Generali Česká pojišťovna a.s.
Annual Report 2019

Inner strength

We have a leader's muscle
and a trailblazer's mindset.

Tradition

Our reliability has cascaded down the generations. Our assistance stretches back almost two centuries.

Innovation

We do not tread water. We are constantly looking for new avenues and ways forward.

Speed

We know how valuable time is.
So we act and assist promptly.

Accessibility

When they need us,
we’re here for them –
anywhere, any time.

Professionalism

We profit from the wide-ranging experience of our specialists and state-of-the-art technology.

Contents

Letter from the Chairman

Ladies and Gentlemen,
Our Company enjoyed a successful year in 2019. It was also a highly unusual time for us. Our Company is an integral part of the Generali Group, which decided to concentrate its Czech insurance operations. As a result of this shake-up, Česká pojišťovna was renamed and, on 21 December 2019, took over parts of the insurance portfolios previously managed by Generali Pojišťovna and Česká pojišťovna ZDRAVÍ. Generali Česká pojišťovna became the number-one insurer on the market on the strength of this change.

The combination of the tradition established by the Czech insurance market leader and the facilities and know-how built up by a global financial institution created an even stronger and more stable insurance company and consolidated our leading position on the domestic market. And this is good news not only for customers, but also for our business partners.

Generali Česká pojišťovna's successful transformation was not the sole defining factor of 2019. Last year was also a very exacting time in other areas. Insurance companies had to deal with a raft of challenges, especially legislative matters. The Insurance and Reinsurance Distribution Act was a huge issue because of the sheer impact it has on the conditions under which insurance products are distributed. We and other insurers were unstinting in our efforts to fix the glaring flaws in the government's confused bill on the taxation of insurance companies' technical provisions, though regrettably this was passed without the necessary revisions as part of the new tax package.

Despite having to tussle with changes in an already cluttered legislative landscape, we did not scale down the activity we devote to innovating and continuously improving the products and services we provide to our customers. With our ever expanding robotisation, automation and digitisation of processes, we are streamlining and speeding up customer service and claim settlement with a view to intensifying the positive customer experience. For example, we successfully launched a fully automated process for the settlement of vehicle breakdown claims in motor insurance and, thanks to the new Škody Živě [Claims Live] application, our communication with contracted service partners became much faster and more efficient. The benefit for customers is that the settlement of car insurance claims is now a lot swifter and more user-friendly. In property insurance, we introduced an automated chatbot. This is a big help in simplifying and speeding up the whole claim reporting process.

The Company has never wavered from its mission to assist those who find themselves in difficult situations. Customers got to experience this first-hand when unusually heavy storms and hail struck the Czech Republic in early July, resulting in more than five thousand claims. Thanks to our colleagues' selflessness and our well-configured and smoothly running processes, we were able to react promptly and settle the reported claims quickly and efficiently. We showed our customers that they can truly rely on us.

The Company also earned plaudits and accolades in 2019. In Hospodářské noviny's prestigious Best Insurance Company 2019 contest, we came top in two categories, Best Non-life Insurance Company and Most Customer-friendly Non-life Insurance Company. The eighteenth annual Bank of the Year competition was another triumph for us as we took home the much-coveted title of Customers' Insurance Company. Marek Jankovič, the Company's outgoing Chief Executive Officer, was voted Insurance Professional of the Year in an industry poll. These results confirm why our Company has rightly been the Czech insurance market leader for so long.

I would like to thank my colleagues for their work ethic, which contributed to our shared success and, above all, to the fact that, at the end of 2019, we were able to introduce Generali Česká pojišťovna to the public. I also express my gratitude to our customers and business partners, who inspire us to hone what we do and give us the impetus to continue our long and successful tradition.

We are entering a period of growing uncertainty in 2020. It is difficult to predict how macroeconomic indicators will evolve or what the impacts of accelerating climate change will be and, as the beginning of the year has shown, we cannot underestimate the risks that pandemics pose to human life and the economy. In this context, we feel it is important to do all we can to successfully implement the Generali Group’s risk management strategy, apply sustainable investment principles, and, in particular, implement our lifelong partnership programme, aimed at offering our customers services that will help them at every stage of their lives.

In order to achieve these goals, we need to make intensive use of modern technologies and be constantly ready to respond to exponentially accelerating changes in this area, which not only open up opportunities to harness various forms of automation and digitalisation for efficient customer service, but also present new challenges stemming from growing cyber risks.

Roman Juráš
Chairman of the Board of Directors

Description of Generali Česká pojišťovna

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 in Prague's New Town was only a makeshift solution, it was at an address that was both prestigious and, it might be said, symbolic – Spálená [Scorched] 76.

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 pojištovna, 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, the Company entered the supplementary pension market by establishing Penzijní fond České pojišťovny, a.s. (now Penzijní společnost České pojišťovny, 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 the 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, operating through more than 400 companies and with almost 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

2019

Leden
AM Best, the international rating agency specialising in the insurance sector, increased Česká pojišťovna's long-term credit rating to "a+" and confirmed its financial strength rating of "A" in a rating report published on 10 January 2019.

Miloslava Mášová and Marek Kubiska were newly elected to Česká pojišťovna's Supervisory Board as employees' representatives with effect from 1 January.

February
To mark the unveiling of the Generali 2021 strategy, Philippe Donnet – the Generali Group's CEO – met Company managers so that, together, they could map out important steps under the new strategic plan.

Česká pojišťovna did well in the TOP Employers survey conducted at universities, coming first in the Insurance category.

The Company introduced insurance to help victims of violence as a unique new product available for a year as a benefit included in the price of life insurance. The Company paid a lump sum of CZK 30,000 to any insured person who fell victim to violent crime.

March
A Level I disaster was declared after Storm Eberhard on Tuesday 12 March and applied to insured events occurring from 9 to 11 March on account of stormy weather, floods, rain, hail, and falling masts and trees in the Czech Republic. The Company's mobile technicians covered almost 100,000 kilometres as they conducted disaster-related inspections. The Loss Adjustment Department saw growth beyond its routine operations by 80% in the first few days of the disaster. In all, 9,700 claims amounting to more than CZK 200 million were settled.

The Company offered a unique practical bonus as part of its damage prevention services. Customers who took out new household insurance received a voucher for a durable stainless steel tap connector of indefinite useful life. The thinking behind this was that water damage caused by ruptured connectors has been one of the most common issues that the Company's customers have had to deal with in recent years.

April
The Company introduced a special offer of insurance for caravans and motor homes in response to growing popularity in the use of "homes on wheels" for travel and recreation. In addition to insuring the cars or caravans themselves and providing a wide range of breakdown services, the Company offered the option of a rider covering the built-in equipment and belongings stored in a vehicle.

May
The results of the nineteenth Insurance Company of the Year survey, run by the Association of Czech Insurance Brokers, were announced in May 2019. The Company, still as Česká pojišťovna, was runner-up in the Industry and Business Insurance category and came third in the Car Insurance category. It also did well in the Personal Lines category, coming fourth to rank among the top five insurers.

June
Entering disaster mode for a second time this year following hail, storms, flood, lightning, rain and falling masts and trees, the Company settled claims relating to insured events in late June and early July 2019. More than 6,800 claims aggregating in excess of CZK 500 million were settled.

In 2019, the Company participated in the Sodexo Employer of the Year competition and once again ended up on the winners' rostrum. As in 2018, it ranked third in the category of Prague Employer of up to 5,000 Employees.

July
As part of the process of consolidating the Generali Group's operations in the Czech Republic, the Company purchased a 100% stake in Generali Pojišťovna a.s.

Roman Juráš, Jiří Doubravský and Pavel Mencl joined the Company's Board of Directors as of 1 July 2019.

August
The Company introduced a new vehicle breakdown feature: the option of seeking assistance without having to call the helpline. With this feature, the breakdown service can now be contacted via a digital interface, in which drivers not only request call-out, but can also see the breakdown van's exact position. This enables them to track how far away the breakdown service is from the site of the accident or breakdown in real time.

September
Roman Juráš became the CEO and Chairman of the Board of Directors of Česká pojišťovna (as it was then) on 1 September 2019. He took over the reins of the Company from Marek Jankovič, who had been managing the Company since mid-2015.

October
In Hospodářské noviny's prestigious Best Insurance Company 2019 contest, the Company was named the Best Non-life Insurance Company and the Most Customer-friendly Non-life Insurance Company.

The Company introduced a unique offer as part of its property insurance: smart water leak or motion sensors, which help to minimise property damage, were made available to the Company's customers as a benefit with selected property insurance.

November
In the eighteenth annual Bank of the Year competition, the Company was awarded the title of Customers' Insurance Company. Marek Jankovič, the Company's outgoing Chief Executive Officer, was voted Insurance Professional of the Year.

December
In mid-December 2019, 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.

On 21 December 2019, Česká pojišťovna took over parts of the insurance portfolios of Generali Pojišťovna a.s. and Česká pojišťovna ZDRAVÍ a.s. and was renamed Generali Česká pojišťovna a.s.

2019

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
Since 1 February, the data protection officer (DPO) has been Monika Bayerová.

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

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 2019, the Company again made its mark 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.

OTHER ACCOLADES

In the eighteenth annual Bank of the Year competition, the Company was awarded the title of Customers' Insurance Company. Marek Jankovič, the Company's outgoing Chief Executive Officer, was voted Insurance Professional of the Year.

The results of the nineteenth Insurance Company of the Year survey, run by the Association of Czech Insurance Brokers, were announced in May 2019. The Company, still as Česká pojišťovna, was runner-up in the Industry and Business Insurance category and came third in the Car Insurance category. It also did well in the Personal Lines category, coming fourth to rank among the top five insurers.

The Company did well in the TOP Employers survey conducted at universities, earning top spot in the Insurance category. The TOP Employers poll is organised by the Students and Graduates Association and gives companies an insight into how they are perceived by younger generations.

In the Sodexo Employer of the Year competition, the Company was third in the category of Prague Employer of up to 5,000 Employees.

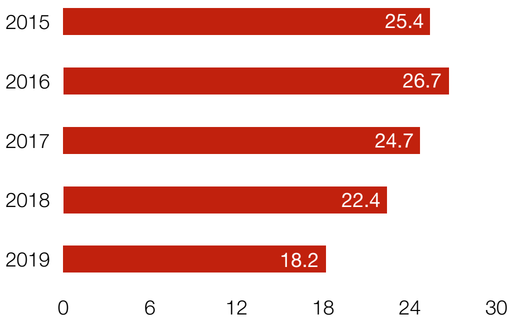
Key Financial Indicators

Basic indicators	Units	2019	2018	2017	2016	2015[1]
Highlights from the financial statements						
Total assets	CZK millions	119,267	117,091	124,523	110,434	106,574
Share capital	CZK millions	4,000	4,000	4,000	4,000	4,000
Shareholder's equity	CZK millions	18,213	22,390	24,669	26,714	25,367
Retained earnings	CZK millions	9,835	15,805	16,227	16,013	15,447
Net profit	CZK millions	3,216	3,115	3,964	4,171	4,024
Performance indicators						
Gross premiums earned	CZK millions	29,079	28,725	28,003	27,595	28,186
– non-life insurance	CZK millions	21,332	20,650	19,595	18,805	18,562
– life insurance	CZK millions	7,747	8,075	8,408	8,790	9,624
Gross benefits and claims paid	CZK millions	18,096	17,215	17,434	17,951	21,480
– non-life insurance	CZK millions	11,447	10,220	9,656	9,459	9,169
– life insurance	CZK millions	6,649	6,995	7,778	8,492	12,311
Total insurance provisions in insurance liabilities	CZK millions	79,732	60,920	63,164	64,772	67,692
– life insurance provision	CZK millions	50,037	39,230	41,858	43,931	46,658
– other insurance provisions	CZK millions	29,695	21,690	21,306	20,841	21,034
Other information						
Market share in premiums written[2]	%	20.6	21.5	22.1	22.6	23.1
– non-life insurance	%	22.8	23.7	24.4	24.8	25.2
– life insurance	%	16.1	17.1	17.9	18.8	19.7
Average number of employees	number	3,462	3,443	3,292	3,974	3,729
Performance ratios						
ROA (net profit/total assets)	%	2.7	2.7	3.2	3.8	3.8
ROE (net profit/equity)	%	17.7	13.9	16.1	15.6	16.1
Equity per share	CZK	455,325	559,750	616,725	667,850	635,875
Earnings per share	CZK	80,432	77,826	99,124	104,544	102,302
Non-life combined ratio	%	92.8	85.6	87.4	85.4	75.6

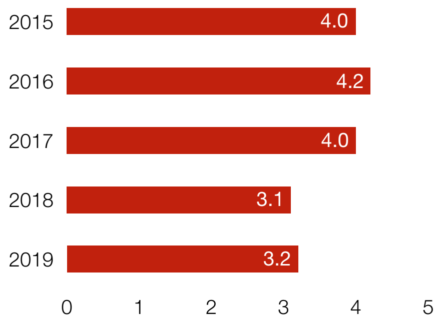
[1] The figures include the results reported for Česká pojišťovna's branch in Poland.
[2] Czech Insurance Association. Statistical data according to ČAP methodology 1-12/2019 [online]. ČAP © 2014 Available at http://www.cap.cz/images/statisticke-udaje/vyvoj-pojisteno-trhu/STAT-2019Q4-CAP-CZ-2020-01-27-WEB.pdf

KEY FINANCIAL FIGURES

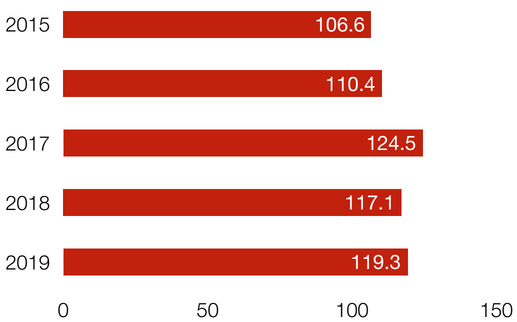
Shareholder's equity (CZK billions)



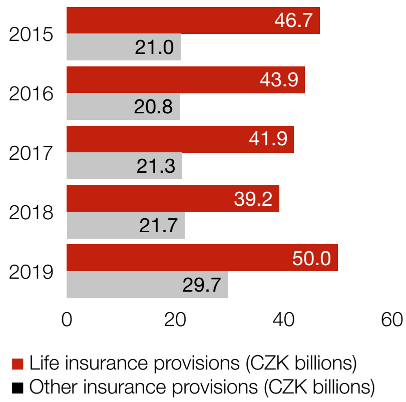
Current period earnings (CZK billions)



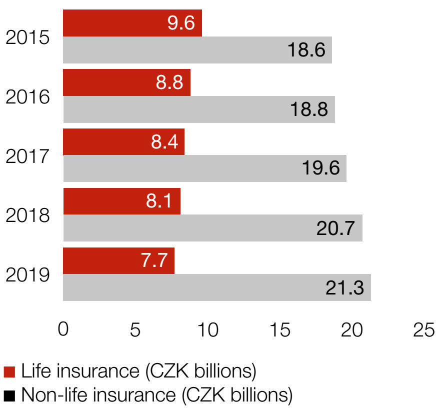
Total assets (CZK billions)



Insurance provisions included in insurance liabilities (CZK billions)



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



Description of Group Structure, Position of Generali Česká pojišťovna

As at 31 December 2019, 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 2019. 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
Share capital:	EUR 100 million
Principal business:	financial holding

GENERALI CEE HOLDING B.V.

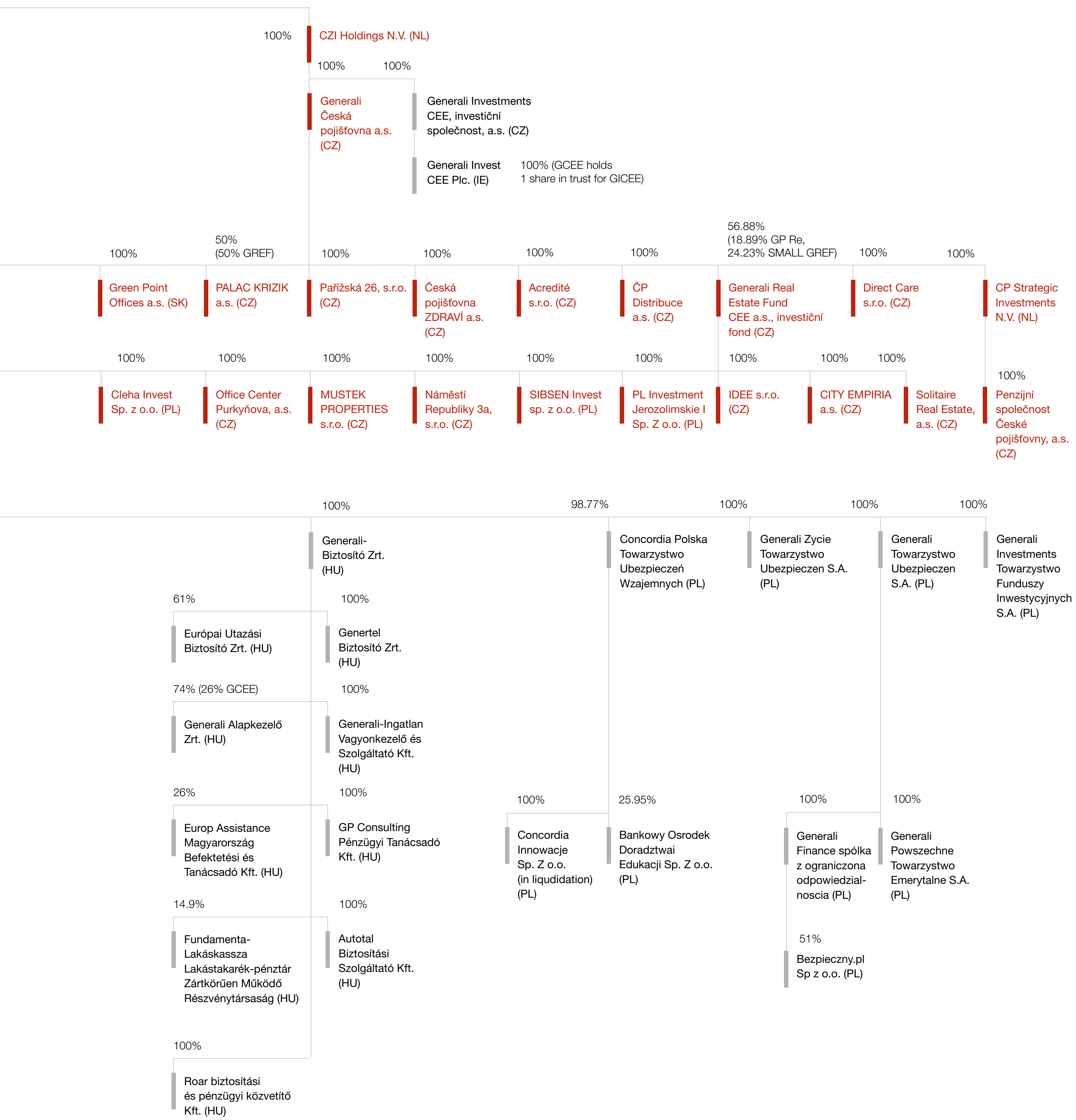
Date of inception:	8 June 2007
Registered office:	De Entree 91, 1101 BH Amsterdam, Netherlands
File number in the Register of the Amsterdam Chamber of Commerce and Industry:	34275688
Share capital:	EUR 100,000
Principal business:	holding activities

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 2019

- Assicurazioni Generali S.p.A. (IT)
  - 100% Generali CEE Holding B.V. (NL)
    - 99.971113% SC GENERALI ROMANIA ASIGURARE REASIGURARE SA. (RO)
    - 99.99% (0.01% Generali Romania) Generali Fond de Pensii Societate de Administrarea Fondurilor de Pensii Private S.A. (RO)
    - 100% Generali Osiguranje d.d. (HR)
    - 100% Class A shares (voting), 49% Class B shares (restricted voting) GW Beta B.V. (NL)
      - 100% LLC Generali Russia and CIS (RU)
        - 34.459% PJSIC Ingosstrakh (RU)
        - 100% LLC Generali Insurance Brokers – Russia and CIS (RU)
      - 100% Durbe Ltd. (in liquidation) (CY)
      - 100% Hilborn Holding Ltd. (in liquidation) (CY)
    - 100% ADRIATIC SLOVENICA Zavarovalna družba d.d.
      - 100% PROSPERA d.o.o. (SI)
      - 100% Zdravje AS d.o.o. (SI)
      - 48.51% NAMA d.d. Ljubljana (SI)
      - 25% Idoru d.o.o. (SI)
      - 33.09% Medifit d.o.o. (SI)
      - 37.94% Assistance Coris d.o.o. Ljubljana (SI)
      - 71.4286% AGENT d.o.o. Izola (SI)
      - 100% VIZ d.o.o. (SI)
      - 100% Generali Investments, družba za upravljanje d.o.o. (SI)
      - 91.54% Generali Investments d.o.o. (SI)
      - 94.60% Generali Investments AD Skopje (SI)
      - 100% Generali Investments GP 1 d.o.o. (SI)
      - 100% Generali Investments GP 2 d.o.o. (SI)
    - 99.8% (100%) Generali Zavarovalnica d.d. (SI)
      - 100% LEV REGISTRACIJA D.O.O. (SI)
    - 99.95% (0.05% GPRe) Generali Osiguranje Srbija a.d.o. (CS)
      - 99.99% (0.01% GPRe) Generali Reosiguranje Srbija a.d.o. (CS)
      - 100% Akcionarsko društvo za upravljanje dobrovoljnim penzijskim fondom GENERALI, Beograd (CS)
    - 100% Generali Development d.o.o. Beograd-Novi Beograd (CS)
    - 65.24% (26.82% Generali Osiguranje Srbija, 7.93% Generali Reosiguranje Srbija) Akcionarsko društvo za osiguranje GENERALI OSIGURANJE MONTENEGRO Podgorica (ME)
    - 100% GP Reinsurance EAD (BG)
    - 99.78% Generali Insurance AD (BG)
      - 100% Generali Zakrila Medical and Dental Center EOOD (BG)
    - 100% Generali Poisťovňa a.s. (SK)
      - 50% (50% VÚB a.s.) VUB Generali dôchodková správcovská spoločnosť, a.s. (SK)
      - 100% GSL Services s.r.o. (SK)

- Nadace GCP
- 21.21% (18.18% Generali Biztosító HUN, 20.71% Generali Poisťovňa SVK, Generali TUSA PL 26.77%, Generali Zycie PL 13.13%) SMALL GREF a.s. (CZ)
- 100% Generali Distribuce a.s. (CZ)
- 100% Pojišťovna Patricie a.s. (CZ)
- 25% (75% EUROP ASSISTANCE HOLDING, FRA) Europ Assistances s.r.o. (CZ)
- 100% OVOCNÝ TRH s.r.o. (CZ)
- 100% BRITISH CORNER s.r.o. (CZ)
- 100% Palác Špork a.s. (CZ)


100%
CZI Holdings N.V. (NL)
100%
100%
Generali Česká pojišťovna a.s. (CZ)
Generali Investments CEE, investiční společnost, a.s. (CZ)
Generali Invest CEE Plc. (IE)
100% (GCEE holds 1 share in trust for GICEE)
100%
Green Point Offices a.s. (SK)
50% (50% GREF)
PALAC KRIZIK a.s. (CZ)
100%
Pařížská 26, s.r.o. (CZ)
100%
Česká pojišťovna ZDRAVÍ a.s. (CZ)
100%
Acredité s.r.o. (CZ)
100%
ČP Distribuce a.s. (CZ)
56.88% (18.89% GP Re, 24.23% SMALL GREF)
Generali Real Estate Fund CEE a.s., investiční fond (CZ)
100%
Direct Care s.r.o. (CZ)
100%
CP Strategic Investments N.V. (NL)
100%
Cleha Invest Sp. z o.o. (PL)
100%
Office Center Purkyňova, a.s. (CZ)
100%
MUSTEK PROPERTIES s.r.o. (CZ)
100%
Náměstí Republiky 3a, s.r.o. (CZ)
100%
SIBSEN Invest sp. z o.o. (PL)
100%
PL Investment Jerozolimskie I Sp. Z o.o. (PL)
100%
IDEE s.r.o. (CZ)
100%
CITY EMPIRIA a.s. (CZ)
100%
Solitaire Real Estate, a.s. (CZ)
100%
Penzijní společnost České pojišťovny, a.s. (CZ)
100%
Generali-Biztosító Zrt. (HU)
98.77%
Concordia Polska Towarzystwo Ubezpieczeń Wzajemnych (PL)
100%
Generali Zycie Towarzystwo Ubezpieczen S.A. (PL)
100%
Generali Towarzystwo Ubezpieczen S.A. (PL)
100%
Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A. (PL)
61%
Európai Utazási Biztosító Zrt. (HU)
100%
Genertel Biztosító Zrt. (HU)
74% (26% GCEE)
Generali Alapkezelő Zrt. (HU)
100%
Generali-Ingatlan Vagyonkezelő és Szolgáltató Kft. (HU)
26%
Europ Assistance Magyarország Befektetési és Tanácsadó Kft. (HU)
100%
GP Consulting Pénzügyi Tanácsadó Kft. (HU)
14.9%
Fundamenta-Lakáskassza Lakástakarék-pénztár Zártkörűen Működő Részvénytársaság (HU)
100%
Autotal Biztosítási Szolgáltató Kft. (HU)
100%
Roar biztosítási és pénzügyi közvetítő Kft. (HU)
100%
Concordia Innowacje Sp. Z o.o. (in liquidation) (PL)
25.95%
Bankowy Osrodek Doradztwai Edukacji Sp. Z o.o. (PL)
100%
Generali Finance spólka z ograniczona odpowiedzial-noscia (PL)
51%
Bezpieczny.pl Sp z o.o. (PL)
100%
Generali Powszechne Towarzystwo Emerytalne S.A. (PL)

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: Faculty of Mathematics and Physics, Charles University, Prague
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 2015
Born: 1976
Education: Charles University, Prague; University of Economics, Prague
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; Brno Business School (Nottingham Trent University)
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, University of Economics, Prague
Experience: Home Credit Insurance; Allianz Life; Wüstenrot pojišťovna a.s.; Generali PPF Life Insurance; 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: University of Economics, Prague; University of Pittsburgh
Experience: CERGE-EI; Economics Institute of the Czech Academy of Sciences; University of Economics, Prague; Expandia a.s.; PricewaterhouseCoopers ČR, s.r.o.; Czech National Bank; MONETA Money Bank, a.s.

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

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

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

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

Member
Gregor Pilgram
Member since: 1 October 2019
Born: 1973
Education: Vienna University of Economics and Business, Austria (Master of Business Administration)
Experience: Generali Zavarovalnica d.d.; Generali CEE Holding B.V.; Akcionarsko društvo za osiguranje GENERALI OSIGURANJE MONTENEGRO; Akcionarsko družstvo za osiguranje GENERALI OSIGURANJE SRBIJA; Generali Finance Sp. Z o.o.; Generali Towarzystwo Ubezpieczeń S.A.; Pojištovna Patricie a.s.; Generali Investments CEE, a.s.; Genertel Bizstosító Zrt.; Generali Osiguranje d.d.

AUDIT COMMITTEE

Chairman
Martin Mančík
Martin Mančík
Appointment: 2 March 2017
Born: 27 January 1975
Education: University of Economics, Prague

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

Member
Roman Smetana
Roman Smetana
Appointment: 1 January 2016
Born: 11 November 1974
Education: University of Economics, Prague

Board of Directors Report on the Company's Business Activities and Financial Situation

Generali Česká pojišťovna is a modern financial institution with an international background and a profound knowledge of the Czech market. It provides life and non-life personal lines, as well as insurance for small, mid-sized, and large customers covering industrial and business risks and agriculture. Following the reintroduction of competition in 1991, it has consistently been one of the largest insurers on the Czech insurance market and currently holds a 20.6% market share.

The Company's size and stability guarantee that, whatever the circumstances, it will be able to meet its commitments, introduce major technological innovations and provide fast and professional services.

While tradition and stability play an important role in the insurance industry, they are not, in themselves, enough to succeed on the market. The Czech insurance market is constantly in motion as people's lifestyles change and evolve. To succeed in such an environment, the Company must constantly improve and innovate its services.

Most opportunity for innovation tends to lie in areas where the Company communicates directly with customers. Generali Česká pojišťovna uses a host of cutting-edge technologies that help to enhance and speed up customer service and push up the standards of service provision. Technologies intended to increase customer satisfaction are a common denominator in finance and insurance. All of these technologies should give customers clear benefits, for example by expanding communication channels or making claims settlement even faster.

The constantly broadening use of modern technology and advances in robotics and automation also help in situations where customers need to be provided with effective and fast assistance. In the wake of extremely heavy storms, accompanied by severe hail, that raged in the Czech Republic in the summer, Generali Česká pojišťovna showed that it was well prepared for such situations and that it was able to deal with them quickly and efficiently. The Company's earnest dedication and well-configured, smoothly running processes illustrated how much customers can truly rely on it at all times.

The high standard of products and services is borne out not only by the growing positive customer experience, but also by the Company's track record in numerous competitions, in which customers and industry insiders alike are asked to judge the quality of institutions. In this respect, 2019 was a truly successful year for Generali Česká pojišťovna, as the Company came top in two categories in the prestigious 2019 Hospodářské noviny Best Insurance Company of the Year competition and was named the Customers' Insurance Company in the Bank of the Year contest. The Company's excellence as an employer is borne out, for example, by its success in the university-led TOP Employers survey and the Sodexo Employer of the Year competition.

Cutting-edge technology helps to enhance and speed up customer service and push up the standards of service provision. It is also crucial for sustainable business and environmental friendliness, with more efficient use of resources thanks to digitalisation. This ensures a more responsible and sustainable approach to the environment.

Business sustainability is an important aspect in the operations of Generali Česká pojišťovna. The Company's goal is to assist in and contribute to the development of the landscape it inhabits. With this in mind, the Company has adopted corporate social responsibility as a natural component of its market operations and has long supported various projects aimed not only at environmental friendliness, but also at helping disadvantaged citizens and non-profit organisations.

THE CZECH INSURANCE MARKET – SITUATION AND OUTLOOK

The Market in 2019
In 2019, the contractual insurance of Czech Insurance Association (ČAP) members continued the growth trajectory it had been following for several years and rose by 5.7% to CZK 136.7 billion.

The main driver remains non-life insurance, which sustained the momentum of the previous year. The volume of premiums written in non-life insurance increased by 7.3% to CZK 91.6 billion, taking their share in total premiums to more than two thirds.

Motor insurance grew the fastest, due in part to the rising prices of these lines. The volume of MTPL was up by 8.3% and collision insurance reported double-digit growth, this time of 10.1%, for the second time in a row.

Other non-life insurance segments – business, retail property, liability and other insurance – also grew by between 4.1% and 6.2%. Life insurance, too, has kept to an upward trend, with premiums written of CZK 45.1 billion translating into a 2.6% increase compared to the previous year. This was the first time in a long while that both life insurance segments grew. The dominant regular-premium insurance (accounting for over 97% of life insurance when calculated according to ČAP methodology) climbed by 2.1%, despite a year-on-year decline in new business.

After a long period of decline, the less significant segment of single-premium insurance grew and ended up a quarter larger than in the previous year.

Economic Situation
The global economy's expansion slackened in 2019. Economic growth slowed in both the euro area and the US, as well as in many emerging economies, including China. Uncertainties associated with trade wars, the lack of a solution to Brexit, and other geopolitical risks had a negative impact on international trade and corporate investment. In several cases, however, the Central European region (especially Hungary and Poland) maintained its annual GDP growth.

The growth of the Czech economy is estimated to have slowed to 2.4% last year, after climbing by 2.8% in 2018. The slowdown was due to weaker growth in domestic demand, in particular capital expenditure. Export growth was also inhibited, with the main export markets reporting weaker economic growth. The engine of GDP growth in the Czech Republic in 2019 was household consumption. The ability and willingness of domestic households to increase consumption is fuelled by the favourable situation on the labour market in the form of record low unemployment and continuing sound wage growth.

Full utilisation of production capacities in the Czech economy is exerting pressure on prices. Inflation was above the Czech National Bank's 2% target throughout the year and even climbed above 3% in the final few months. The CNB raised interest rates in spring 2019 and, at the end of the year, seriously discussed the possibility of tightening monetary policy further.

The Czech economy's growth is likely to continue slowing in 2020. At the beginning of February, the CNB raised interest rates, but, given the stronger exchange rate of the Czech crown and the forecast calming of inflationary pressures in the domestic economy, the central bank does not expect any further interest-rate increases.

REPORT ON FINANCIAL PERFORMANCE

Generali Česká pojišťovna has long been a highly capitalised and stable company, with assets totalling CZK 119 billion at 31 December 2019. The shareholder's equity is more than CZK 18 billion and the share capital stands at CZK 4 billion.

The amount of the Company's assets and liabilities is significantly influenced by the fact that, on 21 December 2019, it took over part of the insurance portfolios of Generali Pojišťovna and České pojišťovny ZDRAVÍ and the related assets and liabilities.

ASSETS

The largest asset item by volume is investments, amounting to CZK 74.9 billion as at 31 December 2019 (down by approximately CZK 12 billion on 2018). There are several key factors behind movements in investments. The transfer of portfolio-related assets prompted CZK 11 billion growth. The CZK 16,5 billion decrease in financial liabilities from repurchase transactions saw investments decline. The Company paid out dividends of CZK 5 billion to the sole shareholder and further increased its ownership interests by purchasing a 100% stake in Generali Pojišťovna worth CZK 6.6 billion.

The Company's cash and cash equivalents rose by some CZK 0.4 billion year on year to CZK 1.7 billion as at 31 December 2019.

Reinsurance assets went up by CZK 3.9 billion to CZK 14.4 billion, mainly due to the transfer of insurance portfolios.

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

TREASURY STOCK

Generali Česká pojišťovna did not hold any of its own shares during the 2019 accounting period.

EARNINGS

In 2019, Generali Česká pojišťovna reported a post-tax profit of CZK 3.2 billion according to international accounting standards, a CZK 0.1 billion rise on 2018.

Generali Česká pojišťovna's total premiums written in 2019, reported according to Czech Insurance Association guidelines,[3] were CZK 28.1 billion. Of this figure, non-life insurance accounted for CZK 20.8 billion and life insurance for CZK 7.3 billion.

SHARE CAPITAL AND RESERVES

The Company's share capital was unchanged at CZK 4 billion in 2019.

In 2019, the shareholder's equity fell by CZK 4.2 billion to CZK 18.2 billion.

[3] – 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

DIVIDENDS IN PREVIOUS YEARS

In April 2019, the sole shareholder, acting in the capacity of the General Meeting, decided to pay a gross dividend for 2018 totalling CZK 5.384 billion.

INSURANCE PROVISIONS

Total insurance provisions (net of the reinsurer share) under the Insurance Act increased by CZK 18.5 billion year on year to CZK 79.7 billion as at 31 December 2019. This significant increase can be attributed to the transfer of part of the insurance portfolio.

Life Insurance Provisions
These provisions account for almost two thirds (63%) of the overall insurance provisions and consist primarily of a life insurance premium provision and a provision for unit-linked life policies (where the investment risk is borne by the policyholder). As at 31 December 2019, the gross life insurance provision totalled CZK 50 billion, a year-on-year increase by CZK 10.8 billion.

Non-life Insurance Provisions
These provisions include a provision for claims reported but not settled (RBNS) and a provision for claims incurred but not reported (IBNR). As at 31 December 2019, these provisions for non-life insurance claims totalled CZK 21.98 billion, up by CZK 5.92 billion on the previous year.

They also include a provision for unearned premiums, which rose by CZK 1.85 billion year on year to stand at CZK 7 billion as at 31 December 2019.

RECEIVABLES AND PAYABLES

Receivables rose by CZK 1.6 billion, amounting to CZK 6.9 billion as at 31 December 2019. There was a CZK 2.7 billion year-on-year increase in payables, which stood at CZK 11.7 billion as at 31 December 2019. Receivables and payables increased due to the assumption of receivables and payables related to part of the transferred portfolio. Financial liabilities fell by CZK 15.4 billion year on year, mainly due to repurchase transactions negotiated for foreign-exchange hedging.

REPORT ON BUSINESS ACTIVITIES

NON-LIFE INSURANCE

Generali Česká pojišťovna maintains its leading position as a non-life insurance service provider. In 2019, it accounted for 22.8% of the premiums written on the Czech insurance market. Following the merger with Generali in December 2019, it has a 29.5% share of the non-life insurance market. The trend shown by non-life insurance on the Czech market echoes the overall economic upswing. At the Company, too, there was a significant increase in written premiums. Non-life insurance premium billing came to CZK 21.4 billion in 2019, up by CZK 0.6 billion (3.3%) on the previous year. Much of this result can be attributed to dynamic developments in motor insurance, particularly collision insurance.

The situation with claims incurred continues to be favourable. Claims costs were CZK 0.6 billion higher than in 2018. Last year differed from 2018 in that there were three disaster events: Storm Eberhard in March, a storm, hail and floods in June, and another hailstorm in July. Total damage from these events came to CZK 600 million. On the other hand, in 2019 there were no insured events on the same large scale as in 2018.

Business Risk Insurance
In 2019, premiums written under business risk insurance (including accepted reinsurance) rose slightly by CZK 81 million (1.4%) compared to 2018. Gains were recorded primarily in the coverage of technical risks and small and medium risks. Premiums written for high-risk natural hazards insurance continue to fall.

On balance, the situation in claims incurred in 2019 can still be rated as stable. The volume of costs remained more or less at the 2018 level, with disaster-related claims replacing the reduction in the volume of large-scale claims. The inherent nature of insurance, with its sharp fluctuations in the occurrence of large-scale insured events, in some cases influenced by mass disaster events, is reflected in the gaping differences between the individual types of insurance. In this respect, a surge in the volume of claims incurred was recorded in aircraft insurance, high-risk liability, small and medium risk assets, and crops. The latter two bore the effects of disaster events. On the other hand, there was a significant decrease in claims incurred in high-risk natural hazards insurance, small and medium risk liability, and especially accepted reinsurance.

Non-life Personal Lines
As in previous years, non-life personal lines remained on a more or less even keel. Premiums written rose by 1.4%, the same as in 2018. However, the internal distribution of this development was highly imbalanced. The largest share of the growth in the volume of premiums written can be attributed to the result posted for liability insurance, which saw a year-on-year increase of 7.2%, and travel insurance, rising by 28.8%. By contrast, there was a dip in household contents, buildings and personal accident insurance.

The relatively high growth in claims incurred (27%, or CZK 302 million) was due only in part to disasters (buildings insurance). Non-disaster natural hazards (snow, storms, hail) also had a negative effect. Claims incurred rose in all types of personal lines. Nevertheless, they remain relatively low in this insurance segment.

Motor Insurance
For the third year in a row, motor insurance played a decisive role in the generally positive results of non-life insurance. Premiums written went up by 6.2% (CZK 603 million), while the volume of claims incurred increased by 5.5%. This development peaked in 2018. The fact this motor insurance trend is slowing is also evidenced by a certain decrease in motor third party liability (MTPL) insurance. Despite the solid gain in premiums written, Generali Česká pojišťovna lagged a little behind the market in 2019.

MTPL insurance premiums written were 2.5% higher in 2019 than in 2018. Much of this can be put down to lease and fleet coverage, while retail insurance recorded only a slight rise. This is another insurance segment in which Generali Česká pojišťovna remains the largest insurer, with a share of 20.9%.[4]

Compared to 2018, claims incurred increased by a mere 0.7%. Relatively speaking, claims incurred are at around the same level as non-life insurance as a whole. MTPL therefore has a significant impact on the stabilisation of economic results and on the profitability of non-life insurance in general.

The collision insurance market is evolving much more much boldly than the MTPL market. Premiums written increased year on year by 10.3%, mainly in the business insurance segment (14.4%). Developments in retail collision insurance were less pronounced, with written premiums nudging up by 5.8%. While the momentum of collision insurance in 2019 kept step with the market as a whole, growth was much lower than in 2018. Claims incurred rose by 9.5%. With this insurance, the work on the portfolio is extremely important because of how big it is and on account of the generally high number and volume of loss events. In recent years, the volume of loss-event claims relative to the portfolio size has been stabilised.

Innovation and Future Developments

Business Risk Insurance
In 2019, JISTOTA – insuring property and liability for small businesses and sole traders – was innovated. This is a regular-premium product. The coverage of damage caused by atmospheric precipitation has been extended to movable assets. The limits on sums insured were also increased to CZK 6 million for movable assets and CZK 25 million for immovable property. Under liability insurance (ODP), clause V99 (Environment) was added and the sublimits for clauses V71 (Landslide, subsidence) and V112 (Non-material damage) were increased to CZK 0.5 million.

In response to negative loss ratio developments, premium rates were increased by 10–40% in 2019 for selected machinery under machinery insurance provided within the scope of the MN product (property insurance for entrepreneurs – “small risks”).

In 2019, the rates and excess were also revised for property insurance within the scope of the MS product – property insurance for entrepreneurs and legal entities (“medium risks”).

In agricultural insurance, the crop insurance administration process is being simplified. This should include connecting the TIA operating system to the LPIS register, with data from the register being used to update and negotiate crop insurance contracts.
In agricultural insurance, individual insurance contracts underwent their annual update. In 2019, we handled two disasters (in June and July) under agricultural insurance. The vast majority of the damage was caused by hail. The primary regions most affected were Central Bohemia and South and North Moravia. In livestock insurance, no major damage was caused by infections in 2019. Claims costs developed along generally favourable lines in this year.

In parallel to this, product innovations across all insurance products, in particular with a view to forthcoming legislative changes, will continue.

In profitability management, measures were taken in relation to customers with a long-term negative underwriting result by changing contractual parameters (a rate increase, an excess increase, the introduction of indemnity limits, etc.) or, where appropriate, by terminating contracts with those customers.

In 2019, the Board of Directors approved a product covering cyber risks. This insurance will target entrepreneurs and legal entities and will provide them with protection primarily against hacking, malware and data theft. The sale of of this insurance is planned for launch in 2020.

[4] Czech Insurance Association. Statistical data according to ČAP methodology 1-12/2019 [online]. ČAP © 2014. Available at http://www.cap.cz/images/statisticke-udaje/vyvoj-pojisteno-trhu/STAT-2019Q4-CAP-CZ-2020-01-27-WEB.pdf.

Non-life Personal Lines

The terms and conditions of personal property and liability insurance relating to assistance services were revised in 2019. In profitability management, measures were taken in relation to clients with a long-term negative loss history. There are plans to revise Můj Majetek [My Property] to make the product more attractive in 2020.

In the field of professional indemnity insurance, we deployed a new OH (professional indemnity) product offering both individual and collective insurance options. This replaced two existing stand-alone products and unified the pricing and contracting system. We are also forging ahead with the process of improving profitability and our work with loss-making customers. In personal liability insurance, as in property insurance, we plan to revise Můj Majetek in order to improve competitiveness in 2020.

The launch of a new retail travel insurance product at the end of 2018 had a positive impact on total billing in 2019. This was also reflected in positive developments in the loss ratio. A new product offer was put together for framework travel insurance contracts for travel agencies. In addition, the terms and conditions of retail travel insurance and travel insurance for framework contracts were revised slightly.

There are plans to prepare a new product for framework contracts (travel agencies, banks, companies) with the aim of making the product offer more attractive and to net a higher market share in this insurance segment.

Motor Insurance

An important change was made to motor insurance at the end of 2019 when a new bonus-malus system was introduced. It is a cross-market self-regulatory measure designed to provide a more realistic assessment of the risk posed by a customer and thus help insurers to establish fairer vehicle insurance premiums. In the past, many practices were employed to circumvent the basic purpose of operating a bonus-malus system. The new system should help to provide fairer "concessions" to responsible customers ("bonuses"), while "punishing" irresponsible customers ("with maluses").

The Company also began to offer a useful new feature in cooperation with Europ Assistance that will be appreciated by drivers in need: the possibility of seeking roadside assistance without making a phone call. Roadside assistance can now be requested via a digital interface. Here, customers not only request the service, but can also see the breakdown van's exact position. This enables them to track the breakdown service's approach to the site of the accident or breakdown in real time, so the drivers know exactly who to expect and when.

In 2020, innovations will continue in order to improve the range of services and products in both retail and fleet motor insurance.

LIFE INSURANCE

In its regular-premium life insurance, Generali Česká pojišťovna a.s. placed an emphasis in 2019 on further enhancing the quality of professional care as part of the commercial process of selling and updating previously concluded life insurance contracts. Our aim was to give internal distribution channels a technological tool making it possible to introduce an automated evaluation of requirements, goals and needs after collecting information about the customer's circumstances. On the strength of that evaluation, our intermediaries can then provide customers with tailored recommendations or advice on taking out a new insurance policy or modifying an existing one. This enables customers to take qualified decisions. As such, customers considering the purchase of unit-linked life insurance receive recommendations or advice in accordance with the requirements of Act No 170/2018 on insurance and reinsurance distribution. Our life insurance process is of a high professional standard, is clear and easily understandable, and delivers high value added for our customers.

This application tool also enables our intermediaries to provide customers with comprehensive financial advice. The intermediary is thus able to evaluate the customer's investment objectives and profile with professional care and to compare all available investment instruments. Subsequently, the intermediary can select an individualised solution that will generate a return on the customer's funds within the scope of genuine financial advice.

Generali Česká pojišťovna a.s. continued to make modifications to key parts of its flagship product, Můj život [My Life] Version 2. During 2019, we focused on enhancing key areas of coverage, such as disability and incapacity. Based on market monitoring and in keeping with an insurer's prudent approach to risk management, we have reduced the waiting time and simplified conditions for the granting of disability benefit payments. In cases of incapacity, we also made it possible to grant benefit for accidents at work and occupational diseases and we expanded the coverage of benefit to include adrenaline activities such as hot-air ballooning and helicopter flights. This product continues to be available in two variants. For customers who prefer to secure only their investment needs and insurance protection, there is term life insurance. For customers who also wish to create a financial reserve within the scope of their insurance, e.g. for when they reach old age, there is a term version combined with a unit-linked element.

In 2019, we also focused on the life insurance indexing process in order to help our customers to maintain pragmatic benefits throughout their insurance.

In the realm of single-premium life insurance, we continued to concentrate on sales of 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. In 2019, 340 contracts were taken out with aggregate single premiums of CZK 50 million.

Financial Indicators
Following a 3% year-on-year decrease, total premiums written under regular-premium life insurance contracts amounted to CZK 7.2 billion. Single-premium products generated CZK 0.5 billion in premiums written. Our regular-premium life insurance products were purchased by more than 66,000 customers in 2019.

In 2019, life insurance claims paid fell by 5% from the previous year's figure to a total of CZK 6.6 billion. This contraction can be attributed to the lower portfolio cancellation rate and lower levels of irregular withdrawals. As in previous years, the greatest number of paid claims was registered in the "insurance on death or survival" class. In terms of monetary volume, most funds (CZK 3.6 billion) were released in the form of endowments. In 2019, 228,000 claims under the life insurance portfolio were handled.

Outlook
In the area of legal regulation, in 2020 we will continue to pay special attention to consumer protection in life insurance distribution, sales and changes. 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 revision 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, which is in force in the Czech Republic.

SALES OF INSURANCE

Internal Distribution Channels – ČP Distribuce a.s., Generali Distribuce a.s.
(distribution channels: retail, branches and SMEs)
Early 2019 was characterised by product innovations in both personal lines and industrial insurance. Internal distribution channel agents specialising in sales of life insurance welcomed insurance for victims of violence as a new insurance product unique on the market. During the second quarter of 2019, agents leveraged advantageous motor insurance marketing campaigns that targeted various customer segments. We were also active in industrial insurance innovations, where we launched new products that were appreciated in particular by the internal SME network.

The most important insurance sales events of last year were, again, the takeover of the insurance portfolios of Generali Pojišťovna and Česká pojišťovna ZDRAVÍ and the renaming of the Company as Generali Česká pojišťovna. All this together benefits customers and internal distribution channel agents alike in several ways.

By combining multiple insurance companies' operations in internal distribution channels, we will streamline our activities considerably, enabling us to focus on innovation and the introduction of new technologies that will further improve and accelerate the provision of our insurance sales services. We will offer the broadest product portfolio not only to retail insurance customers, but also to small, medium and large customers in the fields of industrial and business risks and agriculture. In doing so, we will increase availability and the service we provide to customers at more than 900 branches operating under the Generali Česká pojišťovna brand. In 2020, this change will be backed by a massive media campaign to shed more light on the aforementioned benefits for our customers. Internal distribution will therefore be entering 2020 as one of the largest insurance distribution networks on the Czech market.

While preparations were being made for the establishment of Generali Česká pojišťovna, agents and managers were trained in the new life insurance sales process. The new sales process satisfies the legislative requirements of Directive (EU) 2016/97 of the European Parliament and of the Council on insurance distribution (the "IDD"). At the tail end of the year, IDD exams were prepared. All agents and managers will have to pass these by 1 December 2020.

Over the year, we increased cooperation with our strategic partner MONETA Money Bank, a.s., enabling customers to open current accounts at this bank in our branch network. In 2020, we are planning to develop this partnership further in order to improve customer service at our branches.

Specific Distribution Channels

External retail partners – focused on personal lines
In 2019, Generali Česká pojišťovna concentrated on intensifying collaboration with key external partners. In particular, non-life insurance products – among the finest available on the market – continued to be offered. Employee liability insurance has had very positive feedback and has proved highly popular in external partners' sales.

Česká pojišťovna successfully connected new partners to the web services used by insurance price analysis tools. By leveraging these services, the Company improved its position in motor insurance. Here, consultants run calculations for customers primarily via internal comparison tools.

REPORT ON OPERATIONS

CUSTOMER SERVICES

The Customer Services Department is responsible for customer service via the communication centre, insurance contract administration, the entry of contracts in systems, contract amendments, payment processing, and the handling of the entire claim settlement agenda.

Since the beginning of 2018, we have been making progress in honing the system for gauging customer satisfaction. We have significantly reinforced the feedback processes. Customers are first asked if they were satisfied with the level of service provided. If customers express dissatisfaction, we try to reach out to them for a more specific description of what made them unhappy. The aim is to obtain relevant and valid information that will enable us to improve the services we provide.

As a result of two waves of disaster – strong gales in the spring and heavy storms in the summer – there was a significant rise in the number of property insurance claims registered. Weather fluctuations in the summer also substantially increased the number of claims in crop insurance. Both disasters were handled extremely swiftly thanks to the preparedness, capacity management and organisation of work at the Loss Adjustment Department.

The Loss Adjustment Department continues to develop and roll out tools designed to streamline the loss adjustment process, reduce the claim settlement time and enhance customer convenience. In 2019, the Škody Živě [Claims Live] communication portal was launched. Its primary function is to manage loss adjustment and communications with the Company's contractual service partners. It also provides a functional interconnection with the Audatex costing system, making it easier to settle claims.

In 2019, the implementation phase of new front-end loss adjustment, with the use of alternative forms of communication planned for the upcoming period, was started. Deployment is projected in 2020 and 2021. It will have the benefit of further simplifying and accelerating claim settlement and enhancing the customer experience. In order to make it easier for customers to submit their claims documentation, we are developing a chat-bot application for mobile devices that will be launched for customers in 2020.

In order to eliminate unnecessary expense and thus reduce the upward pricing pressure on insurance, we are constantly developing procedures to combat insurance fraud and detect suspicious claims. We use sophisticated automated detection tools to identify insurance fraud.

In insurance management, we continued to optimise operational activities by drawing on digitalisation, robotisation and automation in 2019. Specific measures included the extension of scanning to mobile devices, which significantly speeds up all related processes, such as the creation of new contracts, changes to existing contracts and, not least, the settlement of claims. Intensive preparations continued for the launch of a new biometric signature function on mobile devices. The biometric signing of new contracts has long been successful in internal sales channels. Over the year as a whole, we signed more than 70% of all new personal lines insurance contracts in this way.

In response to the change in insurance distribution legislation (the IDD), we continued to expand the sales support of all distribution channels. This expanding support also helps to increase the efficiency of the sales service and reduce the error rate among agents. We are also making progress with further GDPR-related measures. The most recent major action in this respect was the introduction of customer identification via electronically uploaded ID cards or passports.

We strive to maximise customer satisfaction by relying on swift and efficient communication.

In 2019, we continued to work on the new Client Zone to advance electronic communications. Last year, the number of Client Zone users grew by another 24,000 active accounts. In 2019, more than 60% of all correspondence was delivered to customers electronically.

In 2019, our operators handled almost 1.9 million incoming and outgoing calls, processed more than 800,000 electronic and paper documents, and chatted online with nearly 63,000 customers.

Believing that there is a great future for online chat with customers, we prepared an extension of this service along with the new website for the beginning of 2020. As a result, customers can now attach documents via online chat and it will be possible to handle some of their simpler questions via the chatbot. In 2019, the Call Centre also tried to increase its availability on service lines. In a new development, we started actively sending text messages to customers who had been unable to reach us, offering them the option of arranging a callback. Since the end of the last year we have also let customers know how busy the call centre is by displaying this information on the website and advising them of a suitable time to call. Our customer service includes the telephone contracting of policies and the retention of existing customers.

We intensified the use of our automated reminder calls (Dialer), which provide customers with telephone reminders that they need to pay their premium. This vehicle enables us to address a larger number of customers more quickly, help them to set up payment, or answer their questions.

Ombudsman

The Ombudsman Department 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. Compared to 2018, the number of incoming complaints fell by five per cent.

All complaints were duly investigated and customers were informed of the outcome in writing or by telephone by the set deadline. The cases that could best be resolved by discussion with the customer were handled in the form of face-to-face meetings in order to reach mutual agreement.

The evaluation of complaints resulted, among other things, in incentives to improve the quality of service provision. These stimuli were subsequently analysed and served as a basis for the modification of the relevant processes or products.

INVESTMENT POLICY

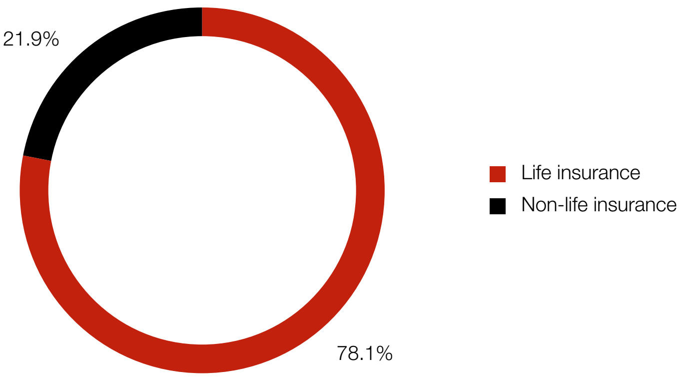
Financial investments stand alongside insurance and reinsurance as another important area of operations for the Company. They contribute significantly to overall Company assets and are financed primarily from insurance provisions and equity.

The Company manages the investment process 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.

2019 was characterised by exceptionally favourable developments in the prices of financial assets, whether shares, bonds, deposits or loans. The timely response of the world's major central banks to the unexpectedly deep slowdown in economic growth provided crucial support. The Fed lowered rates three times by an aggregate of 75 basis points, while the ECB reopened its financial asset purchase programme and lowered the deposit rate by 10 basis points to -50 points. At the same time, the key risks that had been preying on investors over the year did not materialise – the UK-EU agreement eliminated the risk of a "hard" Brexit, the political situation in Italy was stabilised by the formation of a new government, and the escalation of trade disputes between the US and China was interrupted by a limited agreement. The CNB was an exception to the global trend. In May 2019, it raised interest rates by 25 basis points to 2% and emphasised the upside risks to inflation despite the significant cooling of export-oriented Czech industry and the appreciation of the Czech crown to its highest level in years. We should see stabilising growth and inflation at relatively low levels in most major world economies in 2020. The main risks to this scenario are the course of the COVID-19 epidemic and its impact on the global economy, the uncertainty surrounding the November elections in the US and the limited scope for financial assets to make further gains after the excellent developments in 2019. Czech investors will benefit from relatively high domestic interest rates. However, the CNB indicated that they might be cut if Czech inflation falls from its current highs above 3% towards the 2% target or if the development of the economy falls short of expectations.

At the end of 2019, financial investments totalled CZK 76.3 billion, with life insurance accounting for CZK 59.6 billion and non-life insurance the remaining CZK 16.7 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.

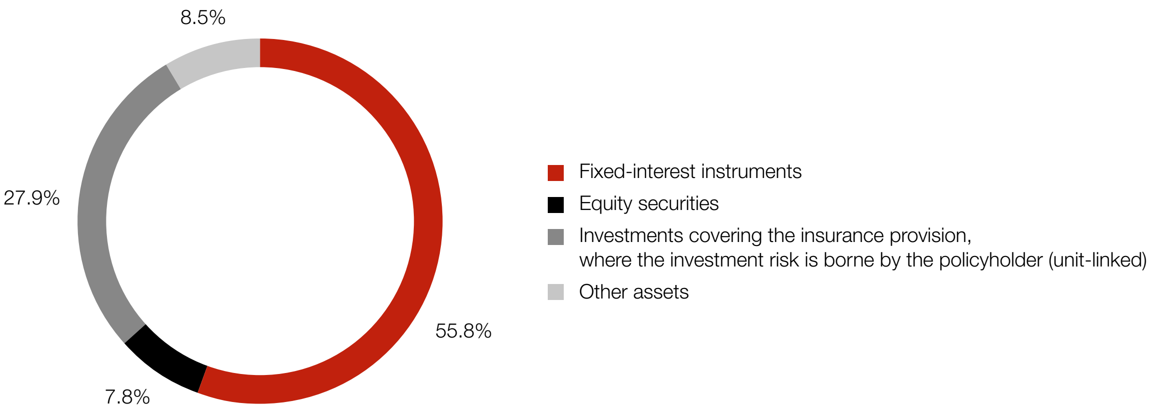
Structure of Financial Investments (IFRS, Book Value), by Business Segment



Financial Investments within the Life Insurance Segment

In accordance with a feature typical for life insurance liabilities, i.e. their longer time frame, 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



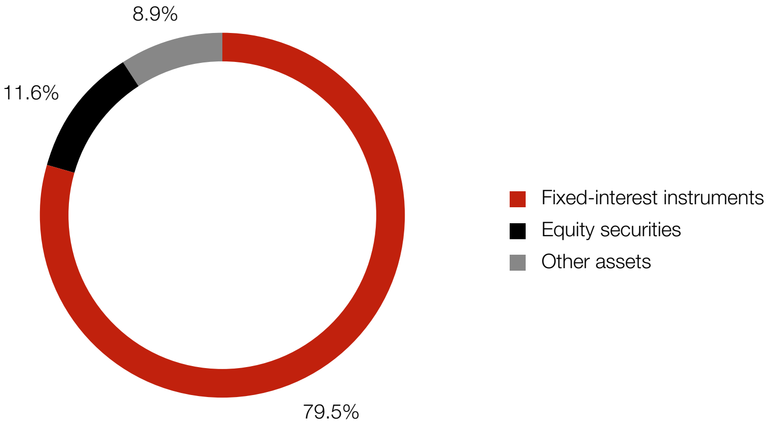
Another significant item in the structure of financial investments is equity securities (shares, unit certificates, and other variable-yield securities), with a book value of CZK 4.7 billion as at 31 December 2019. These instruments are purchased for the portfolio to act as a counterweight to fixed-interest 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 has investments in buildings and land, taking the form either of direct ownership of real estate or equity in companies which own the real estate and engage in the management and letting thereof as their core activity. In the past few years, allocations to real estate have been steadily growing, and at the end of 2019 had a book value of 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 2.3 billion. Of this amount, investments covering insurance provisions where the risk is borne by the policyholder accounted for CZK 1 billion. 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 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 415 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 and 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 information on individual risks in the portfolio, Generali Česká pojišťovna is able, through the use of sophisticated models, to control its exposure to risks arising from catastrophes. Currently, flood losses are modelled regularly over the personal lines, commercial lines, and large risks portfolios. Gale exposure is modelled in a similar structure.

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

As part of the purchase of Generali Pojišťovna's insurance portfolio in December 2019, its ceded reinsurance contracts were transferred to Generali Česká pojišťovna as part of the portfolio.

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 20 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 Operations and IT Department within the Corporate and Industrial Insurance Department. In December 2019, Generali Česká pojišťovna a.s. took over the exposure provided by Generali pojišťovna a.s.

HUMAN RESOURCES

At the end of 2019, employees numbered 3,462, of whom 3,030 were full-time contracted employees and 432 were hired under "agreements on the performance of work" or "agreements on work activities".

The Company annually refines its core appraisal principles, consisting of an emphasis on positive motivation and the identification and harnessing of 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 concentrates on strengthening expertise and fostering insurance know-how. We promote a platform of internal instruction as this increases the active involvement of employees in the training process according to the principle of a self-learning organisation. We are forging ahead with full-day and afternoon workshops and with the Insurance Academy (Pojišťovácká akademie) cycle, which is particularly important for new colleagues.

In 2019, 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.

Generali Česká pojišťovna, as a responsible company within the EU, signed the Diversity Charter, committing it to abide by principles of diversity at the Company. In this activity, we focus 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 2019. These principles are underpinned by Inter-company Mentoring (Mezifiremní mentoring), a programme we are involved in that gives participants the chance to share ideas, approaches to work, and experience, and to draw on inspiration from beyond the confines of their own company.

Building on the results of an employee poll and in an attempt to improve employee care, we continue to develop benefits in areas that reflect the key lifestyle needs of our employees. One of these areas is health care, with a stress on disease prevention, physical fitness, mental well-being and healthy eating, all wrapped up in the WE FIT programme.

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 may discuss 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 groups authorised by the Supervisory Board and of the results thereof. If any serious findings or circumstances arise from supervisory activities, the Chairman of the Supervisory Board is informed of such on an on-going 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 15 hereof.

Prague, April 2020

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

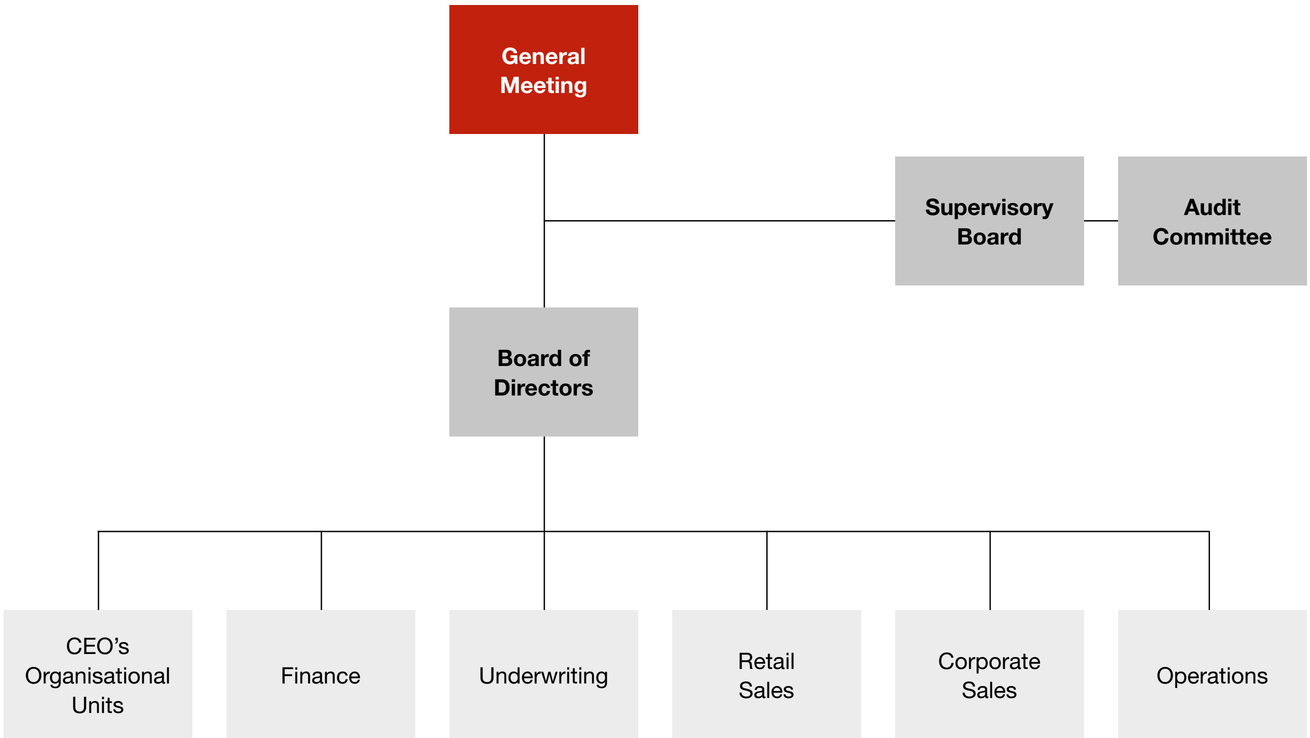
Petr Bohumský

Audit of the Financial Statements

Since 2012, the financial statements have been audited by Ernst & Young Audit, s.r.o. Česká pojišťovna's financial statements were audited on 6 April 2020.
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

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
Head office: Na Pankráci 123, 140 00 Praha 4
ČP Customer Services: 241 114 114
ČP Asistent, roadside assistance service: +420 224 557 004
Telephone: +420 224 550 444
Website: www.generaliceska.cz

Regions

South Bohemia
Address: Pražská 1280,
370 04 České Budějovice 3
Tel.: +420 387 841 424

South Moravia
Address: Moravské nám. 144/8,
601 24 Brno
Tel.: +420 542 599 132

Hradec Králové
Address: nám. 28. října 20/2,
500 02 Hradec Králové
Tel.: +420 495 076 401

Liberec
Address: Mládežnická 1436/2,
293 42 Mladá Boleslav
Tel.: +420 326 741 013

Moravia-Silesia
Address: 28. října 2764/60,
702 65 Ostrava 1
Tel.: +420 596 271 654

Olomouc
Address: nábř. Přemyslovců 867/8,
772 00 Olomouc
Tel.: +420 585 571 813

Pardubice
Address: tř. Míru 2647,
530 02 Pardubice
Tel.: +420 466 677 298

Plzeň
Address: Slovanská alej 2442/24,
326 00 Plzeň
Tel.: +420 377 170 644

Prague I
Address: Štefánikova 10,
150 00 Praha 5
Tel.: +420 224 559 845

Prague II
Address: Dejvická 52,
160 00 Praha 6
Tel.: +420 224 551 538

Central Bohemia
Address: Seydlovo nám. 25/4,
266 59 Beroun
Tel.: +420 32w6 320 730

Ústí nad Labem
Address: Jezuitská 237/7,
412 68 Litoměřice
Tel.: +420 476 440 960

Vysočina
Address: Masarykovo náměstí 1102/37,
586 01 Jihlava
Tel.: +420 569 472 925

Zlín
Address: Masarykovo nám. 34,
686 01 Uherské Hradiště
Tel.: +420 571 773 113

Additional Information

BASIC DETAILS

Company name	**Generali Česká pojišťovna a.s.**
Legal form	Public limited company (akciová společnost)
Registered office	Spálená 75/16, 110 00 Praha 1
Registration number	452 72 956
VAT number	CZ699001273
Date of incorporation	1 May 1992 The Company 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 in the Commercial Register	Municipal Court in Prague Register entry: Section B, File 1464
Date and purpose of most recent change in the Commercial Register	As of 16 January 2020, David Vosika, a new member of the Board of Directors, and Marek Jankovič, a new member of the Supervisory Board, were registered.

As at 31 December 2017, the approved share capital consisted of 40,000 dematerialised, registered ordinary shares totalling CZK 4,000 million.

Issue (ISIN)	**CZ0009106043**
Type of security	ordinary
Type	registered
Form	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 objects are 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 pursuant to an agreement with an insurer under the Insurance Act;
   – the exercise of rights and fulfilment of obligations for and on behalf of the Czech Insurers Bureau pursuant to Act No 168/1999, as amended;
   – the intermediation of financial services referred to in (a) to (j) below:
     a) intermediation of the acceptance of deposits and other funds due from the public, including intermediation in building savings schemes and supplementary pension insurance;
     b) intermediation of loans of all types, including, without limitation, consumer loans, mortgage loans, factoring and the financing of commercial transactions;
     c) intermediation of finance leases;
     d) intermediation of all payments and money transfers, including credit and debit cards, travellers' cheques and bank drafts;
     e) intermediation of guarantees and commitments;
     f) intermediation of customer trading on individual customer accounts on the stock exchange or other markets, for cash or otherwise, concerning negotiable instruments and financial assets;
     g) intermediation of the management of assets, such as cash or portfolios, all forms of collective investment management, pension fund management, escrow accounts and custodianships;
     h) intermediation of payment and clearing services relating to financial assets, including securities, derivatives and other negotiable instruments;
     i) advisory-based intermediation and other ancillary financial services relating to all activities listed in (a) to (h), including references to loans and analysis thereof, research and consultancy in the field of investments and portfolios, consultancy in the field of acquisitions and restructuring, and corporate strategy;
     j) intermediation of the provision and transmission of financial information, financial data processing, and relevant software from providers of other financial services.
4. training activities for insurance intermediaries and independent loss adjusters.

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

PERSONS WITH EXECUTIVE AUTHORITY

In 2019, 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 2019, the following changes were made to the Company's bodies:

Board of Directors
Roman Juráš was appointed a member of the Board of Directors with effect as of 1 July 2019 and replaced Marek Jankovič as the Chairman of the Board of Directors with effect as of 1 September 2019.
Jiří Doubravský was appointed a member of the Board of Directors with effect as of 1 July 2019.
Pavel Mencl was appointed a member of the Board of Directors with effect as of 1 July 2019 and ceased to be a member as at 31 December 2019.
Tomáš Vysoudil ceased to be a member of the Board of Directors as at 31 August 2019.
Marek Jankovič ceased to be a member of the Board of Directors as at 31 December 2019.

Supervisory Board
Walter Kupec ceased to be a member of the Supervisory Board as at 31 December 2019.
Miloslava Mášová was appointed a member of the Supervisory Board with effect as of 1 January 2019.
Marek Kubiska was appointed a member of the Supervisory Board with effect as of 1 January 2019.

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 2019:

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

Petr Bohumský
- vice-chairman of the board of directors of Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.) until 31 December 2019;
- vice-chairman of the supervisory board of ČP Distribuce a.s.;
- member of the supervisory board of Generali Distribuce a.s.;
- member of the supervisory board of Česká pojišťovna ZDRAVÍ a.s.;
- member of the supervisory board of Penzijní společnost České pojišťovny, 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 Infrastructure 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 Holding Vienna AG, Austria (until 17 July 2019);
- chairman of the supervisory board of Generali Insurance AD and vice-chairman of the supervisory board of GP Reinsurance EAD, Bulgaria (until 6 February 2019);
- chairman of the supervisory board of Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A., Poland;
- member of the supervisory board of Generali-Biztosító Zrt., Hungary;
- member of the board of directors of Public Joint-Stock Insurance Company Ingosstrakh, Russia;
- member of the supervisory board of Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.);
- member of the supervisory board of ADRIATIC SLOVENICA Zavarovalna družba d.d., Slovenia (from 18 February to 31 August 2019);
- chairman of the supervisory board of ADRIATIC SLOVENICA Zavarovalna družba d.d., Slovenia (as of 1 February 2019);
- member of the supervisory board of Deutsche Vermögensberatung AG, Germany.

Marek Jankovič
- chairman of the management board of the Czech Insurers’ Bureau (until 6 September 2019);
- chairman of the supervisory board of the Insurance Education Support Foundation;
- vice-president of the Czech Insurance Association (until 6 September 2019).

Gregor Pilgram
- member of the governing body of Generali CEE Holding B.V., Netherlands;
- Member of the supervisory Board of Generali Versicherung AG, Austria;
- member of the supervisory Board of Generali Beteiligungverwaltung GmbH, Austria;
- vice-chairman of the supervisory board of Generali Holding Vienna AG, Austria (until 17 July 2019);
- member of the supervisory board of Generali Investments CEE, investiční společnost, a.s.;
- member of the supervisory board of Generali Poisťovňa, a.s., Slovakia;
- vice-chairman of the supervisory board of Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A., Poland;
- chairman of the supervisory board of Generali Finance Sp. Z o.o., Poland;
- member of the supervisory board of Generali Biztosító Zrt. and Genertel Biztosító Zrt., Hungary;
- 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;
- 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.);
- chairman of the board of directors of ADRIATIC SLOVENICA Zavarovalna družba d.d., Slovenia (as of 30 September 2019);
- chairman of the supervisory board of ADRIATIC SLOVENICA Zavarovalna družba d.d., Slovenia (from 18 February to 31 August 2019);
- member of the supervisory board of Generali Investments, družba za upravljanje, d.o.o (formerly KD SKLADI, družba za upravljanje, d.o.o.), Slovenia (as of 13 February 2019);
- member of the supervisory board of GENERALI INVESTMENTS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA, Poland (as of 18 June 2019).

Pavol Pitoňák
- member of the supervisory board of Generali Distribuce a.s.;
- member of the supervisory board of Europ Assistance s.r.o.

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;
- vice-chairman of the supervisory board of ADRIATIC SLOVENICA Zavarovalna družba d.d., Slovenia (as of 18 February 2019).

Tomáš Vysoudil
- chairman of the supervisory board of the GCP Foundation (until 10 July 2019);
- member of the board of directors of Česká pojišťovna ZDRAVÍ a.s. (until 30 June 2019);
- member of the supervisory board of Penzijní společnost České pojišťovny, a.s. (until 9 July 2019);
- chairman of the supervisory board of ČP Distribuce a.s. (until 31 July 2019).

Walter Kupec
- member of the board of directors of Generali Versicherung AG, Austria;
- member of the supervisory board of Österreichische Hagelversicherung-Versicherungsverein auf Gegenseitigkeit, Austria;
- member of the board of directors of Generali Holding Vienna AG, Austria (until 17 July 2019);
- member of the supervisory board of Europäische Reiseversicherung Aktiengesellschaft, Austria;
- chairman of the supervisory board of SK Versicherung Aktiengesellschaft, Austria.

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. (as of 1 July 2019);
– member of the management board of Zemědělská společnost Lípa a.s.;
– member of the board of directors of Generali Poisťovňa, a.s., Slovakia (until 24 June 2019).

Roman Juráš
– chairman of the management board of the Czech Insurers' Bureau (as of 6 September 2019);
– vice-president of the Czech Insurance Association (as of 6 September 2019);
– vice-chairman of the supervisory board of VÚB GENERALI DÔCHODKOVÁ SPRÁVCOVSKÁ SPOLOČNOSŤ, A.S.;
– member of the supervisory board of Generali Beteiligungverwaltung GmbH, Austria (as of 16 September 2019);
– chairman of the board of directors of Generali Poisťovňa, a.s., Slovakia (until 24 June 2019).

Pavel Mencl
– member of the presiding committee of the Czech Insurance Association;
– chairman of the supervisory board Generali Distribuce a.s. (until 31 December 2019);
– chairman of the supervisory board of ČP Distribuce a.s. (until 31 December 2019);
– member of the supervisory board of Penzijní společnost České pojišťovny, a.s. (until 31 December 2019);
– chairman of the board of directors of Pojišťovna Patricie a.s. (formerly Generali Pojišťovna a.s.) (until 31 December 2019).

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.

Financial Section

Independent Auditor's Report

Building a better working world

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 2019, 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 2019, 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, 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.

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. 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, mortality, morbidity, claims settlement expectations and patterns and customer behavior (as disclosed in Note D.7 Insurance risks of the financial statements) are key inputs used to estimate these long-term liabilities.

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.

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 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.

We evaluated actuarial judgements 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. 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 note E.10 Insurance liabilities and in Note D.7 Insurance risks of the financial statements to determine they were in accordance with International Financial Reporting Standards as adopted by the European Union.

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 assets. 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 and due to this fact this area requires significant audit effort.

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.

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.

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.

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

Acquisition of portfolio of insurance contracts and related business combination

As disclosed in Note A.5 Business combination of the financial statements, the Company, Česká pojišťovna ZDRAVÍ a.s. ("ČPZ") and Generali Pojišťovna a.s. ("GP", since 21 December 2019 Pojišťovna Patricie a.s.) had signed, on 1 July 2019, an agreement on insurance contract portfolio transfer (as amended by an addendum from 14 November 2019) based on which and in accordance with conditions set by the agreement, including an approval of the Czech National Bank, the regulator, ČPZ and GP sold on 21 December 2019 and the Company acquired part of their insurance contract portfolio and related assets and liabilities as defined in the agreement.

The transactions were accounted for using the pooling of interest method, reflecting the fact that all companies involved in the transaction were, before and after the transaction, under full control of one parent company. Based on criteria stipulated in IFRS 3 both transfers were assessed as business combinations. The newly acquired assets and liabilities were recognized at their carrying amounts as reported in the books of the acquiree at the date of the acquisition and following the Company's accounting policies. The difference between the fair value of the consideration for the businesses and the value of the assets acquired and obligations assumed was recognized in retained earnings.

The fair value of the considerations were determined by the valuation expert based on the valuation model.

The audit of this transaction required significant effort in assessing its accounting, tax, valuation and actuarial implications. Also, the transaction had significant impact on financial statements as the volume of insurance contract portfolio (and related liabilities) acquired represented approximately 23% of total liabilities of the Company. Due to these facts this area was assessed as a key matter for our audit.

In cooperation with our actuarial and valuation specialists we tested the determination of the fair value of the consideration for the transferred insurance and other related contracts and items. As a part of our audit procedures we also evaluated the compliance of assets and liabilities transferred as at 21 December 2019 with the conditions stipulated in the contract on transfer of insurance portfolio, including its approval granted by the Czech National Bank. We also assessed the accounting treatment of the acquisition, including the consideration whether the acquisitions fulfill the definition of business. In cooperation with our tax specialists we assessed the appropriateness of the tax treatment of the acquisition.

We also assessed the adequacy of the Company`s disclosures of this acquisition in Note A.5 Business combination 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.

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.
- 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, related safeguards.

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 16 December 2019 and our uninterrupted engagement has lasted for 8 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 6 April 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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 2019, based on which this independent auditor's report has been prepared.

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

Lenka Bízová

Lenka Bízová
Auditor, License No. 2331

Tomáš Němec

Tomáš Němec
Partner

7 April 2020
Prague, Czech Republic

A member firm of Ernst & Young Global Limited
Ernst & Young Audit, s.r.o. with its registered office at Na Florenci 2116/15, 110 00 Prague 1 – Nove Mesto, has been incorporated in the Commercial Register administered by the Municipal Court in Prague, Section C, entry no. 88504, under Identification No. 26704153.

Contents

Note
The financial statements have been prepared in Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

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
GP Re	GP Reinsurance EAD

Acronym	
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	Net 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	2019	2018
Investments to subsidiaries and associates	B	15,249	9,038
Intangible assets	E.1	1,477	1,027
Tangible assets	E.2	901	111
Right-of-use assets	E.2	753	
Investments		74,893	86,679
Investment properties	E.3	317	
Loans	E.3.1	8,194	24,258
Available-for-sale	E.3.2	49,170	54,119
Financial assets at fair value through profit or loss	E.3.3	17,212	8,302
Reinsurance assets	E.4	14,422	10,503
Receivables	E.5	6,907	5,280
of which: current income tax receivables	E.5		32
Long term assets held for sale	E.6	756	756
Deferred tax receivable	E.25.1	806	417
Accruals and prepayments	E.8	2,203	1,976
of which: deferred acquisition costs	E.8.1	1,419	1,218
Cash and cash equivalents	E.7	1,653	1,304
Total assets		**119,267**	**117,091**
Share capital		4,000	4,000
Retained earnings and other reserves		14,213	18,390
Total equity	**E.9**	**18,213**	**22,390**
Insurance liabilities	E.10	79,732	60,920
Other provisions	E.11	57	369
Financial liabilities	E.12	7,478	22,876
Payables	E.13	11, 654	9,050
of which: current income tax payables		90	89
Accruals and deferred income	E.14	2,133	1,486
Total liabilities		**101,054**	**94,701**
Total equity and liabilities		**119,267**	**117,091**

Income Statement

For the year ended 31 December

In CZK million	Note	2019	2018
Net earned premium revenue	**E.15**	**18,222**	**18,176**
Insurance premium revenue		29,079	28,725
Insurance premium ceded to reinsurers		(10,857)	(10,549)
Interest and other investment income	E.16	1,707	1,849
Income from subsidiaries and associates	E.17	1,199	847
Other income from financial instruments and other investments	E.16	560	785
Net income/loss from financial instruments at fair value through profit or loss	E.18	836	(784)
Other income	E.19	2,847	2,941
Total income		**25,371**	**23,814**
Net insurance benefits and claims	**E.20**	**(12,700)**	**(10,301)**
Gross insurance benefits and claims		(17,793)	(15,392)
Reinsurers' share		5,093	5,091
Expenses from subsidiaries and associates	E.22	(444)	(977)
Other expenses for financial instruments and other investments	E.21	(624)	(759)
Acquisition costs	E.23	(2,741)	(2,822)
Administration costs	E.23	(1,827)	(1,664)
Other expenses	E.24	(3,217)	(3,391)
Total expenses		**(21,553)**	**(19,914)**
Profit before tax		3,818	3,900
Income tax expense	E.25	(602)	(785)
Net profit for the year		**3,216**	**3,115**

Statement of Comprehensive Income

For the year ended 31 December

In CZK million	Note	2019	2018
Net profit for the year		**3,216**	**3,115**
Other comprehensive income – elements which may be recycled to profit or loss			
Exchange rate differences in equity	E.9	1	10
Available-for-sale financial assets revaluation in equity	E.9	2,339	(2,211)
Available-for-sale financial assets revaluation realised in income statement	E.9	(143)	(220)
Available-for-sale impairment losses	E.9	55	101
Other comprehensive income before tax effects		2,252	(2,320)
Tax on items of Other comprehensive income	E.9	(447)	462
Other comprehensive income/loss, net of tax		**1,805**	**(1,858)**
Total comprehensive income		**5,021**	**1,257**

Statement of Changes in Equity

For the year ended 31 December

In CZK million	Note	Share capital	Revaluation – financial assets AFS	Reserve fund	Translation reserve	Other funds	Retained earnings	Total
Balance as at 1 January 2018	**E.9**	**4,000**	**3,590**	**800**	**(3)**	**55**	**16,227**	**24,669**
Net profit for the year							3,115	3,115
Exchange rate differences in equity			(1)		3		8	10
Available-for-sale financial assets revaluation in equity			(2,211)					(2,211)
Available-for-sale financial assets revaluation realised in income statement			(220)					(220)
Available-for-sale impairment losses			101					101
Tax on items of other comprehensive income			462					462
Total Comprehensive income			**(1,869)**		**3**		**3,123**	**1,257**
Dividends to shareholder							(3,567)	(3,567)
Share-based payment reserve						9	22	31
Balance as at 31 December 2018	**E.9**	**4,000**	**1,721**	**800**		**64**	**15,805**	**22,390**
Effect of adoption of IFRS 16 Leases							(55)	(55)
Balance as at 1 January 2019		**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 31 December 2019	**E.9**	**4,000**	**3,526**	**800**		**52**	**9,835**	**18,213**

Statement of Cash Flows

For the year ended 31 December

In CZK million	Note	2019	2018
Cash flow from operating activities			
Profit before tax		3,818	3,900
Adjustments for:			
Depreciation and amortisation	E.24	647	308
Impairment and reversal of impairment of current and non-current assets		485	906
Profit/Loss on disposal of PPE, intangible assets and investment property			(6)
Profit/Loss on sale and revaluation of financial assets		(254)	(126)
Gains/losses on disposal of subsidiaries and associated companies	E.17, E.22	(319)	135
Dividends income		(1,015)	(1,043)
Interest expense		181	16
Interest income		(1,495)	(1,470)
Income/expenses not involving movements of cash		(1,558)	495
Share based compensation		20	31
Change in loans and advances to banks		16,722	(260)
Change in loans and advances to non-banks		(24)	(3)
Change in receivables		(94)	391
Change in reinsurance assets		(154)	(487)
Change in other assets, prepayments and accrued income		8	(147)
Change in payables		326	612
Change in liabilities for investment contracts with DPF		(100)	(123)
Change in liabilities to banks		(16,485)	(3,111)
Change in liabilities to non-banks			
Change in insurance liabilities (excluding DPF)		(786)	(2,120)
Change in other liabilities, accruals and deferred income		317	(382)
Change in other provisions	E.11	(312)	(41)
Interest on securities received		1,295	1,314
Dividends received		1,015	1,043
Purchase of financial assets at FVTPL		(2,718)	(2,242)
Purchase of financial assets available-for-sale		(3,767)	(9,319)
Proceeds from financial assets at FVTPL		1,980	4,165
Proceeds from financial assets available-for-sale		15,707	11,582
Short-term lease payments, payments for leases of low-value assets and variable lease payments		(4)	
Income taxes paid		(540)	88
Net cash flow from operating activities		**12,896**	**4,106**

In CZK million	Note	2019	2018
Cash flow from investing activities			
Interest on loans received		352	285
Purchase of tangible assets and intangible assets		(683)	(344)
Acquisition of subsidiaries and associated companies		(7,268)	(889)
Loans granted		(2,045)	
Proceeds from disposals of tangible and intangible assets		50	9
Proceeds from sale of investment property			10
Purchase of investment property		(97)	
Proceeds from disposal of subsidiaries and associated companies and other proceeds from subsidiaries		1,189	(7)
Repayment of loans granted		1,442	18
Net cash flow from investing activities		**(7,060)**	**(918)**
Cash flow from financing activities			
Payment of other liabilities evidenced by paper			
Payment of lease liability		(330)	
Interest paid			
Interest paid on lease liability		(41)	
Dividends paid to shareholders	E.9.2	(5,384)	(3,567)
Net cash flow from financing activities		**(5,755)**	**(3,567)**
Net decrease in cash and cash equivalents		**81**	**(379)**
Cash and cash equivalents as at 1 January		**1,304**	**1,683**
Cash in consequence in Business Combination		**268**	
Cash and cash equivalents as at 31 December		**1,653**	**1,304**

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.

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 6 April 2020. 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:	Pavel Mencl, Hoděšovice
Member:	Karel Bláha, Prague
Member:	Pavol Pitoňák, Bratislava
Member:	Jiří Doubravský, Praha

From 1 July 2019 Roman Juráš has become a new chairman of the Board of Directors and replaced Marek Jankovič who resigned from his post as a Chairman of the Board of Directors on 31 August 2019. On 1 July Jiří Doubravský was elected a new member of the board. Tomáš Vysoudil resigned from his post on 31 August 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:	Gregor Pilgram, Prague
Member:	Walter Kupec, Vienna
Member:	Miloslava Mášová, Pardubice
Member:	Marek Kubiska, Nový Rychnov

On 1 January Miloslava Mášová and Marek Kubiska were elected a new members 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 2019 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, financial instruments classified as available-for-sale and investment properties.

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
The Company, Česká pojišťovna ZDRAVÍ a.s. ("ČPZ") and Generali Pojišťovna a.s. ("GP") had signed, on 1 July 2019, an agreement on insurance contract portfolio transfer (as amended by an addendum from 14 November 2019) based on which and in accordance with conditions set by the agreement, including an approval of the Czech National Bank, the regulator, ČPZ and GP sold on 21 December 2019 and the Company acquired part of their insurance contract portfolio and related assets and liabilities as defined in the agreement ("The Business combination transaction" or "The Business combination").

The Business combination consists of home country insurance contracts concluded by ČPZ or GP as an insurance companies providing services in life and non-life insurance, including contracts whose term has already expired, and of all obligations and rights arising from the insurance intermediation and assets and liabilities related to the insurance portfolio.

The acquisition of these businesses is an important step driven by the strategy of the Generali Group.

The transaction 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	ČPZ	GP
Assets	**95**	**17,569**
Intangible assets		225
Subsidiaries		496
Investments		11,498
Reinsurance assets	32	3,733
Receivables	60	1,250
Other assets	3	231
Cash and cash equivalents		136
Liabilities	**512**	**21,698**
Insurance liabilities	487	19,212
Payables	25	2,156
Other liabilities		330

A difference between a purchase price and a value of the assets acquired and obligations assumed is recorded in the retained earnings in amount of 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 886 million as a result also against the retained earnings.

The difference between the amount recorded in retained earnings and sum of assets and liabilities shown above represents payable (in case of GP in the amount CZK 10 million)/receivable (in case of CPZ in the amount CZK 129 million) from transfer of businesses.

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 2019 Name	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.	Czech Republic	65	(53)	12	100.00	100.00	Cost less impairment	1.
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		2.
Nadace GCP	Czech Republic	6		6	100.00	100.00		
Acredité s.r.o.	Czech Republic				100.00	100.00		4.
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		4.
Pojišťovna Patricie a.s.	Czech Republic	6,621	(408)	6,213	100.00	100.00		3.
SMALL GREF a.s.	Czech Republic	424		424	21.21	21.21		4.
TOTAL		**15,710**	**(461)**	**15,249**				

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

1. Direct Care s.r.o.
In relation with a change in the business operations of the subsidiary and after a payment of a dividend by Direct Care an impairment in the amount of CZK 36 million was booked on 30 June 2019 reflecting a decrease in an equity of the subsidiary.

2. Sale and subsequent increase of share capital of Generali Real Estate Fund CEE a.s.
The Company sold on 1 July 2019 50 pieces of shares of Generali Real Estate Fund CEE a.s. in book value of CZK 911 million to SMALL GREF a.s. The sale price CZK 911 million was paid on 12 July 2019 and a gain in amount of CZK 165 million was booked.

Shareholders meeting approved on 3 December 2019 an increase of the share capital by CZK 38 million. In total 38 shares have been issued with a nominal value CZK 1 million per share. Generali Česká pojišťovna has subscribed 31 shares in total amount of CZK 565 million.

Consequently the share of the Company in its subsidiary has changed to 56.88%.

3. Purchase of Pojišťovna Patricie a.s.
On 29 July 2019 the Company acquired 50 000 shares of Generali Pojišťovna a.s. (subsequently renamed to Pojišťovna Patricie a.s.). Sale price CZK 6,620 million was paid to Generali CEE Holding B.V. The acquisition is part of the process of consolidating the Generali Group operations.

According to an agreement on insurance contract portfolio transfer signed between the Company and Pojišťovna Patricie a part of the insurance portfolio of Pojišťovna Patricie and related assets and liabilities were sold. This resulted in a decrease in the value of the subsidiary. An impairment amounting to CZK 408 million was booked.

4. Assets acquired in the Business combination
According to an agreement on insurance contract portfolio transfer signed between the Company and Pojišťovna Patricie, the Company purchased 19.6% of Acredite s.r.o. and increased its share to 100%, 100% interest represented by 30 pieces of shares in Generali Distribuce a.s. and 1 piece of shares of SMALL GREF a.s. representing 21.21% in the company.

5. Generali SAF de Pensii Private S.A.
Romanian pensions funds regulator has pursued a new regulation in accordance with which on 13 August 2019 the Company had to increase a share capital by RON 15 million. Generali Česká pojišťovna a.s subscribed 14 998 500 shares with a nominal value 1 RON per share.

Due to all the changes in a regulation on Romanian pension s funds market, the Company has decided to sell the subsidiary.
On 21 June 2019 the Company has signed a share purchase agreement with Generali CEE Holding B.V. for sale of its 100% interest in Generali SAF de Pensii Private S.A. Following a approval of the Romanian pensions fund regulator the transfer of the interest took place on 19 December 2019. The sales price stated by an independent appraisal was CZK 518 million and a gain in amount of CZK 154 million has been booked.

In CZK million, for the year ended 31 December 2018 Name	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.	Czech Republic	65	(17)	48	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	4,680		4,680	65.92	65.92	
Nadace GCP	Czech Republic	6		6			
Acredité s.r.o.	Czech Republic				80.40	80.40	
CP Strategic Investments N.V.	Netherlands	2,866		2,866	100.00	100.00	
Generali SAF de Pensii Private S.A.	Romania	1,077	(795)	282	99.90	99.90	
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	
TOTAL		**9,850**	**(812)**	**9,038**			

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 418 lease contracts as at 31 December 2019 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). Description of transition to IFRS 16 is described in the chapter C.5.1.

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	3.08%
3–5 years	3.66%
Over 5 years	4.11%

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).

Revaluation – Land and buildings

This item includes revaluation of land and buildings reclassified to investment properties.

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 2019 and 2018.

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 (see C.1.30.7) and the relevant gains and losses from this revaluation are included in the Income statement (Net income from financial assets at fair value through profit or loss). Financial liabilities are removed from the Statement of Financial Position when, and only when, they are extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expires.

C.1.17. Payables

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

C.1.18. Net insurance premium revenue

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

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

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

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

Premiums are recognised as earned on a pro-rata basis over the term of the related policy coverage via the provision for unearned premiums. For those contracts for which the period of risk differs significantly from the contract period, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

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

C.1.19. Net insurance claims and benefits

Insurance 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 see 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% (2018: 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% (2018: 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.1.25). 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.

Translation from functional to presentation currency

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

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

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

C.1.30.2. Impairment

The carrying amounts of the Company's assets, other than investment property (see Note C.1.2), 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.1.23). 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.

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.	
Financial liabilities at amortised costs	The fair value of debt instruments issued by the Company are valued using discounted cash flow models based on the current marginal rates of funding of the Company for similar types of loans, with maturities consistent with the maturity of the debt instruments subject to valuation.	

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

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

Description	Fair value as at 31 December 2018	Valuation technique(s)	Non-market observable input(s)	Range
Equities	413	Net asset value	n/a*	n/a
Investment funds	20	Expert judgment	Value of underlying instruments	n/a
Bonds Government	1,724	Discounted cash flow technique	Level of credit spread	(11) – 156 bps
Bonds Corporate	995	Discounted cash flow technique	Level of credit spread	120 – 425 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 2019	Sensitivity result
Bonds Government	2,660	(747) – 756
Bonds Corporate	1.582	(23,7) – 24
Total	**4,242**	

Description	Fair value as at 31 December 2018	Sensitivity result
Bonds Government	1,724	(414) – 568
Bonds Corporate	995	(26) – 28
Total	**2,719**	

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.1.13.4) 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, an additional provision is established 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.

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 2019 according to the Liability Adequacy Test were not sensitive to a change in any variable. Life assurance liabilities as at 31 December 2018 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 2019 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

An increase of a change in variables is caused by an increase in volume of annuities as a result of the Business combination.

In CZK million, for the year ended 31 December 2018 Variable	Change in variable	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount rate	(100) bp	275	182
Pension growth rate	100 bp	257	170

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 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.

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.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.5.6).

IFRS 16 Leases
From 1 January 2019, the accounting standard IFRS 16 "Leases" has come into force. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27.

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

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

The accounting treatment of leases is unchanged for lessor.

The Company has adopted IFRS 16 retrospectively from 1 January 2019 with the cumulative effect of initially applying the standard recognised at the date of initial application. New classification resulting from new reporting standard is therefore recognised in the opening balance sheet on 1 January 2019, including right-of-use assets within the same line item as that within which the corresponding underlying assets would have been presented if owned. The cumulative effect of initially applying the standard on retained earnings was CZK 55 million.

Practical expedients applied:
In applying IFRS 16, the Company chose not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contract entered before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4-determinig whether an arrangement contains a Lease.

In applying IFRS 16, the Company adopted simplified accounting treatment for short-term leases (within 12 months) and leases of low value assets which allows lessees not to recognise any amount of assets and liabilities in the financial statements, but only to recognise expense for lease payments.

In applying IFRS16 the Company relies on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. No provision for onerous leases was recognised in the statement of financial position immediately before the date of initial application.

Lease liabilities and Right-of-use assets recognised at first time adoption of IFRS 16
On adoption of IFRS 16, the Company recognised lease liabilities related to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments throughout the enforceable period, excluded short term leases and leases of low value assets.

Being the determination of the interest rate implicit in the lease not readily determinable, the Company uses incremental borrowing rates to discount lease liabilities.

As indication of borrowing rate used, considering a range of 8 years as average remaining durations of lease contracts, lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.08 – 4.11%.

Company lease liabilities recognised as 1 January 2019 were CZK 1,300 million. The amount does not consider short term leases and leases of low value assets.

On adoption of IFRS 16, the Company recognised right-of-use assets for leases previously classified as operating leases under IAS 17. At initial application, Right-of-use assets for selected leases were measured at their carrying amount as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. Other leases were measured at amounts equal to related lease liabilities and, where applicable, adjusted by any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application.

According to the IFRS 16, the Company chose to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Summarised initial recognition impact:

In CZK million	1 January 2019
Assets	
Right-of-use assets self-used properties	923
Right-of-use assets investment properties	322
Equity and Liabilities	
Retained earnings	(55)
Lease Liabilities	1,300

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

In CZK million	
Operating lease commitments as at 31 December 2018	**1,175**
New contracts signed 1 January 2019	18
Different assessment of lease term	224
Discounting	(143)
Other	26
Lease liabilities as at 1 January 2019	1,300

IFRS 15 Revenue from Contracts with Customers including Clarifications to IFRS 15 issued in April 2016 (effective for annual periods beginning on or after 1 January 2018)
IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The IFRS 15 to has immaterial impact on the financial statements of the Company.

Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018, not yet endorsed by the EU)
The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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 2019.

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 2019.

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

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

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

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

C.5.5. Amendment to current IFRS 4 Insurance contracts and new IFRS 17 Insurance contracts
On 12 September 2016, the IASB issued amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:
- 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.5.6).

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

The standard 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.

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.

C.5.6. 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 2019 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 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 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 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 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 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	

In CZK million, as at 31 December 2018		100bp parallel increase		100bp parallel decrease	
	Current value	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Loans and receivables	**24,258**				
Bonds					
Bonds AFS	48,371				
– gross impact on fair value		(858)	(1,773)	985	2,203
– income tax charge /(credit)		163	337	(187)	(419)
Derivatives					
Derivatives FVTPL	(182)				
– gross impact on fair value		932		(1,066)	
– income tax charge /(credit)		(177)		203	

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 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)**

In CZK million, as at 31 December 2018		Equity price +10%		Equity price -10%	
	Current value	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Equities					
Equities AFS	5,747				
– gross impact on fair value			575		(575)
– income tax charge /(credit)			(110)		110
Total net impact			**465**		**(465)**

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 2019	Current value	EUR		USD		CZK		Other	
		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				

In CZK million, as at 31 December 2018	Current value	EUR		USD		CZK		Other	
		10%	-10%	10%	-10%	10%	-10%	10%	-10%
FX investment portfolio exposure	**78,218**								
Income statement									
– Impact on income statement		1,702	(1,702)	778	(778)			150	(150)
– Income tax charge / (credit)		(324)	324	(148)	148			(29)	29

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

In CZK million, as at 31 December 2019	Current value	EUR		USD		CZK		Other	
		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

In CZK million, as at 31 December 2018	Current value	EUR		USD		CZK		Other	
		10%	-10%	10%	-10%	10%	-10%	10%	-10%
FX insurance liabilities exposure	**52,921**								
Income statement									
– Impact on income statement		130	(130)	1	(1)			13	(13)
– Income tax charge / (credit)		(25)	25					(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 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)

In CZK million, as at 31 December 2018	EUR	USD	CZK	Other	Total
Loans	448		23,810		24,258
Financial assets available-for-sale	16,567	7,780	28,268	1,504	54,119
Financial assets at fair value through profit or loss	174	305	7,794	29	8,302
Reinsurance assets	6		10,488	9	10,503
Receivables	1,267	109	3,669	235	5,280
Cash and cash equivalents	60	66	1,071	107	1,304
Total assets	**18,522**	**8,260**	**75,100**	**1,884**	**103,766**
Insurance liabilities	1,304	12	59,475	129	60,920
Financial liabilities	12,376	7,922	180	998	21,476
Deposits received from reinsurers			1,400		1,400
Payables	160	13	8,797	80	9,050
Other liabilities			1,486		1,486
Total liabilities	**13,840**	**7,947**	**71,338**	**1,207**	**94,332**
Net foreign currency position	4,682	313	3,762	677	9,434

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 Group Investments Risk Guidelines (GIRG).

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	2019	2018
Bonds and Loans		**50,799**	**72,662**
Bonds available-for-sale	E.3.2	42,561	48,371
Bonds at fair value through profit or loss	E.3.3	30	
Loans (fair value)	E.3.1	8,208	24,291
Trade and other receivables	**E.5**	**6,907**	**5,280**
Reinsurance assets	**E.4**	**14,422**	**10,503**
Total		**72,128**	**88,445**

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	2019	2018
AAA	2,669	2,672
AA	17,977	18,119
A	5,410	16,705
BBB	16,094	21,092
BB	1,621	1,520
B	950	338
Non-rated	6,078	12,216
Total	**50,799**	**72,662**

Significant part of non-rated bonds and loans are reverse REPO operations (2019: CZK 5,700 million, 2018: CZK 11,100 million) and loans to subsidiaries (2019: CZK 2,510 million, 2018: CZK 884 million). 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	2019	2018
AA	263	115
A	451	115
BBB	1	189
B		11
Captive reinsurance	12,543	8,988
Non-rated	1,164	1,085
Total	**14,422**	**10,503**

There were no past due or impaired reinsurance assets either in 2019 or 2018.

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	
	2019	2018	2019	2018
Individually impaired – carrying amount			1,566	1,259
Gross amount	19	19	2,403	2,121
31 days to 90 days after maturity			1,340	982
91 days to 180 days after maturity			196	116
181 days to 1 year after maturity			128	123
Over 1 year after maturity	19	19	739	901
Allowance for impairment	(19)	(19)	(837)	(862)
Past due but not impaired – carrying amount			450	316
Neither past due nor impaired – carrying amount	8,194	24,258	4,891	3,705
Total Amortised costs	**8,194**	**24,258**	**6,907**	**5,280**
Total Fair value	**8,208**	**24,291**	**6,907**	**5,280**

The Company held no past due or impaired bonds either in 2019 or in 2018.

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	
	2019	2018
Against individually impaired	5	5
Property	5	5
Against neither past due nor impaired	5,956	21,901
Securities	5,956	21,901
Total	**5,961**	**21,906**

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	2019		2018	
	CZK million	in %	CZK million	in %
Economic concentration				
Public sector	26,208	51.59	27,447	37.77
Financial	15,892	31.28	36,877	50.76
Energy	2,682	5.28	2,109	2.90
Utilities	1,629	3.21	2,473	3.40
Telecommunication services	1,332	2.62	1,179	1.62
Industrial	1,242	2.44	833	1.15
Materials	771	1.52	574	0.79
Consumer Discretionary	689	1.36	951	1.31
Consumer Staples	354	0.70	219	0.30
Total	**50,799**	**100.00**	**72,662**	**100.00**

In CZK million, as at 31 December	2019		2018	
	CZK million	in %	CZK million	in%
Geographic concentration				
Czech Republic	27,520	54.18	47,960	66.01
Rest of world	4,763	9.38	3,930	5.41
Rest of Europe	4,288	8.44	4,639	6.38
Poland	3,434	6.76	3,852	5.30
Other central-eastern European countries	2,935	5.78	4,146	5.71
Russia	2,393	4.71	1,950	2.68
Slovakia	1,184	2.33	1,436	1.98
Netherlands	1,168	2.30	1,529	2.10
USA	1,022	2.01	1,121	1.54
Austria	895	1.76	1,109	1.53
United Kingdom	761	1.50	568	0.78
Italy	376	0.74	282	0.39
Slovenia	60	0.12	140	0.19
Total	**50,799**	**100.00**	**72,662**	**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 2019	Less than 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**

In CZK million, as at 31 December 2018	Less than 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	**26,735**	**780**	**7,593**	**24,064**	**26,130**	**13,586**	**98,888**
Loans	22,379	361	1,166	517			24,423
Available-for-sale	4,279	396	6,331	23,148	26,113	5,748	66,015
Bonds	4,279	396	6,331	23,148	26,113		60,267
Equities						1,619	1,619
Investment fund units						4,129	4,129
Financial assets at fair value through profit or loss	77	23	96	399	17	7,838	8,450
Unit-linked investments	69	1		127		7,838	8,035
Derivatives	8	22	96	272	17		415
Receivables	**2,581**	**2,205**	**24**	**45**	**425**		**5,280**
Cash and cash equivalents	**1,304**						**1,304**
Total financial assets	**30,620**	**2,985**	**7,617**	**24,109**	**26,555**	**13,586**	**105,472**

Residual contractual maturities of liabilities:

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 years	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**

In CZK million, as at 31 December 2018	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Financial liabilities	16,020	5,089	1,481	239	84	22,913
Other financial liabilities	16,022	5,042	1,400			22,464
Financial liabilities at fair value through profit or loss	(2)	47	81	239	84	449
Payables	3,061	4,919	991		79	9,050
Other liabilities	1,427	59				1,486
Total liabilities	**20,508**	**10,067**	**2,472**	**239**	**163**	**33,449**

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

In CZK million, as at 31 December 2019	Less than 1 year	Between 1 and 5 years	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**

In CZK million, as at 31 December 2018	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Non-life insurance liabilities	**6,688**	**3,735**	**1,847**	**1,646**	**1,486**	**1,124**	**16,526**
RBNS & IBNR	6,225	3,735	1,847	1,646	1,486	1,124	16,063
Other insurance liabilities	463						463
Life assurance liabilities	**4,177**	**9,942**	**9,151**	**5,586**	**4,269**	**6,105**	**39,230**
Of which guaranteed liability for investment contracts with DPF	(3)	272	152	161	188	551	1,321
Total	**10,865**	**13,677**	**10,998**	**7,232**	**5,755**	**7,229**	**55,756**

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. Specific attention is paid to the adequacy of provisions for the life business. For a detailed description of the liability adequacy test, see Note C.2.3.

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

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

D.7.1. Concentration of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of the concentration of insurance risk, which determines the extent to which a particular event or series of events could significantly impact upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it could arise from the accumulation of risks within a number of different insurance classes.

Concentrations of risk can arise in low-frequency, high-severity events such as natural disasters; in situations where the Company is exposed to unexpected changes in trends, for example, unexpected changes in human mortality or in policyholder behaviour; or where significant litigation or legislative risks could cause a large single loss, or have a pervasive effect on many contracts.

D.7.1.1. Geographic concentrations

The risks underwritten by the Company are primarily located in the Czech Republic.

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	2019	2018
Liabilities with guaranteed interest		
Between 0% and 2.49%	11,844	12,224
Between 2.5% and 3.49%	3,824	3,141
Between 3.5% and 4.49%	3,675	2,038
More than 4.5% (incl.)	7,194	8,190
Provisions without guaranteed interest	3,294	3,582
Total	**29,831**	**29,175**

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	2019	2018
Motor	10,405	9,869
Accident, Health and Disability	658	651
Marine, aviation and transport	384	295
Property	7,457	7,399
General liability	2,289	2,297
Other	139	139
Total	**21,332**	**20,650**

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.

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 2019:

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;
- common methodologies and principles guiding internal audit activities in order to identify the most relevant processes to be audited.

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 IT operations and IT development. 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 IT Security Guideline effective in CZE 11/2018, Group Information Security Guideline effective in CZE 04/2018 and Group Information Security Governance, Risk & Compliance Guideline effective in CZE 10/2018.

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 improved from „a" with positive outlook to „a+" with stable outlook, assigned by A.M. Best on 10 January 2019.

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 (2019: CZK 18,213 million, 2018: CZK 22,390 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 2019 and 2018. 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.

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

E.1. Intangible assets

In CZK million, as at 31 December	2019	2018
Software	1,393	1,021
Other intangible assets	84	6
Total	**1,477**	**1,027**

Increase of intangible assets in the amount of CZK 225 million is consequence of the Business combination (see Note A.5).

E.1.1. Software

In CZK million, for the year ended 31 December	2019	2018
Acquisition cost as at the beginning of the year	**6,583**	**6,257**
Accumulated amortisation and impairment as at the beginning of the year	**(5,562)**	**(5,292)**
Carrying amount as at the beginning of the year	**1,021**	**965**
Additions	469	330
Amortisation for the period	(304)	(270)
Business combination	224	
Other movements	(17)	(4)
Acquisition cost as at the end of the year	**7,259**	**6,583**
Accumulated amortisation and impairment as at the end of the year	**(5,866)**	**(5,562)**
Carrying amount as at the end of the year	**1,393**	**1,021**

E.1.2. Other intangible assets

In CZK million, for the year ended 31 December	2019	2018
Acquisition cost as at the beginning of the year	**46**	**41**
Accumulated amortisation and impairment as at the beginning of the year	**(40)**	**(37)**
Carrying amount as at the beginning of the year	**6**	**4**
Additions	80	
Disposals		
Accumulated amortization related to disposals		
Amortisation for the period	(11)	(3)
Business combination	1	
Other movements	8	5
Acquisition cost as at the end of the year	**135**	**46**
Accumulated amortisation and impairment as at the end of the year	**(51)**	**(40)**
Carrying amount as at the end of the year	**84**	**6**

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

In CZK million, as at 31 December	2019	2018
Land and buildings (self-used)	74	63
Other tangible assets	51	24
Right-of-use assets (self-used)	753	
Other assets	23	24
Total	**901**	**111**

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

In CZK million, for the year ended 31 December	2019	2018
Acquisition cost as at the beginning of the year	**297**	**301**
Accumulated depreciation and impairment as at the beginning of the year	**(234)**	**(216)**
Carrying amount as at the beginning of the year	**63**	**85**
Additions	37	9
Disposals	(5)	(13)
Accumulated depreciation related to disposals	2	8
Depreciation of the period	(23)	(26)
Acquisition cost as at the end of the year	**329**	**297**
Accumulated depreciation and impairment as at the end of the year	**(255)**	**(234)**
Carrying amount as at the end of the year	**74**	**63**

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

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

The Right-of-use assets represents leased buildings, parking, advertising areas, etc. accounted for in accordance with IFRS 16 which is effective since 1.1.2019 (see Note C.5).

On the first application of IFRS16 no comparative information are provided.

E.2.3. Other tangible assets

In CZK million, for the year ended 31 December	2019	2018
Acquisition cost as at the beginning of the year	**125**	**134**
Accumulated depreciation and impairment as at the beginning of the year	**(101)**	**(106)**
Carrying amount as at the beginning of the year	**24**	**28**
Additions	65	4
Disposals	(42)	(16)
Accumulated depreciation related to disposals	10	14
Depreciation of the period	(9)	(9)
Other movements	3	3
Acquisition cost as at the end of the year	**151**	**125**
Accumulated depreciation and impairment as at the end of the year	**(100)**	**(101)**
Carrying amount as at the end of the year	**51**	**24**

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	Investment properties – Right of use assets	Loans	Available--for-sale	Fair value through profit or loss
Balance as at 1 January 2018	**6**		**24,659**	**58,053**	**10,939**
Purchases/additions			646,509	9,317	2,535
Disposals	(6)		(646,945)	(11,636)	(4,448)
Depreciation					
Gains/losses from termination of contract					
Fair value gains/losses recorded in the income statements				204	(723)
Fair value gains/losses recorded (in other comprehensive income				(2,088)	
Movement in impairment allowance			2		
Accrued interest			30	(244)	(1)
Foreign exchange adjustments			3	513	
Balance as at 31 December 2018	**0**		**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			(370,524)	(15,571)	(1,900)
Depreciation		(97)			
Gains/losses from termination of contract					
Fair value gains/losses recorded i n 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**

The Right-of-use assets represents buildings leased under IFRS 16 which is effective since 1.1.2019 (see Note C.5). On the first application of IFRS16 no comparative information is provided.

Increase of investments in the amount of CZK 11,498 million (including accrued interest in the amount CZK 38 million) is consequence of the Business combination (see Note A.5).

E.3.1. Loans

In CZK million, as at 31 December	2019	2018
Loans		
Bonds		976
Loans to subsidiaries	2,495	892
Other loans	5,699	22,390
Total	**8,194**	**24,258**
Current portion	**7,698**	**23,814**
Non-current portion	**496**	**444**

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.

Increase of Loans to subsidiaries is represented by a loan to CZI Holding in the amount CZK 1,110 million. Moreover there are loans to PALAC KRIZIK a.s. in the amount CZK 408 million (2018: CZK 444 million), to Pařížská 26, s.r.o. in the amount CZK 88 million (2018: CZK 103 million) and to Green Point Offices a.s in the amount CZK 889 million (2018: CZK 345 million)

The fair value of loans:

In CZK million, as at 31 December	2019	2018
Loans	**8,208**	**24,291**
Bonds		1,018
Loans to subsidiaries	2,510	884
Other loans	5,698	22,389
Total	**8,208**	**24,291**

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**

In CZK million, as at 31 December 2018	Level 1	Level 2	Level 3	Total
Loans				
Bonds		1,018		1,018
Loans to subsidiaries		884		884
Other loans		22,389		22,389
Total		**24,291**		**24,291**

E.3.2. Available-for-sale financial assets

In CZK million, as at 31 December	2019	2018
Unquoted equities at cost	4	4
Equities at fair value	2,088	1,615
Quoted	1,376	1,206
Unquoted	712	409
Bonds	42,561	48,371
Quoted	42,317	44,371
Unquoted	244	4,000
Investment fund units	4,517	4,129
Total	**49,170**	**54,119**
Current portion	**2,186**	**9,310**
Non-current portion	**46,984**	**44,809**

The increase on line Unquoted equities at fair value in 2019 results mainly from increase of participation in private equity fund Lion River I N.V. amounting to CZK 303 million (2018: CZK 409 million).

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

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**

In CZK million, as at 31 December 2018	Level 1	Level 2	Level 3	Total
Unquoted equities at cost			4	4
Equities at fair value	1,206		409	1,615
Quoted	1,206			1,206
Unquoted			409	409
Bonds	34,943	10,836	2,592	48,371
Quoted	34,943	6,836	2,592	44,371
Unquoted		4,000		4,000
Investment fund units	4,129			4,129
Total	**40,278**	**10,836**	**3,005**	**54,119**

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	2019	2018
Opening balance	**3,005**	**2,977**
Transfers into Level 3	134	259
Total gains or losses	542	26
in income statement	46	44
in other comprehensive income	496	(18)
Purchases	851	342
Sales		(373)
Other	5	
Transfer out of Level 3	(374)	(226)
Closing balance	**4,163**	**3,005**
Total change	**1,158**	**28**

In 2019 corporate bonds in the amount of CZK 134 million were reclassified from level 2 to level 3. The main driver was the level of credit spread used for valuation which created a material non-observable market input.

In 2019 corporate bonds in the amount of CZK 374 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 2018 government bonds in the amount of CZK 259 million were reclassified from level 2 to level 3. The main driver was the level of credit spread used for valuation which created material non-observable market input.

In 2018 government bonds in the amount of CZK 226 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 2018 corporate bonds in the amount of CZK 757 million were reclassified from level 1 to level 2. The reason was that active market ceased to exist, therefore the Company switched to expert valuation.

In CZK million, for the year ended 31 December	2019	2018
Transfer into Level 1 from Level 2		157
Transfer into Level 2 from Level 1	164	766
Transfer into Level 2 from Level 3	374	226
Transfer into Level 3 from Level 2	134	259

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

In CZK million, as at 31 December	2019	2018
Up to 1 year	2,186	9,310
Between 1 and 5 years	21,486	20,060
Between 5 and 10 years	7,984	9,673
More than 10 years	10,905	9,328
Total	**42,561**	**48,371**

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

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)**

In CZK million, for the year ended 31 December 2018	Realised gains	Realised losses	Impairment losses
Equities	9	(7)	(65)
Bonds	162	(112)	
Hedge funds	45		
Investment fund units	179	(55)	(36)
Total	**395**	**(174)**	**(101)**

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Bonds			**30**				**30**	
Unquoted			30				30	
Derivatives	**123**	**153**			**407**	**116**	**530**	**269**
Unit-linked investments			**16,652**	**8,033**			**16,652**	**8,033**
Allocated to policyholders			16,723	7,999			16,723	7,999
Not allocated to policyholders			(71)	34			(71)	34
Total	**123**	**153**	**16,682**	**8,033**	**407**	**116**	**17,212**	**8,302**
Current portion							**984**	**105**
Non-current portion							**16,228**	**8,197**

Increase of financial assets designated at fair value through profit or loss in the amount CZK 6,687 million is a consequence of the Business combination (see Note A.5).

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 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**

In CZK million, as at 31 December 2018	Level 1	Level 2	Level 3	Total
Derivatives		269		269
Unit-linked investments	7,817	69	147	8,033
Total	**7,817**	**338**	**147**	**8,302**

The following table presents the changes in Level 3 instruments:

In CZK million, for the year ended 31 December	2019	2018
Opening balance	**147**	**147**
Transfers into Level 3	6	
Purchases	2	4
Business combination	663	
Disposals	(5)	(4)
Closing balance	**813**	**147**
Total change	**666**	

In CZK million, for the year ended 31 December	2019	2018
Transfer into Level 3 from Level 2	6	

E.4. Reinsurance assets

In CZK million, as at 31 December	Direct insurance		Accepted reinsurance		Total	
	2019	2018	2019	2018	2019	2018
Non-life reinsurance assets	**12,746**	**8,917**	**805**	**823**	**13,551**	**9,740**
Provisions for unearned premiums	2,877	2,002	3	3	2,880	2,005
Provisions for outstanding claims	7,809	5,474	706	759	8,515	6,233
IBNR	2,010	1,392	96	60	2,106	1,452
Other insurance liabilities	50	49		1	50	50
Life reinsurance assets	**865**	**763**	**6**		**871**	**763**
Provisions for unearned premiums	69	53			69	53
Provisions for outstanding claims	384	304	6		390	304
IBNR	387	398			387	398
Mathematical provision	25	8			25	8
Total	**13,611**	**9,680**	**811**	**823**	**14,422**	**10,503**
Current portion	**7,940**	**4,795**	**406**	**322**	**8,346**	**5,117**
Non-current portion	**5,671**	**4,885**	**405**	**501**	**6,076**	**5,386**

Increase of reinsurance assets in the amount of CZK 3,681 million in nonlife and CZK 84 million in life portfolio is consequence of the transfer of the insurance portfolio (see Note A.5).

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

Ceded reinsurance arrangements do not relieve the Company of its direct obligations to policyholders. Thus, a credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance agreements.

E.5. Receivables

In CZK million, as at 31 December	2019	2018
Receivables arising out of direct insurance operations	2 349	1,998
Amounts owed by policyholders	2,322	1,969
Amount owed by intermediaries	27	29
Receivables arising out of reinsurance operations	3,251	2,347
Trade and other receivables	713	385
Receivables from derivatives collateral	594	518
Current income tax receivables		32
Total	**6,907**	**5,280**
Current portion	**5,767**	**4,810**
Non-current portion	**1,140**	**470**

Increase of receivables in the amount of CZK 1,310 million is consequence of the Business combination (see Note A.5).

In CZK million, for the year ended 31 December	2019	2018
Balance as at 1 January	**5,280**	**6,348**
Net change in gross value of receivables	324	(1,085)
Movement in impairment allowance	127	130
Business combination	1,310	
Gross value of receivables	1,430	
Movement in impairment allowance	(120)	
Write offs	(134)	(113)
Balance as at 31 December	**6 907**	**5,280**

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

As at 31 December 2018 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 2020.

E.7. Cash and cash equivalents

In CZK million, as at 31 December	2019	2018
Cash and cash equivalents	2	2
Cash at bank	1,451	1,302
Short term deposits	200	0
Total	**1,653**	**1,304**

E.8. Accruals and prepayments

In CZK million, as at 31 December	2019	2018
Deferred acquisition costs	1,419	1,218
Accrued income and prepayments	784	758
Total	**2,203**	**1,976**
Current portion	**2,203**	**1,976**

Increase of Accruals and prepayments in the amount of CZK 234 million is consequence of the Business combination (See Note A.5).

E.8.1. Deferred acquisition costs

In CZK million, for the year ended 31 December	2019	2018
Carrying amount as at the beginning of the year	**1,218**	**1,102**
Net change of deferred acquisition costs	(31)	57
Business combination	232	59
Carrying amount as at the end of the year	**1,419**	**1,218**

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	2019	2018
Share capital	4,000	4,000
Reserve for unrealised gains and losses on investments available-for-sale	3,526	1,721
Statutory reserve fund	800	800
Retained earnings brought forward	10,395	12,754
Retained earnings, effect of adoption of IFRS16 Leases	55	
Retained earnings, effect of Business combination	(4,665)	
Retained earnings, tax effect of Business combination	886	
Net profit for the year	3,216	3,115
Total	**18,213**	**22,390**

Shareholders equity has been in 2019 influenced by the method of transition which The Company used for initial application of IFRS 16 on leases (see Note C.1.9).

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

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

In CZK million, for the year ended 31 December	2019	2018
Balance as at 1 January	**1,721**	**3,590**
Gross revaluation as at the beginning of the year	**2,096**	**4,427**
Tax on revaluation as at the beginning of the year	**(375)**	**(837)**
Exchange rate differences in equity	1	(1)
Revaluation gain/loss in equity – gross	2,339	(2,211)
Revaluation gain/loss on realisation in income statement – gross	(143)	(220)
Impairment losses – gross	55	101
Tax on revaluation	(447)	462
Gross revaluation as at the end of the year	**4,348**	**2,096**
Tax on revaluation as at the end of the year (Note E.25.2)	**(822)**	**(375)**
Balance as at 31 December	**3,526**	**1,721**

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	2019	2018
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 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.

The sole shareholder approved on 30 April 2018 the distribution of a prior year profit of the Company in the amount of CZK 3,965 million. CZK 398 million was transferred to retained earnings and CZK 3,567 million was paid in the form of dividend of CZK 89,175 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	
	2019	2018	2019	2018	2019	2018
Non-life insurance liabilities	**28,301**	**20,323**	**1,394**	**1,367**	**29,695**	**21,690**
Provisions for unearned premium	6,971	5,119	47	45	7,018	5,164
Provisions for outstanding claims (RBNS)	16,052	11,339	1,139	1,164	17,191	12,503
Claims incurred but not reported (IBNR)	4,600	3,429	187	131	4,787	3,560
Other insurance liabilities	678	436	21	27	699	463
Life assurance liabilities	**50,037**	**39,230**			**50,037**	**39,230**
Provisions for unearned premium	250	187			250	187
Provisions for outstanding claims (RBNS)	1,137	785			1,137	785
Claims incurred but not reported (IBNR)	1,422	1,084			1,422	1,084
Mathematical provision	29,831	29,175			29,831	29,175
Unit-linked provision	16,722	7,999			16,722	7,999
Other insurance liabilities	675				675	
Total	**78,338**	**59,553**		**1,367**	**79,732**	**60,920**
Current	**22,931**	**15,455**	**734**	**574**	**23,665**	**16,029**
Non-current	**55,407**	**44,098**	**660**	**793**	**56,067**	**44,891**

Increase of non-life insurance liabilities in the amount of CZK 7,925 million and life insurance liabilities in the amount of CZK 11,775 million is consequence of Business combination (see Note A.5).

Other insurance liabilities consist of provision for profit-sharing in the amount CZK 699 million (2018: CZK 463 million) in nonlife, in life portfolio mainly of provision for profit-sharing and provisions for maturities in amount CZK 429 million.

E.10.1. Non-life insurance liabilities

E.10.1.1. Provision for unearned premiums

In CZK million, for the year ended 31 December 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**

In CZK million, for the year ended 31 December 2018	Gross	Reinsurance	Net
Balance as at 1 January	**5,088**	**(1,960)**	**3,128**
Added during the year	21,244	(1,679)	19,565
Released to the income statement	(21,168)	1,634	(19,534)
Balance as at 31 December	**5,164**	**(2,005)**	**3,159**

E.10.1.2. Provisions for outstanding claims

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**

In CZK million, for the year ended 31 December 2018	Gross	Reinsurance	Net
Balance as at 1 January	**12,015**	**(5,728)**	**6,287**
Plus claims incurred	10,988	(4,805)	6,183
Current year	10,019	(4,408)	5,611
Transfer from IBNR	969	(397)	572
Less claims paid	(9,623)	4,231	(5,392)
Released to the income statement	(886)	69	(817)
Foreign currency translation	9		9
Balance as at 31 December	**12,503**	**(6,233)**	**6,270**

E.10.1.3. Claims incurred but not reported

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**

In CZK million, for the year ended 31 December 2018	Gross	Reinsurance	Net
Balance as at 1 January	**3,768**	**(1,543)**	**2,225**
Plus additions recognised during the year	1,828	(749)	1,079
Less transfer to claims reported provision	(969)	397	(572)
Released to the income statement	(1,067)	443	(624)
Balance as at 31 December	**3,560**	**(1,452)**	**2,108**

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

In CZK million, for the year ended 31 December 2019	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of cumulative claims at the end of accident year	15,228	11,532	11,536	12,090	10,539	10,139	10,784	11,190	11,673	12,080	,
One year later	15,079	10,899	11,447	11,672	10,724	9,828	10,408	11,285	11,502		
Two years later	14,927	10,756	11,178	11,326	10,251	9,533	9,893	10,977			
Three years later	14,605	10,465	10,898	11,115	10,013	9,171	9,844				
Four years later	14,073	10,143	10,427	10,561	9,548	8,981					
Five years later	13,966	9,976	10,262	10,448	9,411						
Six years later	13,754	9,825	10,126	10,367							
Seven years later	13,670	9,695	9,992								
Eight years later	13,635	9,661									
Nine years later	13,578										
Estimate of cumulative claims	**13,578**	**9,661**	**9,992**	**10,367**	**9,411**	**8,981**	**9,844**	**10,977**	**11,502**	**12,080**	**106,393**
Cumulative payments	13,303	9,276	9,658	10,046	8,792	8,141	8,729	9,154	8,848	7,240	93,187
accepted reinsurance											1,326
Provisions for outstanding claims not included in accident year											1,399
Amount before Business combination impact	**275**	**385**	**334**	**321**	**619**	**840**	**1,115**	**1,823**	**2,654**	**4,840**	**15,931**
Business combination											6,047
Amount recognised in the Statement of Financial Position											**21,978**

Information in the table also includes claims handling costs. Provisions for outstanding claims which were not included in the analysis by an accident year include provision of CZK 1,384 million for claims which occurred before 2010 and provisions related to minor non-life insurance products.

In CZK million, for the year ended 31 December 2018	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of cumulative claims at the end of accident year	13,113	15,228	11,532	11,536	12,090	10,539	10,139	10,784	11,190	11,673	
One year later	12,978	15,079	10,899	11,447	11,672	10,724	9,828	10,408	11,285		
Two years later	12,835	14,927	10,756	11,178	11,326	10,251	9,534	9,893			
Three years later	12,654	14,605	10,465	10,898	11,115	10,013	9,171				
Four years later	12,420	14,073	10,143	10,427	10,561	9,548					
Five years later	12,195	13,966	9,976	10,262	10,448						
Six years later	12,100	13,754	9,825	10,126							
Seven years later	11,967	13,670	9,695								
Eight years later	11,891	13,635									
Nine years later	11,858										
Estimate of cumulative claims	**11,858**	**13,635**	**9,695**	**10,126**	**10,448**	**9,548**	**9,171**	**9,893**	**11,285**	**11,673**	**107,332**
Cumulative payments	11,609	13,296	9,254	9,655	10,027	8,757	7,992	8,530	8,533	6,406	94,059
accepted reinsurance											1,295
Provisions for outstanding claims not included in accident year											1,495
Amount recognised in the Statement of Financial Position	**249**	**339**	**441**	**471**	**421**	**791**	**1,179**	**1,363**	**2,752**	**5,267**	**16,063**

Information in the table also includes claims handling costs. Provisions for outstanding claims which were not included in the analysis by an accident year include provision of CZK 1,454 million for claims which occurred before 2009 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 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**

In CZK million, for the year ended 31 December 2018	Gross	Reinsurance	Net
Balance as at 1 January	**435**	**(52)**	**383**
Creation of provisions	464	(72)	392
Utilisation of provisions	(436)	74	(362)
Balance as at 31 December	**463**	**(50)**	**413**

E.10.2. Life assurance liabilities

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**

In CZK million, for the year ended 31 December 2018	Gross	Reinsurance	Net
Balance as at 1 January	**41,858**	**(733)**	**41,125**
Premium allocation	7,962		7,962
Release of liabilities due to benefits paid, surrenders and other terminations	(8,977)		(8,977)
Fees deducted from account balances	(1,970)		(1,970)
Unwinding of discount / accretion of interest	841		841
Changes in unit-prices	(545)		(545)
Change in IBNR and RBNS	72	(24)	48
Change in UPR and Mathematical provision	(11)	(6)	(17)
Balance as at 31 December	**39,230**	**(763)**	**38,467**

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

In CZK million, as at 31 December	2019	2018
Insurance contracts	48,820	37,909
Investments contracts with discretionary participation feature	1,217	1,321
Total	**50,037**	**39,230**
Current portion	**4,920**	**4,177**
Non-current portion	**45,117**	**35,053**

E.11. Other provisions

In CZK million, as at 31 December	2019	2018
Restructuring provision	37	37
Provisions for commitments	20	332
Total	**57**	**369**
Current portion	**20**	**47**
Non-current portion	**37**	**322**

In CZK million, for the year ended 31 December	2019	2018
Carrying amount as at 1 January	**369**	**410**
Provisions created during the year	52	17
Provisions used during the year	(47)	(21)
Provisions released during the year	(317)	(37)
Carrying amount as at 31 December	**57**	**369**

In 2018 provisions for commitments included provision for the MTPL deficit (see below) of CZK 317 million. In 2019, the provisions for the MTPL deficit was released due to the fact that all liable insurance companies paid the Czech Insurers' Bureau an extraordinary membership fee to cover a deficit.

Provision for MTPL deficit
On 31 December 1999, statutory MTPL insurance was replaced by contractual MTPL insurance in the Czech Republic. All rights and obligations arising from statutory MTPL insurance prior to 31 December 1999, including the deficit of received premiums to cover the liabilities and costs, were transferred to the Czech Insurers' Bureau („the Bureau").

On 12 October 1999, the Company obtained a license to write contractual MTPL insurance in the Czech Republic and, as a result, the Company became a member of the Bureau (see also E.30.2.4).

Each member of the Bureau guaranteed the appropriate portion of the Bureau's liabilities based on the member's market share for this class of insurance.

E.12. Financial liabilities

In CZK million, as at 31 December	2019	2018
Financial liabilities at fair value through profit or loss	438	428
Derivatives	438	428
Other financial liabilities	5,951	22,448
Lease liabilities	1,089	
Total	**7,478**	**22,876**
Current portion	**6,300**	**22,481**
Non-current portion	**1,178**	**395**

Change in other financial liabilities is caused by decrease of REPO operations. The assets transferred within REPO operations but not derecognized amount to CZK 4,551 million (2018: CZK 21,048 million). On the other hand since 2019 financial liabilities increased by liabilities financing right of use assets in the amount CZK 1,089 million.

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

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

CZK million, as at 31 December 2018	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	22	406		428
Other financial liabilities		22,448		22,448

E.12.1. Other financial liabilities

In CZK million, as at 31 December	2019			2018		
	Amortised cost	Fair value	Fair value level	Amortised cost	Fair value	Fair value level
Loans, bonds	**7,040**	**7,031**		**22,448**	**22,448**	
Deposits received from reinsurers	1,400	1,400	2	1,400	1,400	2
Lease liabilities	1,089	1,080	2			
Repurchase agreement (REPO)	4,551	4,551	2	21,048	21,048	2
Total	**7,040**	**7,031**		**22,448**	**22,448**	
Current portion	**6,242**	**6,240**		**22,448**	**22,448**	
Non-current portion	**798**	**791**				

E.13. Payables

In CZK million, as at 31 December	2019	2018
Payables arising out of direct insurance operations	2,483	2,032
Payables arising out of reinsurance operations	6,605	4,950
Payables relating to taxation	139	126
Payables to client and suppliers	236	144
Payables to employees	133	127
Social security	66	62
Other payables	1,992	1,609
Total	**11,564**	**9,050**
Current portion	**11,514**	**8,971**
Non-current portion	**140**	**79**

Increase of payables in the amount of CZK 2 180 million is consequence of the Business combination (see Note A.5).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 985 million (2018: CZK 858 million) which the Company administers for the state.

E.14. Accruals and deferred income

In CZK million, as at 31 December	2019	2018
Reinsurance deferrals	115	60
Other accrued expense	1,995	1,426
Thereof: Non-invoiced supplies	363	281
Commissions	1,267	868
Accrued expenses for untaken holidays and bonuses	365	277
Deferred income	23	
Total	**2,133**	**1,486**
Current portion	**2,133**	**1,486**

Increase of Accruals in the amount of CZK 330 million is consequence of the Business combination (see Note A.5).

E.15. Net earned premium

In CZK million, for the year ended 31 December	Gross amount		Reinsurer's share		Net amount	
	2019	2018	2019	2018	2019	2018
Non-life earned premium	**21,332**	**20,650**	**(9,581)**	**(9,329)**	**11,751**	**11,321**
Premiums written	21,352	20,726	(9,617)	(9,374)	11,735	11,352
Change in the UPR	(20)	(76)	36	45	16	(31)
Life earned premium	**7,747**	**8,075**	**(1,276)**	**(1,220)**	**6,471**	**6,855**
Premium written	7,747	8,075	(1,276)	(1,220)	6,471	6,855
Total	**29,079**	**28,725**	**(10,857)**	**(10,549)**	**18,222**	**18,176**

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

In CZK million, for the year ended 31 December	2019	2018
Interest income	**1,572**	**1,653**
Interest income from loans and receivables	409	379
Interest income from available-for-sale financial assets	1,148	1,267
Interest income from cash and cash equivalents	15	7
Other income	**135**	**196**
Income from equities available-for-sale	74	88
Other income from investment fund units	61	108
Interests and other investment income	**1,707**	**1,849**
Realised gains	**290**	**399**
Realised gains on land and buildings (investment properties)		4
Realised gains on loans and receivables	2	
Realised gains on available-for-sale financial assets (Note E.3.3)	288	395
Unrealised gains	**256**	**326**
Unrealised gains on hedged instruments	256	326
Reversal of impairment	**14**	**60**
Reversal of impairment on other receivables from reinsurers	13	50
Reversal of impairment of other receivables	1	10
Other income from financial instruments and other investments	**560**	**785**
Total	**2,267**	**2,634**

E.17. Income from subsidiaries and associates

In CZK million, for the year ended 31 December	2019	2018
Dividends and other income	880	847
Realised gains from disposal (Note B)	319	
Total	**1,199**	**847**

Income from dividends and other income consists of the dividends received from CP Strategic Investments N.V. in the amount of CZK 557 million (2018: CZK 531 million), Česká pojišťovna ZDRAVÍ a. s. in the amount of CZK 96 million (2018: CZK 86 million) and Generali Societate de Administrare a Fondurilor de Pensii Private S.A. in the amount of CZK 75 million (2018: CZK 81 million).

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.

In CZK million, for the year ended 31 December Income from dividends consists of the dividends received from:	2019	2018
CP Strategic Investments N.V.	557	531
Česká pojišťovna ZDRAVÍ a.s.	96	88
ČP Distribuce a.s.	62	
Direct Care s.r.o.	31	
Europ Assistance s.r.o.	2	2
Generali Real Estate Fund CEE a.s.	43	71
Generali SAF Pensii Private SA	75	81
Green Point Offices a.s.		62
Pařížská 26, s.r.o.	14	12
Total	**880**	**847**

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets								
Interests and other income	48	33	2	1	(21)	(5)	29	29
Realised – gains	38	120	111	59			149	179
– losses	(17)	(40)	(35)	(102)		(77)	(52)	(219)
Unrealised – gains	25	75	970	5	30	41	1,025	121
– losses	(49)	(22)	(9)	(501)	(62)	(232)	(120)	(755)
Financial liabilities								
Interest expenses	(40)	(11)			(103)	(137)	(143)	(148)
Realised – gains	22	6					22	6
– losses	(152)	(91)					(152)	(91)
Unrealised – gains	47	36			106	165	153	201
– losses	(35)	(55)			(159)	(134)	(194)	(189)
Other income					119	82	119	82
Total	**(113)**	**51**	**1,039**	**(538)**	**(90)**	**(297)**	**836**	**(784)**

E.19. Other income

In CZK million, for the year ended 31 December	2019	2018
Gains on foreign currency	1,102	1,574
Reversal of other provisions (Note E.11)	364	58
Income from services and assistance activities and recovery of charges	1,227	1,180
Income from sale of assets	18	2
Other technical income	136	127
Total	**2,847**	**2,941**

E.20. Net insurance benefits and claims

In CZK million, for the year ended 31 December	Gross amount		Reinsurer’s share		Net amount	
	2019	2018	2019	2018	2019	2018
Non-life net insurance benefits and claims	**12,079**	**10,989**	**(4,675)**	**(4,674)**	**7,404**	**6,315**
Claims paid	11,238	10,010	(4,574)	(4,235)	6,664	5,775
Claims settlement expenses	209	210			209	210
Profit sharing and premium refunds paid	572	461	(38)	(30)	534	431
Change in the provision for outstanding claims	(70)	488	(51)	(503)	(121)	(15)
Change in the IBNR provision	(62)	(208)	(15)	91	(77)	(117)
Change in other insurance liabilities	192	28	3	3	195	31
Life net insurance benefits and claims	**5,714**	**4,403**	**(418)**	**(417)**	**5,296**	**3,986**
Claims paid	6,642	6,988	(394)	(387)	6,248	6,601
Claims settlement expenses	7	7			7	7
Profit sharing and premium refunds paid	33	36			33	36
Change in the provision for UPR	(7)	(11)		2	(7)	(9)
Change in the provision for outstanding claims	60	132	(29)	(51)	31	81
Change in the IBNR provision	(57)	(60)	22	27	(35)	(33)
Change in the mathematical provision	(2,501)	(2,528)	(17)	(8)	(2,518)	(2,536)
Change in the unit-linked provision	1,527	(161)			1,527	(161)
	10				10	
Total	**17,793**	**15,392**	**(5,093)**	**(5,091)**	**12,700**	**10,301**

Non-life insurance
The increase of claims in 2019 was caused mainly by above-average year of natural events (especially wind and hail) which came mainly in the first half of the year (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 overall increase of value of underlying assets at the end of the year 2019. Decrease in Claims payments is caused by lower lapses.

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

In CZK million, for the year ended 31 December	2019	2018
Interest expense	**181**	**253**
Interest expense on loans, bonds and other payables	107	237
Interest expense on deposits received from reinsurers	33	16
Interest expense on lease liabilities (IFRS 16)	41	
Other expenses	**193**	**88**
Expenses from land and buildings (Investment properties)		1
Other expenses on investments	96	87
Depreciation of right-of-use assets investment properties (IFRS 16) (Note E.3)	97	
Realised losses	**144**	**174**
Realised losses on available-for-sale financial assets (Note E.3.2)	144	174
Unrealised losses	**51**	**121**
Unrealised losses on hedged instruments	51	121
Impairment losses	**55**	**123**
Impairment of loans and receivables		22
Impairment of available-for-sale financial assets (Note E.3.2)	55	101
Impairment on receivables from reinsurers		
Other expenses for financial instruments and other investments	**624**	**759**

E.22. Expenses from subsidiaries and associates

In CZK million, for the year ended 31 December	2019	2018
Realised losses	0	135
Impairment losses	444	842
Total	**444**	**977**

In 2019 an impairment loss was booked on Pojišťovna Patricie a.s. in the amount of CZK 408 million and on Direct Care s.r.o. in the amount of CZK 36 million (see Note B).

In 2018 an impairment loss was booked on Generali SAF de Pensii Private S.A. in the amount of CZK 795 million and on Direct Care s.r.o. in the amount of CZK 17 million (see Note B). On 30 June 2018 an impairment of FINHAUS a.s. in the amount CZK 30 million was booked.

Realised losses consist of CZK 80 million which were paid in June 2018 to FINHAUS a.s. to cover its accumulated losses and of CZK 55 million of loss realised on the sale of this subsidiary (see note B).

E.23. Acquisition and administration costs

In CZK million, for the year ended 31 December	Non-life segment		Life segment		Total	
	2019	2018	2019	2018	2019	2018
Gross acquisition costs and other commissions	2,238	2,343	472	536	2,710	2,879
Change of deferred acquisition costs	30	(58)	1	1	31	(57)
Other administration costs	1,243	1,093	584	571	1,827	1,664
of which: statutory audit					16	15
of which: non-audit services					10	10
of which: short term and low value leasing expenses					4	
Total	**3,511**	**3,378**	**1,057**	**1,108**	**4,568**	**4,486**

The following table shows the total of future minimum lease payments under non-cancellable operating leases for each of the following periods for the year 2018 before the IFRS 16 became effective (see C.5.1)

In CZK million, for the year ended 31 December	2018
Not later than one year	297
Later than one year and not later than five years	875
Later than five years	3
Total	**1,175**

E.24. Other expenses

In CZK million, for the year ended 31 December	2019	2018
Amortisation of intangible assets	316	272
Depreciation of tangible assets	32	36
Depreciation of right-of-use assets (own use) IFRS 16 (Note E.2.2)	202	
Losses on foreign currency	1,113	1,574
Restructuring charges and allocation to other provisions (Note E.11)	52	17
Expense from service and assistance activities and charges incurred on behalf of third parties	1,247	1,233
Other technical expenses	253	259
Other expenses	2	
Total	**3,217**	**3,391**

E.25. Income taxes

In CZK million, for the year ended 31 December	2019	2018
Current income taxes	625	786
of which: related to prior years	8	13
Deferred taxes	(23)	(1)
Total	**602**	**785**

Reconciliation between expected and effective tax rates:

In CZK million, for the year ended 31 December	2019	2018
Expected income tax rate	**19%**	**19%**
Earnings before taxes	**3,818**	**3,900**
Expected income tax expense	**725**	**741**
Expenses not allowable for tax purposes	87	226
Income not subject to tax	(224)	(200)
Other reconciliations	16	18
Tax expense	602	785
Effective tax rate	**15.77%**	**20.13%**

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	
	2019	2018	2019	2018
Intangible assets			(85)	(79)
Business combination	886			
Tangible assets and Land and buildings (self used)			(1)	(1)
Land and buildings (investment properties)			(60)	
Available-for-sale financial assets		413	(99)	
Financial liabilities and other liabilities	43	32		
Other	233	52	(111)	
Total	**1,162**	**497**	**(356)**	**(80)**
Net deferred tax asset/liability	**806**	**417**		

The changes in deferred tax assets and liabilities were recognised through the income statement in the amount of CZK 23 million and through the equity in the amount of CZK 366 million.

Deferred tax asset in amount of CZK 886 million has been recognised in relation with pooling of interest accounting for the Business combination (see Note A.5).

Increase of deferred tax asset in 2019 is caused mainly by the deferred tax asset from leases.

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 2019 and following years is 19% (2018: 19%).

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

In CZK million, for the year ended 31 December	2019	2018
Deferred tax – revaluation gain/losses on financial assets at AFS	(107)	413
Current tax – unrealised gain/losses on financial assets at AFS	(715)	(788)
Total tax on revaluation on financial assets at AFS	(822)	(375)
Deferred tax – revaluation in relation with Business combination	886	
Total	**64**	**(375)**

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 plans 2016–2018 Cycle, 2017–2019 Cycle, 2018–2020 Cycle and 2019–2023 Cycle. The plans aim to strengthen the link between the remuneration of the potential beneficiaries and expected performance under the Generali Group's strategic plan (so-called absolute performance), also retaining the link between remuneration and the creation of value relative to a peer group (so-called relative performance). The plans also aim to achieve management engagement at Generali Group level. The incentive for achieving the objectives will be paid in shares issued by Assicurazioni Generali S.p.A. (ultimate parent company).

Cycles are divided into three tranches. The sum of shares set aside in each of the three years will be assigned in a single deal only at the end of the third year, approximately by the month of April (date of assignment), after an overall evaluation of the Board of Directors concerning the effective achievement of the Objectives not only on annual basis but over three years as well.

For each cycle, the maximum number of shares (per beneficiary) that can be assigned at the end of three years is calculated by dividing the maximum award amount (calculated as a percentage of base salary) by the share value, calculated as the average of the three months prior to the approval by the Board of Director of the draft budget for the financial year and the consolidated financial statement relating to the financial year that closed prior to that in which the plan began.

Total amount of shares which can be assigned is subdivided into the three tranches at respective percentages rate of 30% – 30% – 40%.

Plan structure and Vesting period
The plans are structured to cover approximately a period of 6 years calendar: three financial reporting years (vesting period) plus about three years for shares assignment and lock-up period (50% shares will be assigned after 2-year holding period beginning from the date of enrollment in the name of the beneficiaries). Vesting period starts from January 1, of a first year of a Cycle.

Vesting conditions
The number of shares to be allocated for each tranche is directly linked to the assessment of achievement against the objectives identified for the cycle. For the plans, the objectives identified are the relative Total Shareholders' Return – rTSR (compared with a Peer Group, identified in the STOXX Euro Insurance Index) and the Return on Equity – ROE); the performance level, and corresponding incentive level, depends on the simultaneous achievement of the two objectives.

Even after Objectives achievement, the Plan's Bonus (whole or in part) might not be assigned when a strategic objective is not met or the working/administrative relationship with Assicurazioni Generali S.p.A. or with other companies in the Generali Group of a beneficiary is terminated before the end of the three years period of the Plan.

Valuation
Total cycle cost (TC) is calculated in following manner:
Maximum award amount = 175% (based on table of annual performance outcome) * Base salary
Maximum share number = Maximum award amount/share value (calculated as the average of the three months prior to the approval by the Board of Director of the draft financial statements relating the year before the beginning of the plan)
Base Share number = Base salary / share value (calculated as the average of the three months prior to the approval by the Board of Director of the draft financial statements relating the year before the beginning of the PLAN)

Employee plan
In 2019 a new share based plan has been introduced. The plan is designed for all group employees, except executives and will be paid in shares (the Shares) issued by Assicurazioni Generali S.p.A. (ultimate parent company). The grant date of the plan was established on 17 September 2019. At that point, the Board of Directors communicated the initial price of the Shares equal to EUR 15.88.

In September 2022, the participating employees will be required to select a payment option at maturity of the plan. Should the final share price be greater than the initial price, employees can receive shares (physical delivery) or require the sale of all the shares and receive the corresponding sum by cash.

Final price is the price of the Shares at maturity, calculated as the average of the official closing prices on each of the preceding days in the 30 calendar days period ending on the Option Exercise Date, such 30 days period expected to be the month of October 2022.

Participating employees will receive the sum of the total of instalments paid over the 3-year period (If the Generali share price is below the initial strike price at maturity) or the physical delivery of shares (or corresponding sum by cash after the sale of shares) at the initial strike price plus a premium (If the Generali share price is above the initial strike price at maturity).

The premium is defined as 1 free share for every 3 shares purchased (in proportion with the purchased shares), and free (dividend equivalent) shares (equal to the 3 years dividends Generali will pay).

Effect on the Company´s financial statements

In CZK million	2019	2018
Total expenses per year	**21**	**41**
Employee plan	1	
2016–2018 Plan		10
2017–2019 Plan	4	9
2018–2020 Plan	6	11
2019–2023 Plan	10	11
Total equity reserve as at 31.12.	**52**	**64**
Employee plan	1	
2016–2018 Plan		33
2017–2019 Plan	24	20
2018–2020 Plan	17	11
2019–2023 Plan	10	

In 2019, 2016–2018 Cycle vested with share assignment, in 2018, 2015–2017 Cycle vested with share assignment. Equity reserves related to 2015–2017 cycle and 2016–2018 cycle were reclassified to revenue reserves. There is no fiscal implications and related tax effect for the Company.

E.27. Information on employees

Number of employees, as at 31 December	2019	2018
Top management	29	35
Other managers	203	203
Employees	2,794	2,791
Others	3	3
Total	**3,029**	**3,032**

In CZK million, for the year ended 31 December	2019	2018
Wages and salaries	1,919	1,817
Compulsory social security contributions	625	583
Thereof: state-defined contribution pension plan	378	363
Other expenses	105	70
Thereof: contribution to the private pension funds	35	29
Total staff costs	**2,649**	**2,470**
Total remuneration included in staff cost for top management	**134**	**156**

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

In CZK million, for the year ended 31 December	2019	2018
Acquisition costs	459	477
Insurance Benefits and Claims	547	532
Administration costs	1,643	1,461
Total	**2,649**	**2,470**

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. 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

In CZK million	Fair value as at 31. 12. 2018	FX gain/(loss) for the period from 1. 1. to 31. 12. 2018
Hedged items		
Equities, bonds, investment funds units	24,568	519
Term deposits, current bank accounts and other	590	5
Hedging instruments		
Derivatives	21	19
Financial liabilities (Sell-buy operations)	(21,048)	(514)

Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Company on a monthly basis. In every month of 2019 and 2018 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. 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

In CZK million	Fair value as at 31. 12. 2018	Change in fair value attributable to interest rate risk for the period from 1. 1. to 31. 12. 2018
Hedged items	18,784	181
Hedging instruments*	(213)	(178)

* Notional principal amount is CZK 17,911 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 2019 and 2018 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 2019 and 2018, 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 2019 and 2018.

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)**

In CZK million, as at 31 December 2018	Note	Derivative assets	Derivative liabilities	Reinsurance receivables
Financial instrument total carrying value	E.12	269	(428)	1,973
Financial instruments not subject to master netting agreements		27	(53)	1,197
Financial instrument subject to master netting agreements		242	(375)	776
Collateral paid/Cash deposit received	E.5		518	(1,398)
Amounts presented in the balance sheet		242	143	(622)
Effect of master netting agreement		(375)	242	
Net amount after master netting agreement		**(133)**	**385**	**(622)**

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 2019, the Company had a commitment under investment agreements of CZK 1,051 million (2018: CZK 875 million) to make an additional contribution into the private equity funds. Till 2019, the Company already invested CZK 712 million into these private equity funds.

E.30.2. Pledged assets and collaterals

As at 31 December 2019, CZK 5,291 million has been pledged in repurchase agreements (REPO) (2018: CZK 25,890 million). The fair value of the guaranteed liabilities in repurchase agreements amounted to CZK 4,551 million (2018: CZK 21,048 million).

Furthermore, as at 31 December 2019 the Group has received financial assets as collateral for approximately CZK 6,085 million (2018: CZK 22,400 million), in particular for transactions in bonds and loans. Fair value of collateral held is CZK 5,961 million (2018: 21,906 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	2019	2018
Liability (w/o D&O liability)	232	172
D&O liability only	27	21
FLEXA extended coverage of nuclear Risks plus BI	680	578
Total	**939**	**771**

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).

Increase of net retention in the amount of CZK 168 million is consequence of the Business combination.

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 2019 and 2018.

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 E.11).

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.

In 2019, the provisions for the MTPL deficit 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.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 2019 and 2018. Transactions with members of Board of Directors comprised:

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	

In CZK million, as at 31 December 2018	Board of Directors	
	Related to the board membership	Related to employment contract
Short-term employee benefits	128	
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 2019 termination benefits to the key management personnel of the Company in the amount of CZK 15 million were paid and no termination benefits paid in 2018.

As at 31 December 2019 and 31 December 2018, 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 2019 or in 2018, 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 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, as at 31 December 2018	Notes	Group 1a	Group 1b	Group 2	Group 3
Assets					
Intangible assets				2	
Investments	i	892			4,360
Reinsurance assets	ii			9,287	
Receivables	iii	89	13	2,064	
Other assets		126	2	596	(1)
Total assets		**1,107**	**15**	**11,949**	**4,359**
Liabilities					
Insurance liabilities	iv	1		846	
Financial liabilities	v			1,400	
Payables	vi	218	5	5,185	
Other liabilities		218	4	48	1
Total liabilities		**437**	**9**	**7,479**	**1**

Notes:
i. The balances with companies in Group 1a comprise a loan to Green Point Offices a.s. in the amount of CZK 344 million and a loan to Palac Krizik a.s. in the amount of CZK 444 million and the balances with companies in Group 3 comprise loans from REPO operations with MONETA Money bank a.s. in the amount of CZK 4,300 million.
ii. The balances with companies in Group 2 comprise technical provisions ceded to GP Reinsurance EAD, Bulgaria (GP Re) in the amount of CZK 8,988 million and technical provisions ceded to Assicurazioni Generali S.p.A. in the amount of CZK 188 million.
iii. The balances with companies in Group2 comprise mainly receivables from reinsurance from GP Re in the amount of CZK 1,826 million.
iv. The balances with companies in Group 2 comprise technical provisions from accepted reinsurance from Generali Insurance AD in the amount of CZK 651 million.
v. The balances with companies in Group 2 comprise 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 4,489 million.

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	iv	(444)			
Other expenses for financial instruments and other investments		(3)		(49)	(3)
Acquisition and administration costs	v	(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).

In CZK million, for the year ended 31 December 2018	Notes	Group 1a	Group 1b	Group 2	Group 3
Income					
Net earned premium	i	1		(9,450)	
Interest and other investment income		37			51
Income from subsidiaries and associates		314	2	531	
Other income		350	9	686	
Total income		**702**	**11**	**(8,233)**	**51**
Expenses					
Net insurance benefits and claims	ii	(4)	(2)	4,342	
Expenses from subsidiaries and associates				(178)	
Other expenses for financial instruments and other investments				(16)	(2)
Acquisition and administration costs	iii	(2,886)	7	1,783	(5)
Other expenses		(47)	(2)	(28)	
Total expenses		**(2,937)**	**3**	**5,903**	**(7)**

Notes:

i. The balances in Group 2 include ceded earned premium from GP Re in the amount of CZK 9,751 million and ceded earned premium from Assicurazioni Generali S.p.A. in the amount of CZK 49 million.

ii. The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 4,626 million and reinsurance with Assicurazioni Generali S.p.A. in the amount of CZK 39 million (ceded claims paid).

iii. The balances in Group 1a include transactions with ČP Distribuce a.s. in the amount of CZK 2,679 million (acquisition costs) and the balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 2,330 million (ceded commission).

As at 31 December 2019 and 31 December 2018, the Company held no securities issued by related parties.

For the details of the collateral pledged with the related parties, any guarantees received or provided and commitments to such entities, see Note D.5, E.30.2 and E.30.1.

F. SUBSEQUENT EVENTS

F.1. Change in taxation of insurance liabilities

On 17 December 2019 (with effect from 1 January 2020) an Act No. 364/2019 Coll. which amends certain tax laws with purpose to general government revenues, was approved. The Act regulates, besides other changes, the corporate income taxes of insurance companies.

This amendment has no impact on the financial statements prepared as of 31 December 2019, it relates only to the following accounting periods.

The tax base of insurance liabilities will be 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 will be calculated as a difference between the total carrying amount of the insurance liabilities in the financial statements and the amount that will be disclosed in the Solvency and Financial Condition Report (SFCR) as at 31 December 2019.

F.2. Impact of SARS-Cov-2

As the end of the year 2019 there were first information on SARS-Cov-2 (COVID-19) infection coming from China. During the first months of 2020 the virus has spread to almost all of the world and negatively impacted many countries. As at the date of the financial statements the situation is changing constantly and it seems that the negative impact of this pandemic situation on world trade, on companies and individuals can be more serious than previously expected. The Czech currency has weakened, value of shares on the market has dropped down and prices of commodities are fluctuating. As the situation is constantly evolving the management of the Company is not able reliably estimated potential impact of these events. The Company will reflect any potential negative impact (losses) into accounting and to the financial statements for the year 2020.

The management of the Company has evaluated potential impacts of COVID-19 on the activities and business of the Company 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.

Except for the disclosures above, the Company has identified no significant events that have occurred since the end of the reporting period up to 30 March 2020.

Date: 6 April 2020

Responsible person
for Accounting and annual closing

Petr Bohumský

Report on Related-party Transactions for the 2019 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 o ice at Spálená 75/16, 110 00 Praha 1 (the "Company"), is required to prepare a report on related-party transactions for the 2019 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 2019 was CZI Holdings N.V., having its registered o ice at De Entree 91, 1101 BH, Amsterdam, Netherlands (the controlling entity). Generali Česká pojišťovna a.s. financial statements are incorporated into the consolidated financial statements of Generali CEE Holding B.V. and Assicurazioni Generali S.p.A., Italy, which is the ultimate controlling company (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 the separate section of the Annual Report.

The Report on Related-party Transactions includes contracts and agreements e ected in the last accounting period between related parties, other legal transactions executed in the interests of such parties, and all other measures taken on behalf of or at the instigation of those persons by the controlled entity. E ective contracts and agreements concluded in previous 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

- With Acredité s.r.o., having its registered office at Na Pankráci 1658, Nusle, 140 00 Praha 4 (formerly REFICOR s.r.o. until 23 August 2015 and, further to a merger as at 1 January 2015, the company acquiring Generali Servis s.r.o.):
  – Insurance Contracts;
  – Framework Outsourcing Contracts;
  – Framework Cost-Sharing Contracts (including Addenda);
  – Lease Agreements (including Addenda);
  – Contracts for the Fulfilment of Obligations arising from Group Participation (including Addenda);
  – Contract for the Provision of Access to the KPMG Helpline;
  – Contract for the Access to the APH Application (including Addendum);
  – Contract for the sharing of the Costs of IT Operation and Support (including Addendum);
  – Contracts for the Cooperation and the Service Provision (including Addenda);
  – GDPR Project Participation Contract.
  – Loan Agreement (singpad)

- With ADRIATIC SLOVENICA Zavarovalna družba d.d., having its registered office at Ljubljanska cesta 3A, 6000 Koper – Capodistria, Slovenia:
  – Cooperation Contract.

- With Akcionarsko društvo za osiguranje GENERALI OSIGURANJE MONTENEGRO Podgorica, having its registered office at Kralja Nikole st 27a, Podgorica:
  – Contract for the Cooperation in the Provision of Assistance Services.

- With Assicurazioni Generali S.p.A., having its registered office at Piazza Duca degli Abruzzi, 2, Italy:
  – Reinsurance Contracts.

- With CITY EMPIRIA a.s., having its registered office at Na Strži 1702/65, Nusle, PSČ 140 00 Praha 4:
  – Insurance Contract;
  – Lease Agreements.

- With Česká pojišťovna ZDRAVÍ a.s., having its registered office at Na Pankráci 1720/123, Nusle, 140 00 Praha 4:
  – Insurance Contracts;
  – Framework Cost-Sharing Contracts (including Addenda);
  – Framework Contract for the Pooling of non-IT and IT Technology and related Operating Expenditure (including Addenda);
  – Lease Agreement (including Addenda);
  – Contract for the Business Cooperation (including Addenda);
  – Contract for the Provision of Access to the KPMG Helpline;
  – Contract for the Transfer of Rights and Payables Assumption of Application Development;
  – Contracts for the Fulfilment of Obligations Arising from Group Participation (including Addenda);
  – Insurance portfolio transfer contract (including Addenda);
  – GDPR Project Participation Contract;
  – Reinsurance Contracts.

- With ČP Distribuce a.s., having its registered office at Na Pankráci 1658/121, Nusle, 140 00 Praha 4 (Distribuce s.r.o. until 1 January 2018):
  – Insurance Contracts;
  – Framework Cost-Sharing Contracts (including Addendum);
  – Framework Contract for the Sharing of non-IT and IT Technology and related Operating Expenditure (including Addendum);
  – Agreement of Redress;
  – Contract for the Commercial Representation;
  – Contract for the Provision of Access to the KPMG Helpline (including Addendum);
  – Cooperation Contract (including Addendum);
  – the Facility Borrowing Contracts (including Addendum);
  – Lease Agreements (including Addenda);
  – Contract for the Fulfilment of Obligations Arising from Group Participation.

- With Direct Care s.r.o., having its registered office at Na Pankráci 1658/121, Nusle, 140 00 Praha 4 (formerly Generali Care s.r.o. until 11 August 2015 and, further to a merger as at 1 January 2015, the company acquiring ČP DIRECT, a.s.):
  – Insurance Contracts;
  – Framework Cost-Sharing Contract (including Addenda);
  – Framework Contracts for the Pooling of non-IT and IT Technology and related Operating Expenditure (including Addenda);
  – Non-Exclusive Contract on the Commercial Representation;
  – Contract for the Sharing of the Costs of IT Operation and Support;
  – Life Insurance Cooperation Contract;
  – Contract for the Provision of Access to the KPMG Helpline;
  – Lease Agreements (including Addendum);
  – Contract for the Fulfilment of Obligations Arising from Group Participation;
  – Contracts for the Granting Rights to use the Software;

- With Europ Assistance S.A. having its registered office at Promenade de la Bonnette, Gennevilliers:
  – Reinsurance Contracts.

- With Europ Assistance s.r.o., having its registered office at Na Pankráci 1658/121, Nusle, 140 00 Praha 4 (since 1 January 2016 merged with ČP ASISTENCE s.r.o., as the company being acquired):
  – Insurance Contracts;
  – Framework Cost-Sharing Contract (including Addendum);
  – Contract for the Provision of Access to the KPMG Helpline;
  – Contract for the Cooperation in the Provision of Assistance Services (including Addendum);
  – Lease Agreements (including Addenda);
  – Contracts for the Provision of Assistance Services.

- With Generali Biztosító Zrt., having its registered office at Teréz krt. 42-44, 1066 Budapest:
  – Reinsurance Contract;

- With Generali CEE Holding B.V., organizační složka, having its registered office at Na Pankráci 1658/121, Nusle, 140 21 Praha 4 (Generali PPF Holding B.V. until 3 March 2015):
  – Share Purchase Contract of Company Generali Pojišťovna a.s.
  – Earnix Licensing Contract;
  – Insurance Contracts;
  – Share Sale Contract of Company Generali Societate de Administrare a Fondurilor de Pensii Private S.A.
  – Framework Contract and Implementation Agreements on the Pooling of non-IT and IT Technology and related Operating Expenditure;
  – Framework Contract for Cost-Sharing in the Arrangement of Significant Activities;
  – Framework Cost-Sharing Contract (including Addenda);
  – Transfer Agreement of Rights and Payables;
  – Life Insurance Cooperation Contract;
  – Contract on the Provision of Access to the KPMG Helpline;
  – Contract for the Service Provision (including Addenda);
  – Lease Agreements (including Addenda);
  – Contracts for the Fulfilment of Obligations Arising from Group Participation (including Addenda).

- With Generali Development d.o.o. having its registered office at Vladimira Popovića 8, Novi Beograd, Beograd:
  – Software Support Development Agreement.

- With Generali Distribuce a.s., having its registered office at Na Pankráci 1720/123, Nusle, 140 00 Praha 4 (Finhaus a.s. until 12 November 2018):
  – Insurance Contracts;
  – Framework Cost-Sharing Contract (including Addendum);
  – Framework Contract for the Pooling of non-IT and IT Technology and related Operating Expenditure (including Addenda);
  – Contract for the Cooperation;
  – Non-Exclusive Agency Contract (including Addendum),
  – Agency and Management Assistance Contract,
  – Contract for the Provision of Access to the KPMG Helpline;
  – Lease Agreements (including Addenda);
  – Contract for the Fulfilment of Obligations Arising from Group Participation (including Addenda);

- With Generali España, S. A. de Seguros y Reasequros, having its registered office at Calle Orense 2, Madrid:
  – Reinsurance Contracts.

- With Generali Finance Sp. Z o.o., having its registered office at ul. Postępu 15B 02-676, Warszawa:
  – Licence Agreement
  – Contract for the Transfer of an Agreement for IT Administration by Generali Česká Pojišťovna.

- With Generali IARD S.A. having its registered office at: 2 rue Pillet-Will, Paris:
  – Reinsurance Contracts.

- With Generali Insurance AD, having its registered office at 68 Knyaz Al. Dondukov Blvd., Sofia:
  – Reinsurance Contracts.

- With Generali Insurance (Thailand) Co. Ltd, having its registered office at 50GMM Grammy Place, Sukhumvit 21, Wattana, Bangkok:
  – Reinsurance Contract.

- With Generali Investments CEE, investiční společnost, a.s., having its registered office at Na Pankráci 1658/121, Nusle, 140 00 Praha 4 (until 1 January 2016 ČP Invest investiční společnost a.s., formed after a merger with Generali Investments CEE, a.s.):
  – Investment Management Agreement;
  – Insurance Contracts;
  – Framework Contract and Implementation Contracts for the Pooling of non-IT and IT Technology and related Operating Expenditure (including Addendum);
  – ISDA Master Contract (including Addendum);
  – Framework Cost-Sharing Contracts (including Addendum);
  – Asset Management Contracts;
  – Contract for the Commercial Representation (including Addenda);
  – Contract for the Provision of Access to the KPMG Helpline;
  – Life Insurance Cooperation Contract
  – Loyalty Bonus Contracts (including Addenda);
  – Lease Agreements (including Addenda);
  – Contract for the Fulfilment of Obligations Arising from Group Participation (including Addenda);

- With Generali Poisťovňa, a.s., having its registered office at Lamačská cesta 3/A, 841 04, Bratislava:
  – Contract for the Granting of Rights to use Software;
  – Contracts for the Transfer of an Agreement for IT Administration by Generali Česká Pojišťovna;
  – Reinsurance Contracts.

- With Generali Real Estate S.p.A., having its registered office at Piazza Duca degli Abruzzi, 1, Trieste:
  – Insurance Contracts;
  – Life Insurance Cooperation Agreement;
  – Parking Slot Sublease Agreement;
  – Outsourcing Services Contract;
  – Service Contract;
  – Group Insurance of Persons Framework Contract;
  – Cost-Sharing Framework Contract.

- With Generali Towarzystwo Ubezpieczeń S.A., having its registered office at ul. Postępu 15B 02-676, Warszawa:
  – Contract for IT Support (including Addendum);
  – Contract for the Granting of Rights to use Software;
  – Contracts for the Transfer of Contract for IT Administration by Generali Česká Pojišťovna;
  – Reinsurance Contracts.

- With Generali Versicherung AG, having its registered office at Landskrongasse 1-3, Vienna:
  – Contract for the Cooperation in the Outsourcing and Provision of Services;
  – Reinsurance Contracts.

- With Generali Życie Towarzystwo Ubezpieczeń S.A., having its registered office at 15B 02-676 Warszawa:
  – INET Licence Contract.

- With Generali Zavarovalnica d.d., having its registered office at Kržičeva 3, Ljubljana:
  – Reinsurance contracts.

- With GP Reinsurance EAD, having its registered office at 68 Knyaz Al. Dondukov Blvd., Sofia:
  – Contract for the Transfer of an Agreement for IT Administration by Generali Česká Pojišťovna;
  – Reinsurance contracts.

- With GRA PAN-EU Prague 1 s.r.o., having its registered office at Václavské náměstí 772/2, 110 00, Praha 1:
  – Insurance Contracts (including Addendum).

- With Green Point O ices a.s., having its registered office at Gorkého 3, 811 01 Bratislava (formerly Apollo Business Center IV a.s.):
  – Insurance Contracts;
  – Loan Contract (including Addendum).

- With GSS - Generali Shared Services S.c.a.r.l., having its registered office at Piazza Duca degli Abruzzi, 2, Trieste:
  – Framework Consortium Contract;
  – Framework Contract for the Cost-Sharing in the Arrangement of Significant Activities (including Addenda);
  – Contract for Provision IT Service;
  – Lease Agreements (including Addenda);
  – Contract for the Fulfilment of Obligations Arising from Group Participation.

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

- With Mustek Properties s.r.o., having its registered office at Václavské náměstí 823/33, 110 00 Praha 1:
  – Insurance Contracts.

- With the GCP Foundation, having its registered office at Na Pankráci 1658/121, Nusle, 140 21 Praha 4 (formerly the Česká pojišťovna Foundation until 7 February 2015, and a merger with the Generali Foundation from 22 July 2015):
  – Donation Contract;
  – Lease Agreement;
  – Contract for the Provision of Access to the KPMG Helpline;
  – Contract for the Cost-Sharing;
  – GDPR Project Participation Contract.

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

- With Office Center Purkynova, a.s., having its registered office at Václavské náměstí 823/33, Nové Město, 110 00 Praha 1:
  – Lease Agreement (including Addenda);
  – Insurance Contract.

- With PALAC KRIZIK a.s., having its registered office at Radlická 608/2, 150 23 Praha 5:
  – Loan Contract (including Addendum).

- With Pařížská 26, s.r.o., having its registered office at Václavské náměstí 823/33, 110 00 Praha 1:
  – Loan Contract (including Addendum).

- With PCS – Praha Center spol. s.r.o., having its registered office at Václavské náměstí 823/33, 110 00 Praha 1:
  – Insurance Contract;
  – Lease Agreements.

- With Penzijní společnost České pojišťovny a.s., having its registered office at Na Pankráci 1720/123, Nusle, 140 00 Praha 4:
  – Contract of Mandate (including Addendum);
  – Insurance Contract;
  – Framework Contract for the Sharing of IT and related Operating Expenditure;
  – Framework Cost-Sharing Contracts (including Addenda);
  – Lease Agreements (including Addendum);
  – License Sales Agreement;
  – Contract for the Fulfilment of Obligations Arising from Group Participation;
  – Contract for the Provision of Access to the KPMG Helpline;
  – Cooperation Contract.

- With Pojišťovna Patricie a.s., having its registered office at Spálená 75/16, Nové město, Praha:
  – Purchase Contracts;
  – Insurance Contracts;
  – Framework Contract for the Sharing of IT and non-IT Technology (including Addenda);
  – Framework Contract for Cost-Sharing in the Arrangement of Insignificant Activities;
  – Framework Contract for Cost-Sharing in the Arrangement of Significant Activities;
  – Service Contract for the Provision and Maintenance of the EARNIX Application;
  – Contract for the Provision of Access to the KPMG Helpline;
  – Contract for the Provision of Vehicle Valuation Services;
  – Insurance Portfolio Transfer Agreement;
  – Lease Agreements (including Addenda);
  – Contracts for the Fulfilment of Obligations Arising from Group Participation (including Addenda);
  – Contracts for the Sharing of the Costs of IT Support and related Operating Expenditure;
  – Assignment Contract from Technical Improvement;
  – Co-Insurance Contracts;
  – Reinsurance Contracts.

- With SMALL GREF a.s. having its registered office at Na Pankráci 1720, Praha 4, 140 21/Na Pankráci 1658/121, Nusle, 140 00 Praha 4:
  – Generali Real Estate Fund CEE a.s., investiční fond Share Sale Contract (including Addendum).

- With Solitaire Real Estate, a.s., having its registered office at Rozkošného 1058/3, 150 00 Praha 5 – Smíchov:
  – Insurance Contract.

All the contracts 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 performance provided and received under these contracts and under contracts concluded in prior periods, as notified in previous reports on related-party transactions, which continued to be performed in the 2019 accounting period was 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 is the payment of the price agreed for performance 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 its cooperation on such Group activities.

On the 1st of July 2019 Pojišťovna Patricie a.s. (former Generali Pojišťovna as) and Česká pojišťovna ZDRAVÍ a.s. entered into a contract for the sale of a portion of an insurance portfolio under which, on the basis of the terms and conditions set out therein, the Company purchased, on 21 December 2019, domestic insurance portfolio to the extent specified in the transfer agreement. The details of the transaction are disclosed in the Company's financial statements.

The Company did not take any other measures or execute other legal acts on behalf of or at the instigation of related parties in the 2019 accounting period that related to assets in excess of 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 su icient, correct and complete. In keeping with its statutory obligations, the Company will issue an Annual Report and the present Company Report on Related-party Transactions will be an integral part thereof.

Prague, 30 March 2020

Roman Juráš
Chairman of the Board of Directors

Petr Bohumský
Vice chairman of the Board of Directors

Annual Report 2019

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