The Company incurred no detriment or loss as a result of participating in such Group activities.

On 1 July 2019, the Company, Pojišťovna Patricie a.s. and Česká pojišťovna ZDRAVÍ a.s. entered into an agreement on the sale of a portion of an insurance portfolio. On 21 December 2019, on the basis of that agreement, and subject to the terms and conditions set forth therein (including the Czech National Bank's approval), the Company purchased Czech insurance portfolios to the extent defined in the transfer agreement. In addition, on 9 July 2020, the Company, Pojišťovna Patricie a.s. and Česká pojišťovna ZDRAVÍ a.s. entered into agreements on the sale of the remaining part of the insurance portfolio and the portfolio of reinsurance contracts. On 21 December 2020, on the basis of those agreements, and subject to the terms and conditions set forth therein (including the Czech National Bank's approval), the Company purchased the portfolios of insurance and reinsurance contracts to the extent defined in the transfer agreements. Details of the transaction are disclosed in the Company's financial statements.

The Company did not take any measures or execute other legal acts on behalf of or at the instigation of related parties in the 2020 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 prepared 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, 29 March 2021

**Roman Juráš**
Chairman of the Board of Directors

**Petr Bohumský**
Vice-Chairman of the Board of Directors

Annual Report 2020


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