ANNUAL REPORT 2022
GENERALI ČESKÁ POJIŠŤOVNA A.S.

GENERALI ČESKÁ POJIŠŤOVNA

CONTENTS

LETTER FROM THE CHAIRMAN

Ladies and Gentlemen,

Last year was another test not only of our resilience, but also of our humanity and solidarity. 2022 was a challenging year on multiple fronts. The pandemic was displaced by the war in Ukraine, which thrust clear evidence of human suffering into our lives and provided us with a stark reminder of the horrors perpetrated against humanity. This reality is all the more poignant when the military conflict is being fought not too far from our borders. Russia's bellicose aggression has been felt in the economic sphere, with spiralling prices, double-digit inflation, and the energy crisis. There was no way of brushing aside the mounting sense of financial insecurity last year. It is therefore clearly good news that, even in the face of such trying conditions, I can report that we have been successful. Not only in business, but also in our approach to societal matters.

Last year was the first year in which Generali Česká pojišťovna and Generali's Slovak arm operated as a single entity. I believe that the merger of the Czech and Slovak operations is a step in the right direction at the right time, allowing us to share resources, streamline processes and make the best possible use of both companies' experience and know-how.

Results-wise, we are well on track to deliver on our new strategy – Lifetime Partner 24: Driving Growth. We were able to defend our position as the market leader and we met the targets we had set ourselves. Most importantly, we are proving that our customers are the focus of our attention. In the Czech Republic, we stand alongside nearly three million customers. Our ambition is to be a lifelong partner, which means accompanying our customers throughout their lives, at every important juncture, and adapting to their needs. This is precisely why we routinely follow up on the feedback our customers give us. Last year, we scored an all-time high in customer satisfaction (NPS); the fact that our customers have never been happier helps to underpin the stability of our customer portfolio. The Slovak arm, Generali Poisťovňa, also had a good year, reaffirming its ambitions and commitment to innovation: it was the fastest growing and most innovative insurance company in 2022. As a result, it retains a solid standing among the top three insurers on the Slovak market.

One of the vital pillars of our strategy is sustainability. The events of recent years have shown that it has never been more pressing and acute to address this issue. More than that, we are an insurance company and the nature of what we do implies that we are committed to taking this topic seriously in all its dimensions – environmental, social and governance. As Molière put it in his famous work: "Only our deeds will show who is who"; we act because we cannot do otherwise. Together with our employees and agents, we rallied together last year to lend a helping hand after the conflict in Ukraine broke out. Not just in the form of financial support, but also, and especially, through the energy of our employee and agents, who were willing to go straight to the border or engage in the activities of various organisations in order to help refugees coming from Ukraine. My fellow workers also found a way to assist people who had had to flee their homes in Ukraine by coming up with a solution in our specific area of expertise – we prepared an insurance solution for people from Ukraine who had found refuge in the Czech Republic. But that is not all. At our sites in Prague and Brno we temporarily set up schools for the education and adaptation of children and adults from Ukraine. In doing all this, though, we have not neglected our long-standing partners from the non-profit sector and the organisations we work with.

Generali Group itself also played a significant role, making a one-off €3 million donation via the United Nations High Commissioner for Refugees to help Ukrainians who had been forced to flee their homes. One activity that took place as a matter of course was the launch of a global charity fundraising drive, with Generali Group matching the funds raised and handing them over to UNICEF to help conflict-hit families with children.

LETTER FROM THE CHAIRMAN

I am proud to work for a company and, especially, with people who have humanity embedded in their DNA and know how important a value this is for the future.

We also take a hands-on approach to environmental protection. If we want to save the world we know for future generations, we must all do our part. We have started with ourselves by analysing the environmental impact of our operations in detail and coming up with plans to become even greener in the future – we are committed to reducing our carbon footprint. And we are doing well at it, as we have managed to reduce it by 27% since 2019! We are also devising truly original solutions – continuing our SME EnterPRIZE competition, which recognises and rewards small and medium-sized enterprises that operate sustainably and have a positive impact on the environment. Sustainability Hero, a European competition in which Generali Group rewards the best entrants, saw a prize awarded to the Sady sv. Prokopa organic farm in the Czech Republic. Considering how many competitors there were from other European countries, this was an excellent result.

Sustainability is also important to us with respect to our employees – we want to be a lifelong partner for them, too, and support them when times are tough. Last year, this involved not only a financial aspect, but also a focus on flexibility, smart working, well-being and mental health. These are areas that many companies are looking at, ourselves included. Our priority is to continue fostering a respectful working environment in which every one of our colleagues feels accepted. Any sort of otherness is not a disadvantage for us. On the contrary, it is enriching for our company.

I would like to conclude by extending my gratitude, on behalf of the Generali Česká pojišťovna Board of Directors, to all our clients for their trust, to our shareholders for their support, and to our business partners for their successful cooperation. My thanks also go to all colleagues, including our agents, who contributed in any way to accomplishing our common goals and weathering another challenging year.

I am confident that in 2023 we will meet our targets and our commitments to clients, shareholders and business partners.

Roman Juráš
Chairman of the Board of Directors

GENERALI ČESKÁ POJIŠŤOVNA WHO WE ARE

Generali Česká pojišťovna Profile

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

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

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

The Company Then and Now

In 2022, Generali Česká pojišťovna commemorated 195 years since 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.

1827

The Company initially operated out of one room in the apartment of Franz Joseph von Vrtba's secretary, a place it "inhabited" from 1827 to 1829. Though this room in Prague's New Town was only a makeshift solution, it was at an address that was both prestigious and, for a fire insurance company, it might be said, symbolic – Spálená [Scorched] 76.

1881

Arguably the best-known and largest claim in the Company's history was the National Theatre fire in 1881. The Company paid out 297,869 Guldens for the reconstruction of the theatre, incurring a major financial loss in the process, but also gaining considerable prestige in the eyes of the Czech nation. By the 1920s, the Company was offering almost all kinds of insurance, including the still seldom seen motor insurance. In 1945, the insurance sector was nationalised, resulting in five insurance companies which, in 1948, were transformed into the single Československá pojišťovna (Czechoslovak Insurance Company).

1992

In 1992, the National Property Fond 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.

1991

In 1991, the Company set up the subsidiary K I S a.s. kapitálová investiční společnost České pojišťovny, now known within Generali CEE Holding as Generali Investments CEE, investiční společnost, a.s., which provides services on the collective investment and asset management market. In 1993, Česká pojišťovna and its partner Vereinte Krankenversicherung AG Munich founded Česká pojišťovna ZDRAVÍ. Five years later, Česká pojišťovna became the company's sole shareholder. Nineteen years after that, Česká pojišťovna ZDRAVÍ became fully integrated when it merged with Generali Česká pojišťovna. In the 1990s, the Group entered the supplementary pension market by establishing Penzijní fond České pojišťovny, a.s. (now Generali penzijní společnost, a.s.), the largest supplementary pension provider in the Czech Republic. On 1 April 2017, in the wake of the implementation of Solvency II, which resulted in an amendment to the Insurance Act that prevented insurance companies from distributing financial products other than insurance products within the scope of their "related operations", the Company transferred the internal distribution of the then Česká pojišťovna to a separate subsidiary. That subsidiary, Generali Česká distribuce, is now the largest financial advisory entity on the Czech market.

GENERALI ČESKÁ POJIŠŤOVNA WHO WE ARE

2008

A notable date in the modern history of the Company and its subsidiaries was 17 January 2008, when the Joint Venture Agreement between Assicurazioni Generali and PPF Group N.V. took effect, giving rise to Generali PPF Holding B.V., in which Generali Group had a 51% stake and the remaining 49% was held by PPF Group. This saw Česká pojišťovna and its subsidiaries become part of one of the largest insurance groups in Central and Eastern Europe. Since January 2015, Generali Česká pojišťovna and its subsidiaries have been fully owned by Generali Group.

2019

Generali Group's strategy of concentrating and streamlining its operations naturally led to the merger of the portfolio of Generali Pojišťovna a.s. and Česká pojišťovna ZDRAVÍ a.s. with the portfolio of Generali Česká pojišťovna in 2019 and 2020.

2021

Historically speaking, Generali Pojišťovna's presence in the Czech Lands dates back to 1832; after its forced hiatus, it returned to the Czech market in 1993 and offered a gradually expanding portfolio of personal and business insurance products. In 2018, it celebrated 25 years on the Czech market and ranked among the six largest Czech insurers with a market share of almost seven per cent.

In 2021, Generali Česká pojišťovna merged with Generali Poisťovňa a.s. in Slovakia. The highlight of 2021 was when representatives of the Czech insurer Generali Česká pojišťovna and the Slovak insurer Generali signed a "Business Sale Contract" at Villa Tugendhat in Brno, under which the two companies merged the organisation of their operations.

The Business Sale Contract took effect at the stroke of midnight on 19 December 2021. Since 20 December 2021, Generali operations in Slovakia have been continued by an organisational unit of Generali Česká pojišťovna going by the official name of Generali Poisťovňa, pobočka poisťovňa z iného členského státu.

2022

Generali Česká pojišťovna's subsidiaries currently also include real estate investment companies and the service organisation Acredité a.s., which is primarily dedicated to professional training and the organisation of qualification examinations (based on accreditation granted by the CNB). It also manages selected agendas of Generali Česká pojišťovna.

GENERALI ČESKÁ POJIŠŤOVNA GROUP HIGHLIGHTS

JANUARY 2022

AM Best, the international rating agency specialising in the insurance sector, confirmed the "A" financial strength rating with a stable outlook for Assicurazioni Generali and its main rated subsidiaries, among them Generali Česká pojišťovna, shortly before the end of 2022.

FEBRUARY 2022

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

At the end of the month, war broke out in Ukraine. Generali Česká pojišťovna and its Slovak branch joined the wave of support and solidarity and, as the year progressed, provided assistance to refugees from Ukraine as they arrived in the Czech Republic and Slovakia. This was financial and material support, as well as volunteering, a special product for refugees, and funding of the translation of the Záchranka app into Ukrainian and Vietnamese.

In Slovakia, Generali poisťovňa (pobočka Generali České pojišťovny) introduced Leon, an innovative new feature in the form of a chatbot, whose job is to help customers put together the documents they need for an insurance claim. This has speeded up the whole process of settling insurance claims and will help customers to get their insurance compensation even faster.

MARCH 2022

Generali Česká pojišťovna launched Generali Vitality a sophisticated preventive health programme that includes discounts and rewards for customers who meet fitness goals and engage in preventive behaviour. This is a smart way for life insurance to incentivise an active lifestyle and, in doing so, improve health and fitness.

In March, Generali Česká pojišťovna rolled out REDy, a new advisory service to help customers understand their current situation and set themselves goals and plans. Using this tool, they receive a roadmap from their adviser containing the most useful products tailored to their needs.

The Slovak branch introduced LTP packages,a new concept that responds to all important events in customers' lives by offering the corresponding insurance.

APRIL 2022

Diversity and inclusion are important issues for Generali Česká pojišťovna. It decided to promote them by becoming the general partner of the new #FinŽENY project.

In Slovakia, Generali poisťovňa (pobočka Generali České pojišťovny) expanded its range of segmented life insurance, which is tailored to the risks arising from a customer's occupation, age and gender, to include life insurance specifically targeted at people working in administration.

MAY 2022

Generali Česká pojišťovna opened two learning centres for Ukrainian citizens at its offices in Brno and Prague. This project was carried out in cooperation with the Organisation for Aid to Refugees (Organizace pro pomoc uprchlíkům) and under the direct auspices of the Statutory City of Brno.

JUNE 2022

Generali Česká pojišťovna announced the results of the second year of SME EnterPRIZE. This competition recognises small and medium-sized enterprises that adhere to and promote the principles of sustainability in their business and, in doing so, have a positive impact on the environment. First place went to IN-EKO Team.

Generali Česká pojišťovna unveiled an unrivalled new product – Klinika Generali České. This is a specialised concept of health-related services and technical solutions that both extend life insurance into health care and aptly complement the services of the public health system.

JUNE
2022

In the 20th annual Golden Crown (Zlatá koruna) competition, the Company won the Entrepreneur Award, for its ProfiPlán business insurance.

In the Horská záchranná služba (Mountain Rescue Service) application, which has been helping tourists and rescuers in Slovakia for two years, the company introduced significant innovations such as the automatic sending of information about conditions in selected mountain areas, two-way video chat, automatic translation in chat for foreign users, and simplified registration.

AUGUST
2022

Generali Česká pojišťovna launched the Moje Škody (My Damage) assistant to make it even easier to inspect damaged property or cars (take photos and document insurance claims). Customers conduct the inspection of the damaged property themselves at their own convenience. They quickly and easily take photos of the damage with their mobile phone or attach them from the photo gallery.

At the end of the month, Generali Česká pojišťovna launched a new advertising campaign focused on the specific needs of its customers. This included the release of a new visual communication style, which is also used in this Annual Report. The advertising campaign was also localised for the Slovak market, where it ran in October.

SEPTEMBER
2022

New web-based reporting of vehicle damage was introduced for Generali Česká pojišťovna's customers through a completely new environment in the claims handling section. Customers no longer need to know their insurance policy number in order to report damage; the vehicle registration number is all they need.

OCTOBER
2022

Generali Česká pojišťovna presented its first ever media campaign, called Insurance-Pension-Investment, which also introduced its affiliate Generali Investments and its subsidiary Generali Penzijní společnost. In line with the lifelong partnership strategy, the aim was to draw customers' attention not only to insurance, but to the need to future-proof themselves in general.

Generali Poisťovňa (pobočka Generali České pojišťovny) performed strongly in the Zlatá minca (Gold Coin) 2022 survey, where it defended the title of Most Innovative Insurance Company and took a podium finish in six of the nine categories judged in the Insurance Companies category.

In the SIBAF® Awards 2022, the Slovak Association of Insurance Intermediaries honoured the quality of Generali's products and services by awarding the Company first place in the Business Insurance category and second place in the Personal Insurance and Collision Insurance categories.

NOVEMBER
2022

Generali Česká pojišťovna won first place in the Insurance Companies category of the Most Trusted Brands programme. This is an independent poll in which 4,000 consumers rate how much they trust brands.

The Generali Česká pojišťovna headquarters hosted the first student hackathon over a weekend in November. During the event, students were tasked with designing an algorithm that would offer customers the best insurance price while generating the most profit.

DECEMBER
2022

In Slovakia, Generali poisťovňa (pobočka Generali České pojišťovny) introduced another innovation – the Generali Over ma app, which enables customers to verify their identity in just a few clicks and gain detailed access to their insurance policies and claims.

AWARDS

In 2022, Generali Česká pojišťovna scored highly in all categories of the prestigious VISA Best Insurance Company competition.

Generali Česká pojišťovna was awarded third place in the Best Life Insurance Company category and second place in the Non-Life Insurance Company category. The Company picked up further awards for its customer friendliness. It was ranked second in the Most Customer Friendly Life Insurance Company category and third in the Most Customer Friendly Non-Life Insurance Company category.

Other Accolades

The expert jury of the Bank of the Year survey awarded Generali Česká pojišťovna third place in both the Responsible Insurance Company of the Year category and the Insurance Company without Barriers category.

In the 20th annual Golden Crown competition, the Company won the Entrepreneur Award for its ProfiPlán insurance.

During the year, Generali Česká pojišťovna picked up a number of prizes in themed competitions related to public relations, marketing, HR and, for example, its call centre.

In the LEMUR competition (Czech public relations awards), Generali Česká pojišťovna was runner-up in the Business-to-Business category for the concept behind its SME EnterPRIZE competition, which promotes sustainable business.

At the Czech Event Association's annual awards ceremony, which judges the top achievements in the field of event communication, Generali Česká pojišťovna (together with Česká spořitelna) took home the Grand Prix for the multi-genre concert "Our Nation – Your Culture". The event was also named the winner in the B2P Events category (for events in support of public relations).

In the ninth edition of the Czech Contact Center Award, Generali Česká pojišťovna's did well in the People category. Third place went to the Company for its project that demonstrated a call centre approach to working with change in the context of recruitment and permanent working from home. The call centre focused on finding new ways and approaches to adapt quickly to change and learn from mistakes.

Among university students, Generali Česká pojišťovna again claimed first place in the TOP Employers poll. For the eight time in a row, the Company earned plaudits from university students asked to decide which employer they would most like to join. The Company also topped the special EKONOM category, in which the ranking is determined on the basis of questionnaires filled in by students of economic faculties at universities with the best study results.

Generali Česká pojišťovna was awarded a silver certificate in the Diversity Index, which is an indicator of individual companies' strategy and direction in the field of diversity. This annual campaign is organised by the Diversity Charter, of which Generali Česká pojišťovna is a member. This demonstrates Generali Česká pojišťovna's commitment to promoting diversity and inclusion. It won the award for the efforts it has made in addressing and identifying issues in this area.

The 2022 Most Trusted Brands programme saw Generali Česká pojišťovna win first place in the Insurance Companies category. This is an independent poll in which 4,000 consumers rate how much they trust brands.

Generali Česká pojišťovna attaches great importance to the support of colleagues possessing outstanding potential. In the Young Lions young talent competition, Hai Minh Do and Jiří Tichý from the online sales and performance marketing team earned gold in the Marketers category. They beat eleven other teams in this prestigious tournament for young talents up to 31 years of age by creating the best project for the non-profit organisation Good Fairies for Children (Dobré víly dětem) within 24 hours.

WE’RE A PARTNER OUR CUSTOMERS CAN RELY ON

We’re there for our clients every step of the way. They can depend on us to be there through thick and thin.

KEY FINANCIAL INDICATORS

Basic indicators	Units	2022	2021	2020	2019	2018
Highlights from the financial statements						
Total assets	CZK millions	124,578	137,233	116,763	119,267	117,091
Share capital	CZK millions	4,000	4,000	4,000	4,000	4,000
Shareholder's equity	CZK millions	19,055	20,671	19,851	18,213	22,390
Retained earnings	CZK millions	16,003	13,454	11,450	9,835	15,805
Net profit	CZK millions	4,530	9,641	4,818	3,216	3,115
Performance indicators						
Gross earned premiums	CZK millions	47,941	38,782	38,347	29,079	28,725
– non-life insurance	CZK millions	34,022	28,211	27,694	21,332	20,650
– life insurance	CZK millions	13,919	10,571	10,653	7,747	8,075
Gross benefits and claims paid	CZK millions	26,890	22,774	22,022	18,096	17,215
– non-life insurance	CZK millions	17,048	14,480	14,277	11,447	10,220
– life insurance	CZK millions	9,842	8,294	7,745	6,649	6,995
Total insurance provisions in insurance liabilities	CZK millions	85,892	91,450	77,624	79,732	60,920
– life insurance provision	CZK millions	52,358	57,621	48,649	50,037	39,230
– other insurance provisions	CZK millions	33,534	33,829	28,975	29,695	21,690
Other information						
Czech market share in premiums written[1]	%	24.9	26.0	26.7	20.6	21.5
– non-life insurance	%	26.8	28.3	28.9	22.8	23.7
– life insurance	%	20.7	21.2	22.3	16.1	17.1
Slovak market share in premiums written[1]	%	12.00	11.48	10.92	10.13	9.71
– non-life insurance	%	14.00	13.31	12.91	12.05	11.56
– life insurance	%	9.64	9.48	8.89	8.26	7.93
Average number of employees	number	3,568	3,653	3,136	2,990	2,988
Performance ratios						
ROA (net profit/total assets)	%	3.6	7.0	4.1	2.7	2.7
ROE (net profit/equity)	%	23.8	46.6	24.3	17.7	13.9
Equity per share	CZK	476,375	516,775	496,282	455,325	559,750
Earnings per share	CZK	113,250	240,025	120,443	80,432	77,826
Non-life combined ratio	%	84.4	84.0	77.3	92.8	85.6

[1] The Czech market share is sourced from the Czech Insurance Association, and the Slovak market share is sourced from the Slovak Insurance Association.

DESCRIPTION OF GROUP STRUCTURE, POSITION OF GENERALI ČESKÁ POJIŠŤOVNA A.S.

As at 31 December 2022, Generali Česká pojišťovna was part of a group; the company at the pinnacle of that group's holding structure is Generali CEE Holding B.V. This holding company's consolidated annual report will be published on its website at www.generalicee.com/article/annual-reports.

The ultimate controlling entity of Generali Česká pojišťovna is Assicurazioni Generali S.p.A., which held a 100% stake in the voting rights attached to the shares of Generali CEE Holding B.V. as at 31 December 2022. The Company's sole shareholder is Generali CEE Holding B.V.

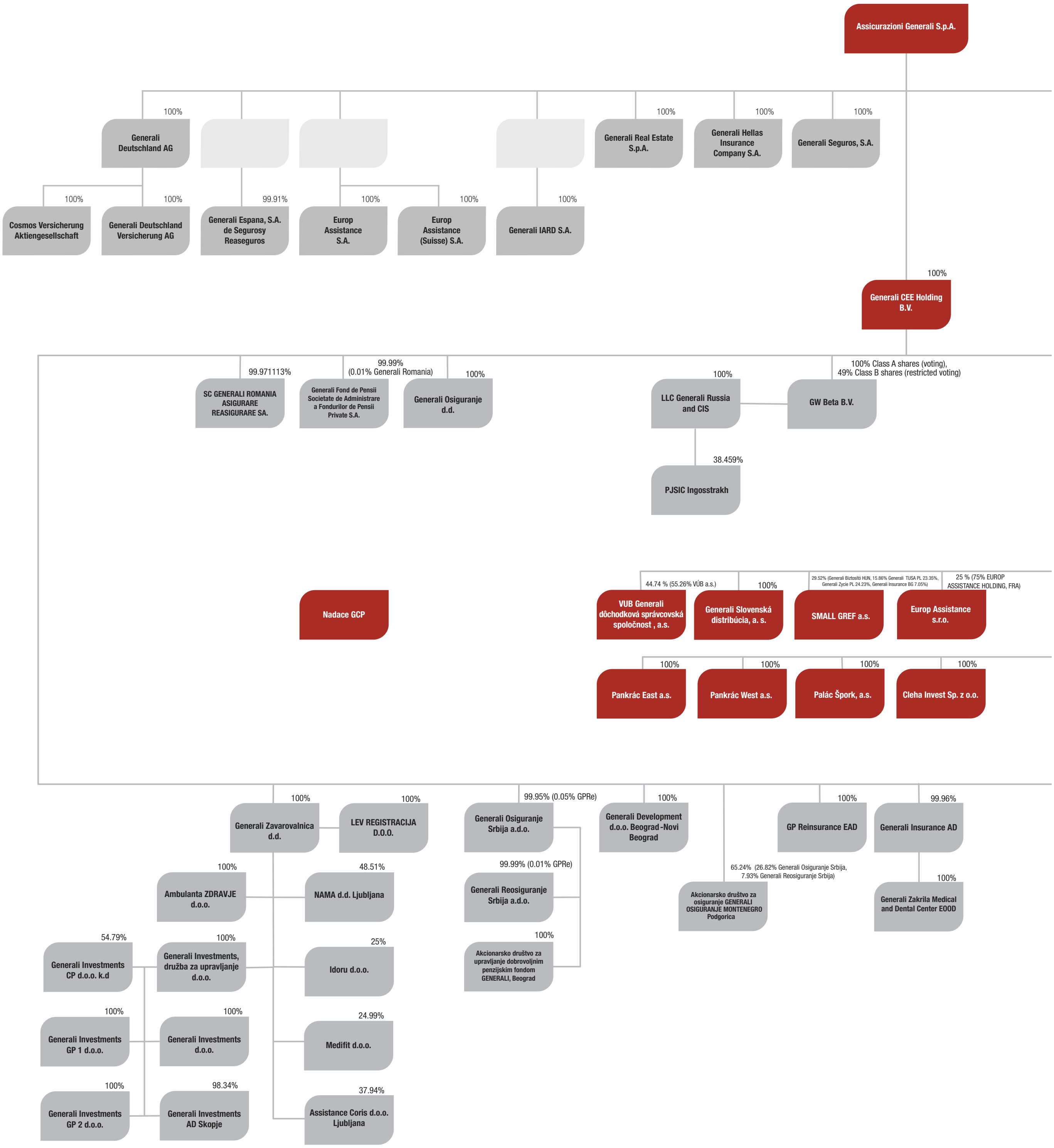
GENERALI CEE HOLDING B.V.

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

Generali CEE Holding B.V. directs the business of its subsidiaries through an organisational unit based in Prague, Czech Republic. The holding company has operations not only in the Czech Republic, but also in Slovakia, Poland, Hungary, Romania, Bulgaria, Serbia, Slovenia, Montenegro, and Croatia. Since 1 September 2022, Austria has no longer been part of the holding company's operations. As of that date the region was renamed CEE and became part of the International region.

GENERALI CEE HOLDING B.V. GROUP STRUCTURE

as at 31 December 2022




100%
GENERALI OPERATIONS SERVICE PLATFORM S.R.L.
100%
Generali Italia S.p.A.
99,95%
Generali Sigorta A.S.
100%
Generali Insurance (Thailand) Public Co.
49%
Future Generali India Life Insurance Company Ltd.
100%
Generali Investments Luxembourg S.A.
100%
Generali Versicherung AG
100%
Genagricola – Generali Agricoltura S.p.A.
100%
Generali Immobilien GmbH
100%
PCS - Praha Center spol. s r.o.
100%
GRE PAN-EU Prague 1 s.r.o.
100%
PAN EU Kotva Prague a.s.
100%
S.C. Genagricola Romania S.r.l.
100%
Generali Česká pojišťovna a.s.
100%
Generali Investments CEE, investiční společnost, a.s.
Generali Invest CEE Global Exposure ICAV
50% (50%) (GCEE holds 1 subscriber share and GICEE holds 1 subscriber share)
100%
GRE PAN-EU Jeruzalemská s.r.o.
100%
PAN EU IBC Prague s.r.o.
100% (GCEE holds 1 share in trust for GICEE)
Generali Invest CEE Plc.
100%
Green Point Offices a.s.
50% (50% GREF)
PALAC KRIZIK a.s.
100%
Pařížská 26, s.r.o.
100%
Generali penzijní společnost, a.s.
100%
Acredité s.r.o.
100%
Generali Česká Distribuce a.s.
50.18 % (25.18% GP Re, 24.64% SMALL GREF)
Generali Real Estate Fund CEE a.s., investiční fond
100%
Office Center Purkyňova, a.s.
100%
MUSTEK PROPERTIES s.r.o.
100%
Náměstí Republiky 3a, s.r.o.
100%
SIBSEN Invest sp. z o.o.
100%
PL Investment Jerozolimskie I Sp. Z o.o.
100%
IDEE s.r.o.
100%
Solitaire Real Estate, a.s.
100%
Generali Biztosító Zrt.
100%
Generali Befektetési Zrt.
100%
Generali Zycie Towarzystwo Ubezpieczen S.A.
100%
Generali Towarzystwo Ubezpieczen S.A.
100%
Generali Investments Towarzystwo Funduszy Inwestycyjnych S.A.
61%
Európai Utazási Biztosító Zrt.
100%
Genertel Biztosító Zrt.
25%
Saneo S.A.
25.95%
Bankowy Osrodek Doradztwa i Edukacji Sp. Z o.o.
100%
Generali Powszechne Towarzystwo Emerytalne S.A.
100%
Generali Finance spólka z ograniczona odpowiedzialnoscia
74% (26% GCEE)
Generali Alapkezelő Zrt.
100%
Generali-Ingatlan Vagyonkezelő és Szolgáltató Kft.
100%
Bezpieczny.pl Sp z o.o.
26%
Europ Assistance Magyarország Befektetési és Tanácsadó Kft.
100%
GP Consulting Pénzügyi Tanácsadó Kft.
14.9%
Fundamenta-Lakáskassza Lakástakarék-pénztár Zártkörűen Működő Részvénytársaság
100%
Atotal Insurtech Kft.
100%
Roar biztosítási és pénzügyi közvetítő Kft.

CORPORATE GOVERNANCE

(as at the Annual Report compilation date)

Board of Directors

Chairman
Roman Juráš

Member since: 1 July 2019
Date of appointment: 1 September 2019
Born: 1970
Education: University of Economics, Bratislava
Experience: KPMG Alpen Treuhand GmbH Vienna, VÚB Generali 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 2022
Date of appointment: 26 September 2022
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.; Pojišťovna Patricie a.s., Generali PPF Holding B.V. (from 2015 Generali CEE Holding B.V.); PPF Group; Generali Česká pojišťovna a.s.

Member
Karel Bláha

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

Member
Katarína Bobotová

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

Member
Jiří Doubravský

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

Member
Andrea Leskovská

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

Member
Pavol Pitoňák

Member since: 20 January 2021
Born: 1975
Education: Slovak University of Technology, Bratislava; ESCP-EAP, Berlin
Experience: Allianz – Slovenská poisťovňa, a.s., Allianz – Slovenská dôchodková správcovská spoločnosť, a.s., Wüstenrot poisťovňa, a.s., Wüstenrot stavebná sporiteľňa, a.s., Poisťovňa TATRA, a.s. (Poisťovňa Poštovej banky, a.s.), Generali Poisťovňa, a.s., Generali Česká pojišťovna a.s.

Member
David Vosika

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

Member
Marián Zelko

Member since: 1 March 2023
Born: 1984
Education: Faculty of Business and Management, University of Economics, Bratislava
Experience: Allianz – Slovenská poisťovňa a.s., Generali Poisťovňa a.s., Generali Česká pojišťovna a.s.

Fields of Competence of Members of the Board of Directors

Chief Executive Officer
Roman Juráš

Chief Financial Officer
Petr Bohumský

Chief Corporate and industrial Insurance Officer
Karel Bláha

Chief Operating Officer
Jiří Doubravský

Chief Sales Officer for the Czech Republic
Marián Zelko

Chief Sales Officer for the Slovak Republic
Pavol Pitoňák

Chief Life and Health Insurance Officer
David Vosika

Chief Non-life Insurance Officer
Andrea Leskovská

Chief Transformation, Marketing and Customer Development Officer
Katarína Bobotová

Supervisory Board

Chairman
Miroslav Singer

Member since: 1 February 2022
Date of appointment: 1 February 2022
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
Marek Jankovič

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

Member
Marek Kubiska

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

Member
Miloslava Mášová

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

Member
Antonella Maier

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

Member
Manlio Lostuzzi

Member since: 1 January 2023
Born: 1960
Education: University of Trieste
Experience: Generali, Generali Italia S.p.A., Genertel S.p.A., Generali GC&C, Generali CEE Holding

Audit Committee

Chairman
Martin Mančík

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

Member
Beáta Petrušová

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

Member
Roman Smetana

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

MANAGEMENT REPORT

Generali Česká pojišťovna is a modern financial institution with an international background and a profound knowledge of the Czech and Slovak markets. It provides life and non-life personal lines, as well as insurance for small, mid-sized, and large customers covering business and industrial risks and agriculture. With a market share of 24.9%, it remains the largest insurance company on the Czech insurance market. In the Slovak market, the branch has been the fastest grower in the long term and, with a market share of 12.7%, belongs among the top three insurers. Generali Česká pojišťovna is also part of Generali Group, one of the world's largest insurance and asset management providers. As a member of that group, and in support of the "Lifetime Partner 24: Driving Growth" strategy, it was integrated into the new International Business unit in mid-2022, along with other Generali Group companies in the CEE region. The new unit encompasses Generali Group's operations in Asia, the Mediterranean and Latin America.

The Company's size and stability guarantee that it will be able to meet its commitments whatever the circumstances. This was confirmed by the financial strength rating of "A" with a stable outlook, as well as the long-term credit rating of "a+", that Generali Česká pojišťovna received from the international rating agency AM Best. Generali Česká pojišťovna provides major technological innovations together with fast and professional services. The constantly broadening use of modern technology and advances in robotics and automation also help in situations where customers need to be provided with really effective and fast assistance.

Its standing as a strong and stable partner was borne out by its performance during 2022, which was marred by Russia's military incursion into Ukraine at the end of February. This extraordinary event significantly influenced the geopolitical and economic situation in the world, especially in Europe. From the outset, Generali Česká pojišťovna analysed the potential impact on the Company's assets, financial situation, operational risks and business continuity. Despite the rapid rise in inflation, the dramatically increasing volatility of the financial markets and the slowdown in economic growth, the Company has stood its ground excellently. Not only as a reliable partner for customers and employees, but also as a responsible partner for people who find themselves in need in the wake of the war. Generali Česká pojišťovna lent a helping hand to refugees coming from Ukraine in various forms – financial support was channelled into selected non-profit organisations. All of this was bolstered by volunteering among employees and agents who, in addition to providing physical assistance, also organised fundraisers. Another important aspect was the modification of the scope of liability insurance in ordinary civil life to cover refugees from Ukraine who are being accommodated in customers' properties. A school for children and adults from Ukraine was opened right on the premises of Generali Česká pojišťovna's customer centres in Brno and Prague.

Because of their proximity to events, colleagues from the Slovak Generali have been actively providing humanitarian, material and financial assistance directly on the Slovak-Ukrainian border since the beginning of the military conflict. Similarly, the Company launched free special accident cover for Ukrainians, valid for one year.

Generali Česká pojišťovna's role is not only to be a reliable lifelong partner to its customers when an insured event occurs, but also to prevent such situations in the first place. The Company continuously promotes prevention, health care and a healthy lifestyle and brought several exceptional innovations to the market in 2022. One of them was in life insurance, offering customers discounts and rewards for leading an active and healthy lifestyle. Another remarkable venture is Klinika Generali České, a concept of health-related services and technical solutions that both extend life insurance into health care and aptly complement the services of the public health system.

Generali Česká pojišťovna is continuing its successful work in the field of road safety prevention,where it has a long tradition. Here, it organises the Gentleman of the Road project, which recognises observant road users who have helped to save lives. The same can be said of the GČP Index, which twice a year closely monitors road safety in regional cities and 206 municipalities with extended powers. The SRNA Index is a unique system informing the public about collisions with wildlife on Czech roads every spring and autumn. It also provides an overview of the riskiest sections across the regions.

One of the pillars of Generali Group's overall strategy is sustainability. The SME EnterPRIZE competition, which was held for the second time in 2022, makes an important contribution to this strategy. SME EnterPRIZE is an original way of promoting environmentally sustainable businesses.

Beyond its charity efforts in response to the events in Ukraine, the Company continued to actively support other non-profit partners. The Company is heavily involved in The Human Safety Net, a global initiative organised by its parent Generali Group. In the Czech Republic, Generali Česká pojišťovna is committed, under this initiative, to improving the quality of care at maternity hospitals, tackling neonatal asphyxia, and supporting families whose children face serious consequences after being born prematurely. Then there is a foundation, set up in 2009, under which aid is directed into a multitude of regions through a grant scheme that enables members of the public and non-profit organisations from all over the country to apply for financial support.

The Company is also working on the development of The Human Safety Net initiative in Slovakia. Here, Generali Poisťovňa is behind a unique programme called Learning for Life, which helps disadvantaged and socially vulnerable families with children up to the age of six.

The Czech Insurance Market – Situation and Outlook

The Market in 2022

Despite the adverse economic and political circumstances triggering a sharp rise in inflation and the energy crisis, the insurance market thrived in 2022. The positive news is that companies and people are realising how important insurance can be. As a result, the number of new policies is growing. Total written premiums amounted to CZK 157 billion, i.e. an increase of 7%, which is a 2.7 p.p. rise on the previous year. The main contributor was non-life insurance, which accelerated to 8.9%. This dominant share has continued to grow to the point where it now accounts for more than two thirds of all premiums.

The driving force behind the growth in non-life insurance was personal property and liability insurance, which has climbed to record volumes in the last two years (accelerating to a high 11.4% this year). One reason for this was the 2021 tornado, after which interest in property insurance and customers' awareness of the need to have their home insured to the right value shot up.

Growth in 2022 was also fuelled by collision insurance, which accelerated during the year to reach 9.4%. This positive trend is partly underpinned by the increasing number of insured vehicles. In the case of MTPL insurance, on the other hand, the growth in the number of policies is much lower and the prices of insurance are not rising as much as the prices of spare parts and labour in service centres. Consequently, MTPL insurance is likely to grow more strongly next year than it did in 2022, when it was one of the least expanding non-life insurance classes.

Other non-life insurance was up by 16%, helped by travel insurance, which stabilised after a difficult year. Business insurance climbed 10.4% year on year, although this high growth was driven by an exceptional acquisition in the area of large risks from abroad, which increased the market size in 2022.

Regular-premium insurance, accounting for over 98% of the total life insurance volume, accelerated by almost 2 p.p. to 3.5% compared to 2021 and totalled CZK 49 billion. New contract sales also flourished. The volume of new regular-premium insurance increased by a high 25% year on year. However, this rise was heavily influenced by the ongoing special deals on the market allowing contracts to be reworked even within the cancellation period.

Economic Situation

Economic developments in 2022 were impacted by abnormal factors stemming from the war in Ukraine. One of the consequences was a further rise in energy and food prices, which exacerbated the inflationary tendencies already observed in 2021. Escalating inflation had a negative impact on real household incomes and consumption, acting as a drag on overall GDP growth. Inflation in a number of European economies, including the Czech Republic, peaked during last autumn, so price pressures are expected to ease in 2023. Economic performance should recover, but in annual terms this year there are many cases where GDP growth will be weak.

Preliminary data indicates that the Czech Republic will post GDP growth of 2.5% in 2022. Expenditure on gross capital formation and exports rose, while household consumption fell. On the GDP generation side, manufacturing was the driving force, where the supply-side situation improved. Services, in particular the trade, transport, accommodation and hospitality group, also had a positive effect. Nevertheless, the second half of the year was a time of economic recession. Quarter-on-quarter GDP growth is expected to recover in 2023, but full-year growth in the Czech economy will be weak, at around 0.5%.

The combination of rising commodity prices and the fading effects of previous demand growth in the Czech economy led to a significant surge in inflation in 2022. A similar phenomenon has been observed across Europe and elsewhere. The CNB continued to raise interest rates in response to inflationary pressures in the first half of 2022. The repo rate touched 7% in June and has been stable since then. The CNB expects interest rates to remain steady in the first half of this year, but the combination of falling inflation and a relatively strong crown could open up room for interest rate cuts in the second half of the year. The CNB intervened in the foreign exchange market during 2022 to prevent the Czech currency from depreciating, but since the autumn the crown has been on a path of appreciation, meaning that further foreign exchange interventions by the central bank were no longer needed.

REPORT ON FINANCIAL PERFORMANCE

Generali Česká pojišťovna has long been a highly capitalised and stable company, with assets totalling more than CZK 124 billion as at CZK 31 December 2022. Shareholder's equity is CZK 19 billion and the share capital stands at CZK 4 billion.

Assets

The value of equity investments decreased by nearly CZK 300 million. The Company sold part of its shares in SMALL GREF a.s. and VÚB Generali dôchodková správcovská spoločnosť, a.s.

The largest asset item by volume was investments. As at 31 December 2022, they amounted to CZK 71.9 billion, a decrease of approximately CZK 13.9 billion compared to 2021, mainly due to a decline in the fair value of securities as a result of negative market developments – i.e. a combination of adverse shocks driven by the outbreak of the war in Ukraine, a sharp rise in energy prices and aggressive monetary tightening.

The increase in deferred tax assets by roughly CZK 1 billion compared to 2021 can mainly be attributed to a decrease in valuation differences on securities and the related increase in deferred tax assets.

Details of the Company's asset position are set out in the financials of this Annual Report.

Treasury Stock

Generali Česká pojišťovna a.s. did not hold any treasury shares during the 2022 accounting period.

Earnings

In 2022, Generali Česká pojišťovna a.s. reported a post-tax profit of CZK 4.5 billion a.s. according to international accounting standards, a CZK 5.1 billion drop on 2021. One significant and exceptional item affecting 2021 profit was CZK 4.2 billion from the sale of the subsidiary CP Strategic Investments N.V. as part of Generali Group's restructuring activities in the Czech Republic. Details of the Company's financial performance are set out in the financials of this Annual Report.

Generali Česká pojišťovna a.s.'s total written premiums in 2022 stood at CZK 48.4 billion. Of this figure, non-life insurance accounted for CZK 34.5 billion and life insurance for CZK 13.9 billion. Despite the impact of the Slovak branch in 2022, the cost of claims went down by CZK 1.3 billion compared to 2021, mainly due to the natural perils that occurred in 2021.

Share Capital and Reserves

The Company's share capital was unchanged at CZK 4 billion in 2022.
In 2022, shareholder's equity deceased by more than CZK 1.6 million to CZK 19.1 billion.

Dividends in Previous Years

In April 2022, the sole shareholder, acting in the capacity of the General Meeting, decided to pay a dividend for 2021 totalling CZK 2 billion.

Insurance Provisions

Total insurance provisions (net of the reinsurer share) under the Insurance Act slipped by CZK 5.6 billion year on year to CZK 85.9 billion as at 31 December 2022.

Life Insurance Provisions

These provisions account for almost two thirds (61%) 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 2022, gross life insurance provisions totalled CZK 52.3 billion, down by CZK 5.3 billion on the previous year.

Non-life Insurance Provisions

These provisions include a provision for claims reported but not settled (RBNS) and a provision for claims incurred but not reported (IBNR).
As at 31 December 2022, these provisions for non-life insurance claims totalled CZK 23.7 billion, down by CZK 0.8 billion on the previous year.

They also include a provision for unearned premiums, which rose by CZK 0.4 billion year on year to stand at CZK 9.2 billion as at 31 December 2022.

Receivables and Payables

Receivables increased by CZK 1.1 billion due to the difference between the amount of advances on tax due and the projected tax liability calculated for 2022. The amount of advances was based on high tax liabilities for the previous tax periods. Payables decreased by CZK 4.3 billion, mainly due to the repayment of the purchase price liability related to the purchase of the portfolio in the amount of CZK 5.9 billion, as well as an increase in collateral.

REPORT ON BUSINESS ACTIVITIES IN THE CZECH REPUBLIC

Non-life Insurance

The Company continues to maintain its leading position as a provider of non-life insurance services in the Czech Republic. This position is stable despite the decision to join the current wave of the Green Line – an ESG project where the Company cleanses its portfolio of clients who do not meet defined environmental requirements.

In 2022, Generali Česká pojišťovna a.s. accounted for 26.8% of non-life insurance premiums written in the Czech Republic, which is lower than in 2021, when it accounted for 28.3%.

Generali Česká pojišťovna a.s.'s non-life premium billing came to CZK 29 billion in 2022, tantamount to year-on-year growth of CZK 793 million (2.8%). This result is significantly higher than in 2021 and is largely driven by the response to market inflation. The Company has been forced to review the adequacy of customer insurance coverage, which has resulted in an increase in policy amounts and therefore a rise in premiums written.

Claims costs declined by CZK 1.7 billion compared to 2021, due to smaller-scale disasters than in 2021.

There were four natural disasters in 2022. In the summer, there were two crop disasters, totalling EUR 540 million. In February and June, there were two natural disasters involving both business and personal property insurance and agricultural crops, also worth a total of CZK 540 million.

Business Risk Insurance

In business risk insurance (including accepted reinsurance), premiums written climbed by CZK 355 million in 2022. Property insurance for medium-sized enterprises accounted for the largest share of the increase. In corporate business, written premiums decreased slightly.

Costs in the business insurance segment fell by CZK 2 billion year on year in 2022.

Corporate Insurance

2022 was a successful year in terms of both premiums written and expenses.

In written premiums, despite significant declines in fossil fuel-related business, the previous year's levels were almost matched. Compared to the previous year, costs have decreased by CZK 1.9 billion, which is half of the 2021 amount.

SME Property and Liability Insurance

As far as medium-sized enterprises are concerned, 2022 was similar to the corporate sector. Premiums written increased by a moderate CZK 224 million, with costs decreasing slightly by CZK 134 million.

Agricultural Insurance

Agricultural insurance also recorded an increase in premiums written of CZK 156 million. Claims costs remained at a similar level to 2021, which was a relatively challenging year for claims. Disasters also had an impact on the level of costs in 2022.

Non-life Personal Lines

In non-life personal lines, there was a significant increase in premiums written by CZK 390 million in 2022 compared to 2021.

Despite the negative impact of the storms in the first half of the year and the increase in average claims linked to inflationary pressures, claims costs were down by CZK 208 million compared to 2021, which had been severely impacted by storms and a tornado in June 2021. This sharp movement relates to personal buildings insurance. Although the pandemic situation calmed down in 2021, one of the most affected sectors – tourism – remained stalled. In 2022, travel agency activity finally picked up, with premiums written in personal travel insurance rising by CZK 77 million. However, in terms of volume, it still falls short of the pre-covid levels.

Motor Insurance

Although Generali Česká pojišťovna recorded a CZK 225 million increase in premiums billed, 2022 was not as positive for motor insurance as previous years. Nevertheless, as in previous years, this segment played a decisive role in the generally positive results reported for non-life insurance. Claims incurred increased by CZK 448 million in 2022.

In 2022, motor third party liability insurance premiums written were CZK 19 million lower than in 2021. Leasing insurance was the main contributor to this development, with a share of CZK 59 million. Cooling interest and a lack of new vehicles were apparent here. The slump in premiums written was offset by an increase in the fleet business, which saw a rise of CZK 38 million. Profitability and earnings both deteriorated year on year compared to the record years of 2020 and 2021, which were influenced by a low frequency of claims and double-digit inflation-related increases in average claims. Claims incurred were up by CZK 472 million compared to 2021.

The Czech collision insurance market evolved somewhat faster than the MTPL market compared to 2021. This was also the case at Generali Česká pojišťovna. Premiums written increased by CZK 244 million year on year, spearheaded by the retail insurance segment, where growth was CZK 247 million. Collision insurance still had a considerable impact on both the stabilisation of economic performance and the profitability of the whole non-life insurance industry. Claims incurred decreased by CZK 25 million. This was due to leasing insurance. Although the downward trend in leasing led to a significant decrease in premiums written by CZK 96 million, the contraction in costs was also considerable at CZK 64 million.

Innovation and Future Developments in Non-life Insurance

Corporate Insurance

For large-risk insurance, 2022 was a year of action to improve profitability in all GC&C lines of business. However, the main focus was on natural hazards insurance. The corporate insurance unit's analytical team formulated several hypotheses as to the possible reasons for the negative trend. A detailed analysis of the insurance portfolio showed the following in particular to be true:
- the low level of excess negotiated was reflected in a large number of small claims;
- the current critically low rates for selected insurance segments, such as housing associations or municipalities;
- the high incidence of claims caused by windstorm and hail risks.

The measures that have taken have thus been, and continue to be, aimed at correcting the above-mentioned shortcomings and returning large-risk property insurance to profit. Although the project will take three years, one year in there have already been noticeable results, with a 7.3% increase in property insurance rates.

In 2022, significant adjustments to the sums insured were negotiated with customers. These were in response to the dramatic increase in the prices of goods and services, including the cost of construction work, in order to obviate the risk of underinsurance. The changes made resulted in an approximately 21% increase in premiums for renewal policies.

In addition to actuarial activities, i.e. adjustments to key policy parameters such as higher or combined excess or higher premium rates and updates to sums insured, preparations to manage large risks in a different operating system progressed throughout the year. The new system is planned for launch in 2024. The conversion of some medium-sized enterprises' transactions to Profiplán was also launched. All this was done with the aim of optimising processes within the unit.

SME Property and Liability Insurance

In 2022, the Company discontinued the business property and liability insurance products MN, DP, MS, DS, with the exception of the construction installation insurance under the MSB product.

The JISTOTA product was updated to include:
- an increase in limits for buildings and contents insurance;
- new print templates;
- the transition to the new insurance conditions VPPMOP-P-02/2020;
- an increase in premium rates for new business related to individual perils in line with inflation and the loss ratio;
- the inclusion of an exclusion for losses arising from contagious disease;
- the possibility of arranging insurance by payment.

The Block of Flats insurance was updated to include:
- an increase in premium rates for new business related to individual perils in line with inflation and the loss ratio;
- the possibility of arranging insurance by payment.

The ProfiPlán property and liability insurance (MD) was updated to include:
– an increase in premium rates for new business related to individual perils in line with inflation and the loss ratio;
– an adjustment of features for working with claims clients;
– the updating of the policy terms and conditions for the insurance of breakdown cover (DPPASP-P-02/2020).

The Single Event insurance was updated to include:
– new print templates;
– the transition to the new insurance conditions VPPMOP-P-02/2020;
– an increase in premium rates for new business related to individual perils in line with inflation and the loss ratio.

Agricultural Insurance

Agricultural insurance, and specifically crop insurance, was hit by a spike in agricultural commodity prices in 2022. Within the scope of crop insurance, coverage in sugar beet insurance was extended to include the risk of loss of sugar content due to hail. The aim was to provide sugar beet growers with a comprehensive protection option. In livestock insurance, the new rider "Loss of reproductive capacity for the breeding bulls category" was introduced.

One system innovation for 2022 was the automation of trade discounts based on an assessment of a customer's loss history.

Transport and Financial Risk Insurance

In the insurance of a carrier's financial standing, coverage was expanded in response to the implementation of certain provisions of Regulation 2020/1055 of the European Parliament and of the Council. In May 2022, the new obligation to prove financial standing came into force for road freight carriers involved in international haulage with vehicles whose permissible laden weight exceeds 2.5 tonnes but does not exceed 3.5 tonnes.

In particular, parcel insurance was and still is adversely affected by the situation in Ukraine. With shipments of goods and technology supplies to the Russian Federation banned, a number of measures had to be taken to ensure that the Company complied with all regulations linked to the current sanctions regime.

Non-life Personal Lines

New business growth was driven by the March deployment of the updated Můj Majetek 2.0 (My Property 2.0) product and an increase in demand following the devastating and well-publicised tornado damage in South Moravia in June 2021. This growth was related primarily to buildings insurance. In non-life personal lines, further growth in premiums written is projected in conjunction with active acquisitions and work with the portfolio. Inflationary pressures and more frequent disasters caused by strong winds, a consequence of global climate change, are bound to affect profitability.

Together with the product revisions, a completely new front-end for contract negotiation was introduced. In addition, a new web service was launched in May 2022, which is expected to result in increased engagement with external partners. In the third quarter, the option to increase limits in property packages up to the sum insured was launched. Starting in September, there was intensive work on a brand new process for the indexing of the non-life portfolio to prevent underinsurance in the event of a claim. This campaign was launched in early 2023.

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

Customers showed more interest in travel insurance in 2022 than in the covid years of 2020 and 2021. It was decided, under Můj Majetek 2.0, to feed this interest with an adjustments to Chytré cestovní pojištění (Smart Travel Insurance).

Motor Insurance

The top line in motor insurance will be affected by a smaller increase in the number of newly insured vehicles in 2023. Profitability will be dented by the persistently rising average loss as a result of the escalating cost of spare parts, labour, painting and breakdown assistance.

In motor insurance, a completely new product for leasing companies was launched in 2022 and will be gradually distributed to individual business partners. Meanwhile, preparatory work has begun on the introduction of a new MTPL law, which is expected to come into force on 1 January 2024. At the end of the year, new policy conditions for retail motor insurance – written in B1 language – were issued. In fleet insurance, a new fleet renewal process has been set up to improve the long-term sustainability of the fleet portfolio. Also planned for 2023 are a number of product innovations linked to the implementation of changes arising from the new MTPL law.

Life Insurance

During 2022, Generali Česká pojišťovna a.s. focused primarily on making positive qualitative changes to its life insurance products Můj život 2 and Bel Mondo 20.

In response to market monitoring and distribution requirements, the Company continued to increase the quality of its products and improve selected insurance policies, which consisted mainly of removing or mitigating certain exclusions. Parallel to this, the financial and medical valuation limits for life, health and accident insurance were increased. The Generali Vitality programme has been introduced for customers leading active and healthy lifestyles. It acts as an incentive for them to stay on top of their health, while offering a range of benefits and a discount on risk premiums. In version 2 of Můj život (My Life), the Company has introduced online medical assessments. This method of health appraisal has increased the convenience of the customer and distribution system when arranging an insurance policy and has shortened the time it takes to be admitted to a policy.

For the business and staff insurance segment, the range of offerings was extended to include group personal accident insurance. This product innovation was made to the life and accident insurance portfolio for corporate clients so that the Company's corporate client service could be further enhanced.

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

Health Insurance

In mid-2022, the Company launched the sale of a new health product, Klinika Generali České. It has been developed with the aim of making the Company the first player on the market that can offer customers a comprehensive health service to complement their life insurance, and is intended to act as an apt complement to the public health system. It is also a step on the way to fulfilling one of Generali Česká pojišťovna's strategic goals: to become a lifelong partner to its customers. Klinika Generali České enables the Company to provide customers with comprehensive protection from the moment the life insurance is taken out, rather than waiting until illness or an accident strikes. Klinika Generali České has opened up a world of modern health services to its customers, allowing them to take care of their health without stress, save time and money, and feel completely assured that they are in control of their health so that they do not miss out on the good things they want to experience in their lives.

Klinika Generali České – a health portal with services – is embedded in the GČP Customer Zone. From here, customers can easily order and use services at any time they want. They have access to diagnostics, telemedicine (including e-prescriptions), consultations with a doctor or psychologist, and finding and making an appointment with a doctor.

Over and above these services, the health portal keeps track of check-up dates, vaccinations, and recommends preventive check-ups based on how old the customer is. It includes video tutorials and other resources on how to take care of your health. In addition, the version for older customers, Klinika pro seniory, includes the services of a case manager who will arrange medical and social assistance within 48 hours if customers experience a decline in self-sufficiency. The health portal features both web and mobile friendly displays. This way, customers simply have their Klinika in their pocket and can use it at any time and from anywhere, at home or abroad.

Klinika Generali České is more proof of the Company's role as a market innovator delivering unique products and modern technological solutions.

Financial Indicators

Total premiums written on regular-premium life insurance contracts increased by 0.5% year on year to CZK 10.2 billion. Single-premium products generated CZK 0.7 billion in premiums written. Regular-premium life insurance products were purchased by 130,000 customers in 2022.

In 2022, life insurance claims paid fell by 1.5% year to CZK 8.2 billion. This was due to the lower number of maturing contracts. As in previous years, the greatest number of paid claims was in the "death and survival insurance" class. In terms of monetary volume, most funds (CZK 3.5 billion) were released in the form of endowments. In 2022, the Company handled 216,000 claims from the life insurance portfolio.

Outlook

In 2023, the Company will continue to monitor current consumer protection requirements in life insurance distribution, sale, and changes. Particular attention will be paid to monitoring and fulfilling demands related to EIOPA's oversight requirements in value for money life insurance with an investment component and group products insuring the credit liabilities of customers of Generali Česká pojišťovna a.s.

During 2023, the Company will continue to focus on evaluating the implementation of the new requirements under Commission Delegated Regulation (EU) 2021/1257 related to the integration of sustainability factors, risks and preferences into product oversight requirements and into conduct in the provision of advice for insurance-based investment products.

In addition, the Company will continuously monitor the development of regulation under Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector to ensure that customers are always provided with comprehensible and up-to-date information within the scope of life insurance.

Sales of Insurance

Internal Distribution Channels

Czech Republic

The situation at Generali Česká Distribuce was more positive at the start of 2022 than in 2021. Once the covid-19 pandemic had subsided, GČD advisers and managers were able to devote themselves fully to consulting activities and were no longer constrained by the restrictions associated with the pandemic. As early as January, the Company's management had designated 2022 as the "Year of Business".

The optimistic outlook for 2022 was undermined by the outbreak of the conflict in Ukraine in late February. At this time, GČD once again proved its responsible approach to societal developments and reacted quickly to the situation. Consultants with Ukrainian citizenship received a special allowance from the Company. GČD was also involved in a fundraising campaign to support Ukrainian refugees, and bilingual materials were made available at advice points to help refugees obtain insurance coverage.

In the previous year (2021), the importance of property and real estate insurance was accentuated in the wake of the tornado that struck South Moravia. During the spring of 2022, the Můj Majetek 2.0. product was upgraded. This was accompanied by a significant update of the HUGO contracting system, enabling advisers to arrange property and real estate insurance more easily and, above all, faster.

As life insurance penetration among Czech citizens was still not at an optimal level, life insurance became the main topic at GČD in 2022. During the spring of 2022, the unique Vitality product, motivating customers to take a responsible approach to their health within the framework of life insurance, was launched. Those who lead a healthy lifestyle and participate in sports see their premiums drop in price. Another step encouraging customers to take out life insurance was the launch of Klinika, a product enabling customers to get medical advice, conveniently make appointments with doctors, and much more in a virtual environment. In the first half of the year, the discount system for life insurance was adjusted and advisers were better placed to decide whether to give a customer a discount or to prioritise a higher commission. In the autumn of 2022, advisers were given a new negotiation tool, REDy, which makes it even easier to analyse clients' individual life insurance needs.

The fact that the customer comes first was also reinforced by the main theme of Fórum 2022, the largest gathering of internal distribution members, which took place in May 2022 in Ostrava's Gong and was attended by almost 1,500 participants. This was the first time in more than two years that a significant proportion of internal distribution members were able to meet in person. One of the follow-ups to Fórum 2022 was the internal EXPO 2022 professional webinar fair, where expert representatives from headquarters discussed individual business topics with advisers and managers.

In order to maintain professional standards while meeting legislative requirements, GČD advisers attended 15 hours of various product and negotiation training and follow-up courses. For this purpose, GČD representatives used the Edflix training portal, which is a modern online learning platform.

The "Year of Business" label was also successful thanks to a new remuneration system launched at the beginning of 2022. It draws on the principle underlying our current corporate philosophy – to be a lifelong partner to our customers. The new remuneration policy has been designed to give advisers more incentive to increase their clients' contractual commitment and thus provide them with comprehensive financial advisory services. Alongside the new scheme, the Moje peníze (My Money) dashboard was introduced, giving advisers and managers a detailed overview of their performance and its impact on their compensation. The deployment of this dashboard saved advisers and managers time when searching for information about their performance and its effect on their remuneration. It was continuously tweaked during 2022, primarily in response to user feedback. The autumn incentives for advisers in life and non-life insurance and investments also boosted sales results.

From the perspective of GČD, 2022 can be considered a successful year, as the majority of its business objectives were met. Generali Česká Distribuce is a forward-looking employer and business partner, as evidenced, among other things, by the increase in the number of advisers to 3,917 in 2022.

In addition to its business activities, GČD also showed a high level of social responsibility in 2022. Besides helping refugees from Ukraine, GČD advisers and managers remained socially responsible throughout the year, raising CZK 340,000 in two fundraisers to support the Leontinka Foundation and the Vita et Futura Foundation.

In the run-up to Christmas, GČD representatives bought gifts for children housed in shelters in Prague, Brno and Pardubice.

Slovak Republic

The situation in Slovakia during 2022 was very similar to that in the Czech Republic. Although the early part of the year was still tainted by the covid-19 pandemic, things were gradually getting back to normal. After the conflict broke out in Ukraine, a crisis team was set up in Slovakia to assist refugees from Ukraine.

For several years in a row, the Slovak internal network has performed strongly and has been successful from both a sales and staff perspective. Alongside this, the entire management structure of the internal networks was heavily involved in promoting the LifeTime Partner strategy through multiple projects and initiatives.

For Generali Slovenská distribuce, 2022 can also be viewed as a successful year, as all key indicators and business targets were met. At the end of 2022, Generali Slovenská distribuce had some 600 captive financial agents and 70 managers in its own sales network and approximately 100 agents and 15 managers in its corporate network.

During 2022, representatives of both internal networks also displayed a sense of responsibility and belonging; together, they raised more than EUR 5,000 to help children from disadvantaged families (under the Learning for Life initiative) and refugees from Ukraine.

Specific Distribution Channels

External Retail Partners – Focus on Personal Lines

In 2022, Generali Česká pojišťovna continued to intensify its cooperation with external partners and further accelerated production compared to the previous year in all areas, especially in the retail segment. Also, thanks to the integrated one-stop service provided by consulting and brokerage companies working together, the entire external market can be covered in life and non-life insurance by taking advantage of the synergies this creates.

In 2022, two product innovations were launched in life insurance. The Vitality programme focuses on a healthy lifestyle and motivates clients to exercise and enjoy the rewards that follow. The Klinika programme adds a health element to life insurance, creating comprehensive protection for the customer. In addition, the sums insured (especially for disability) and limits for medical examinations were increased and the online health questionnaire was improved. Last but not least, the LISA 2 calculator has been stabilised and made faster.

In non-life insurance, the upgraded Můj Majetek 2.0 product was launched at the beginning of the year to make for a new, faster and more modern policy arranger. Sales here were supported by engaging marketing promotions. Communications to advisers about contracts were also improved, with new features added to the San Marco portal. At the end of the year, the new FotoAsistent app was launched to make it easier and more intuitive to take photos for motor insurance, offering QR code photography and, thanks to artificial intelligence, automatic checking of the pictures taken.

As in the previous year, 2022 was primarily dominated by digital transformation. A significant step was the linking of non-life insurance products to the web services of partner companies and the deepening of cooperation with firms providing independent product comparisons. Based on partner feedback, the San Marco sales portal is continuously being improved. This portal makes partners more data-connected with the Company and provides them with information about their insurance policies online.

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

For the Slovak branch, 2022 was challenging in many ways, but it was still an outstanding year. The Slovak Generali and the Czech Generali Česká pojišťovna merged the organisation of their operations and functioned as a single entity throughout the year. This integration of Slovak and Czech activities made it possible to share resources, streamline processes and make the best use of experience and know-how from both companies. As a result, the branch managed to grow its written premiums in the face of the challenges thrown up by the year, and did so at twice the market rate. The primary objective of the link-up was to ensure that services remained at the same high level and that customers did not experience the change in a negative way. This goal was met with flying colours.

The comprehensive care, high-quality service and appealing product portfolio were reflected in the branch's full-year results. Generali Poisťovňa ended 2022 with excellent numbers and significant growth in its market share to 12.7%, thus defending its position as a top-three insurance company on the Slovak market. Year on year, the branch's premiums written increased at twice the pace of the market, making it the fastest growing insurer. Excellent results were posted especially in non-life insurance, where the collision segment was the main driver, but the branch also recorded impressive figures in personal property insurance and, thanks to the recovery of tourism after the pandemic, in travel insurance.

In keeping with the Company's strategy and ambition to become a lifelong partner for its customers, the branch introduced several product innovations and enhancements in 2022. In the life segment, Generali Poisťovňa developed its range of segmented life insurance, which was extended to include insurance specifically for people working in administration. The new cancer insurance and improved personal accident insurance responded to customer demands and market developments.

In motor insurance, the branch continued to introduce "green solutions". It was the first insurance company on the Slovak market to introduce a unique collision insurance for owners of electric vehicles. In property insurance, the branch decided to place more emphasis on the potential of online space by offering online calculators and online aggregators so that users can search and compare insurance prices. Environmental insurance was added to the SME product portfolio in 2022. The branch communicated its product range tailored to customers and their life situations in a unique way throughout the year – through packages of individual policies.

The branch's high-quality insurance products and well-configured processes yielded it several awards in 2022. The professional community, as well as financial intermediaries, appreciated the innovative services and quality tailor-made insurance solutions last year when they declared Generali the Most Innovative Insurance Company and the insurance company with the best non-life insurance on the market. Setting trends in the insurance segment is a challenging task, but one that the branch took on with enthusiasm when it introduced customer verification through facial biometrics and a chatbot that helps customers to report claims.

Generali Pošťovňa is aware that the world is in constant flux and evolving, and customers and partners need a lifelong partner by their side who not only adapts to these changes, but is always a few steps ahead.

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.

With a view to continuously improving customer services, Generali Česká pojišťovna carried on measuring NPS customer satisfaction via Medallia. Customers are approached with an email questionnaire. They use a scale from 0 (worst) to 10 (best) in assessments of Company services. Customers awarding scores from 0 to 6 are contacted again by a Company employee. The aim of the call is to identify the root cause of the customer's dissatisfaction. This output serves as a reference for improvements in internal processes. The Company determines customer satisfaction at five key points of interaction – insurance contracting, the service, claim settlements, insurance contract renewals, and insurance contract cancellation. In 2022, Generali Česká pojišťovna received a total of 132,083 responses.

In 2022, Generali Česká pojišťovna introduced completely new web-based solutions for reporting claims under collision and MTPL insurance. The new solutions facilitate a much simpler and more intuitive service from the customers' point of view. They provide pre-populated data, intuitive orientation in the network of contractual service centres and immediate claim registration, so customers learn their claim number as soon as they have finished reporting the claim. The launch of the new website triggered an immediate increase in the use of online claim reporting by Generali Česká pojišťovna's customers.

In 2022, Generali Česká pojišťovna deployed a new version of its chat-bot for inspections and the submission of documents via a remote self-service platform. The graphical interface was improved, features and customer guides were extended and a list of required and undelivered documents was introduced. The chat-bot was also integrated into notification text messages to clients and, subsequently into the website.

In 2022, Generali Česká pojišťovna dealt with three significant disasters caused by storm activity, accompanied by intense hailstorms, in the summer months. Of these, two disasters – because of the hail – concerned agricultural insurance. The third disaster wave caused significant damage primarily to people's property.

Generali Česká pojišťovna introduced several automated sub-processes in its internal processes – post-settlement operations for motor and property claims, the segmentation of vehicle write-offs, and the automation of simple personal accident claims under life insurance. All this simplified and shortened the claim handling time for customers.

Inflation was a major external factor affecting Generali Česká pojišťovna's operations in 2022. Inflation caused a significant increase in the cost of claims due to the rising price of claims-related damage repairs. Generali Česká pojišťovna's loss adjustment unit implemented several measures to prevent the uncontrolled growth of inflationary factors on insurance claims, as otherwise this would have meant a substantial increase in the claims rate, which would naturally have an impact on the customer.

In terms of process set-up, 2022 was primarily associated with the consolidation of the Czech and Slovak loss adjustment units following a significant change in the organisational structure. The organisational structure of the loss adjustment unit was changed - the Czech and Slovak parts were merged into one organisational unit with a focus on increasing efficiency and exploiting synergies.

The further development of communication tools and the skills of loss adjustment staff led to an increase in the satisfaction index (NPS) of Generali Česká pojišťovna's customers in 2022. As a result, the satisfaction index for the settlement of claims by Generali Česká pojišťovna is among the highest in the entire Generali Group worldwide.

In 2022, Generali Česká pojišťovna increased the share of digital communication with customers above 80%. It continues to simplify the language used to communicate with customers, rewriting more than three quarters of outgoing correspondence.

Generali Česká pojišťovna focuses on internal efficiency by simplifying processes and automating them with new technologies such as RPA and AI. The result is faster and simpler processes and an overall better customer experience. One example is FotoAsistent, the new application for taking photos of cars when sorting out collision insurance. The use of AI and automation simplifies the process for both the customer and the salesperson. Generali Česká pojišťovna has introduced online automated health risk assessment when arranging life insurance.

In 2022, Generali Česká pojišťovna's operators handled over 740,000 incoming calls, processed almost 500,000 emails (or requests from web forms) and communicated via online chat with almost 177,000 clients. Of these, 115,000 chats were handled by the LEO non-stop chatbot.

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

At the end of the year, Generali Česká pojišťovna discontinued the IVR (voice machine with numeric dialling) on its service line. Customers no longer need to dial numbers on their phone, but simply say what they are calling about and Voicebot LEO will transfer them to the correct operator or claims officer.

Investment Policy

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

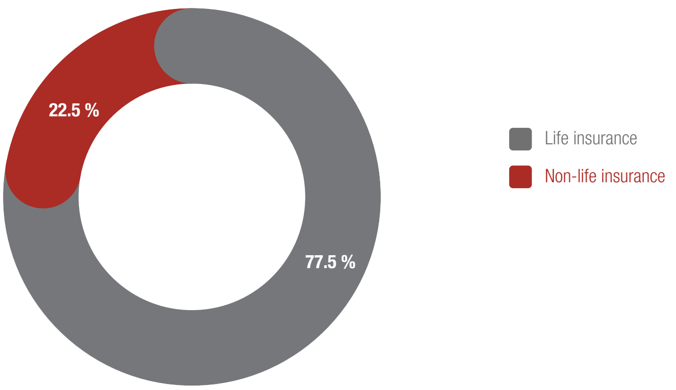
In keeping with an amendment to the Insurance Act that entered into force in September 2016, the Company makes investments based on the principle of prudent investment and a valid investment policy with the aim of achieving safety, liquidity and profitability in order to ensure that the Company is fully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

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

In 2022, financial markets faced a cocktail of negative shocks, headlined by the outbreak of war in Ukraine, a sharp rise in energy prices and aggressive monetary tightening. This resulted in an unusual combination of sizeable losses in both the bond and equity components of investment portfolios. The losses were partially erased only towards the end of the year, thanks to signals of stabilising economic activity and the beginning of a retreat in inflationary pressures. The interest rates of the world's major central banks, led by the Fed and the ECB, are expected to peak during the first half of the year, which should bring relief to the bond markets. The CNB's interest rates peaked at 7% in June 2022 and, depending on the abatement of inflationary pressures, there could be room for a cut in the second half of this year. The decline in inflation should also be assisted by sluggish economic activity. Uncertainty about the strength of the global economic recovery, inflation developments and the stance of central banks should keep financial market volatility at elevated levels. Another unknown remains the unfolding of the military conflict in Ukraine, where the parties have so far shown no signs of making any efforts to reach a ceasefire. On the other hand, the valuation of key financial assets is a positive factor, which reflects the aforementioned risks to a large extent and thus provides partial protection against adverse developments.

At the end of 2022, the life insurance segment contained a total of CZK 87.9 billion in financial investments, with life insurance accounting for CZK 68.1 billion and non-life insurance the remaining CZK 18.8 billion. For the most part, this money is invested in fixed-income instruments, especially Czech and foreign government bonds and the corporate bonds of issuers that generally have an investment grade rating.

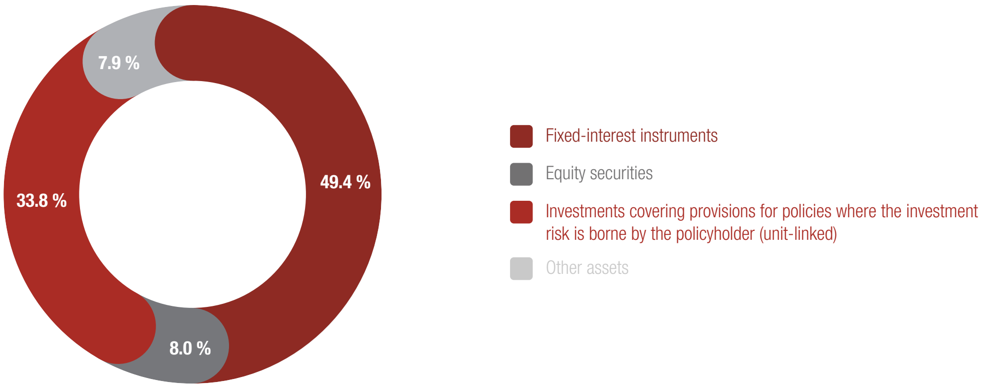
Structure of Financial Investments (IFRS, Book Value), by Business Segment



Financial Investments within the Life Insurance Segment

In accordance with a feature typical for life insurance liabilities, i.e. their longer 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). As at 31 December 2022, their book value was CZK 4.7 billion. These instruments are purchased for the portfolio to act as a counterweight to fixed-income instruments for purposes of risk diversification and to optimise overall medium- and long-term returns.

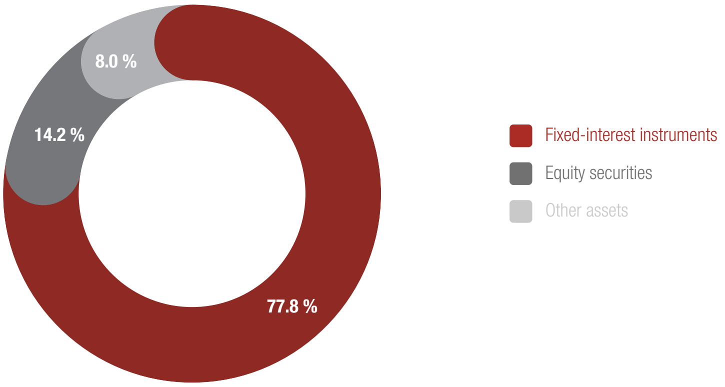
The investment portfolio is rounded out by other fixed assets. Here, the Company invests in real estate, mainly in the form of equity interests in companies that own real estate and whose main business is property management and leasing, or through the Generali Group's real estate fund. The real estate allocation at the end of 2022 was CZK 5.3 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 total profit on financial investments within the conventional life insurance segment, before the deduction of management expenses, was CZK 1.0 billion. The main contributors to the result were gains on fixed-interest instruments, gains realised on equity securities and benefits from currency hedging due to an increase in the interest rate differential. As a result of negative developments of the financial markets, a loss of CZK -2.1 billion was incurred on investments covering provisions for policies where the investment risk is borne by the policyholder.

Financial Investments within the Non-life Insurance Segment

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

Structure of Financial Investments (IFRS, Book Value), by Non-life Insurance Business Segment



The total profit on financial investments within the non-life insurance segment, before the deduction of management expenses, was CZK 961 million. The main contributors to the result were gains on fixed-interest instruments, gains realised on equity securities and benefits from currency hedging due to an increase in the interest rate differential.

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 optimise 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.

Nuclear Insurance Pool

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

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

Generali Poisťovňa, pobočka poisťovne z iného členského štátu is a member of the Slovak Nuclear Insurance Pool (SNIP). The SNIP, a loose association of insurance companies, was established by the Slovak Insurance Association. At present, the SNIP has nine members.

Human Resources

At the end of 2022, employees numbered 4,036, of whom 3,615 were full-time contracted employees and 421 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 exploitation 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 mainly concentrates on strengthening insurance expertise and fostering industry know-how. The Company advocates a platform of internally sourced trainers as this increases the active involvement of employees in the training process according to the principle of a self-learning organisation. It is forging ahead with full-day and afternoon workshops and is continuing its Insurance Academy (Pojišťovácká akademie) cycle, which is important for onboarding and subsequent purposes. The chief supervisor of multiple programmes is the CFO.

In 2022, there were specific programmes for key groups of employees, such as talents, new recruits, the project community, and managers. The programmes were tailored to the needs of these employee groups. In 2022, as in the previous year, all training took place in an online environment, using the latest forms of development, such as video training, streaming, podcasts, and e-learning.

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

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

A company-wide annual satisfaction survey was conducted at the end of 2022 to monitor the engagement and satisfaction of Company employees. Building on the results of its employee poll and in an attempt to improve employee care, the Company continues to develop benefits in areas that reflect the key lifestyle needs of employees. The Company aims to deliver maximum flexibility in order to cover the diverse needs of all employees. Other areas on which the Company focuses are employee benefits and employee health care, and the work-life balance of employees has long been promoted. Generali Česká pojišťovna permits both flexitime and working from home. The Red Quater programme is the launchpad for a series of investments to improve the working environment in offices.

SUPERVISORY BOARD REPORT

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

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

The Supervisory Board's activities are governed by an activity plan, which the Supervisory Board approves for each half-year in advance. Outside of the activity plan, the Supervisory Board may discuss such matters as may arise between its meetings, provided that the nature of such matters 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 18 of this Annual Report.

Prague, 31 March 2023

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.

Ing. Roman Juráš
Chairman of the Board of Directors

Mgr. Petr Bohumský, MBA
Vice-Chairman of the Board of Directors

Audit of the Financial Statements

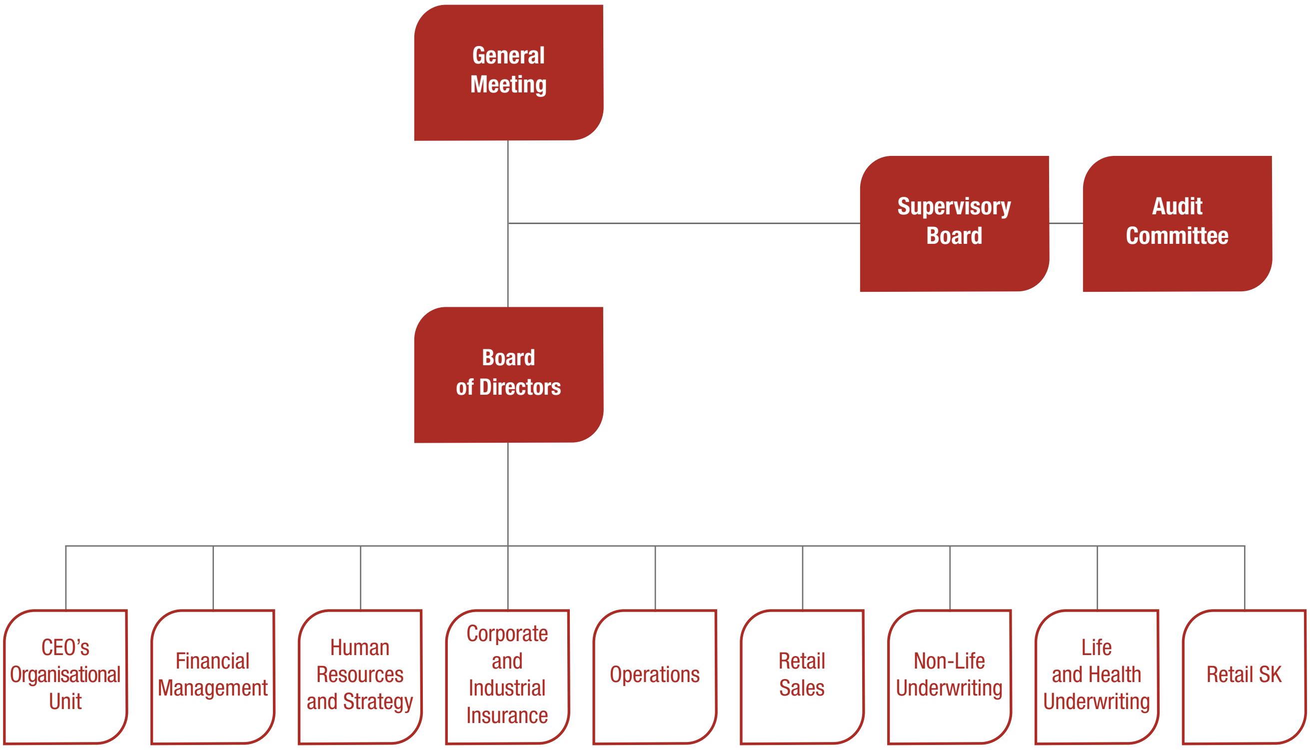
Since 2021, the financial statements have been audited by KPMG Česká republika Audit, s.r.o. Generali Česká pojišťovna's financial statements were audited on 31 March 2023.
Registration number: 496 19 187
Registered office: Praha 8, Pobřežní 648/1a, 18600
Statutory audit licence number: 71
Auditor-in-charge: Jindřich Vašina
Authorisation number: 2059

PREVENTION AND HEALTH CARE ARE CLOSE TO OUR HEARTS

We are innovating in health care (with Klinika Generali České) and motivating a healthy lifestyle (with the Generali Vitality benefits programme). We are dedicated to projects that promote safety on and off the road (Ambulance, Gentleman of the Road, SRNA Index, GCP Index).
The Staci-malo.cz portal captures the essence of prevention in its many forms.

ORGANISATION AND CONTACT DETAILS

Basic Organisation Chart of Generali Česká pojišťovna as at the Date of the Annual Report



Directory of Generali Česká pojišťovna Head Office and Regions

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

Regional director	Assistant	E-mail	Address	Telephone
David Konáš	Renata Košová	renata.kosova2@generaliceska.cz	Štefánikova 10, Praha 5, 150 00	420 224 556 409
Šárka Dolanská	Zuzana Bártů	zuzana.bartu@generaliceska.cz	Budějovická 1550/15a, Praha 4, 140 00	420 601 057 345
Pavel Kafka	Karolína Pohlová	karolina.pohlova@generaliceska.cz	Seydlovo nám. 25/4, Beroun, 266 59	420 602 697 748
Aleš Rajdlík	Radka Kvantová	radka.kvantova@generaliceska.cz	Pražská 1280, České Budějovice 3, 370 04	420 387 841 573
Jiří Turek	Monika Příhodová	monika.prihodova@generaliceska.cz	Anglické nábřeží 2434/1, Plzeň 3, 301 00	420 604 293 504
Lukáš Podmanický	Monika Říhová	monika.rihova@generaliceska.cz	Mládežnická 1436, Mladá Boleslav, 293 95	420 485 343 308
Libor Ledvinka	Lenka Kernerova	lenka.kernerova@generaliceska.cz	Revoluční 2, Ústí nad Labem, 400 01	420 476 440 960
Zdeněk Tlusťák	Dita Kadlecová	dita.kadlecova@generaliceska.cz	nám. 28.října 20/2 , Hradec Králové, 500 02	420 495 076 401
Jindřich Klugar	Aneta Misařová	aneta.misarova@generaliceska.cz	tř. Míru 2647, Pardubice, 530 02	420 725 124 027
Jan Blažek	Ilona Zahradníčková	ilona.zahradnickova@generaliceska.cz	Masarykovo náměstí 1102/37, Jihlava, 586 01	420 602 697 593
Zbyněk Dostál	Milena Uhříková	milena.uhrikova@generaliceska.cz	Nábř. Přemyslovců 867, Olomouc, 772 00	420 585 571 813
Petr Kleveta	Lenka Protivanská	lenka.protivanska@generaliceska.cz	Purkyňova 2845/101, Brno 612 00	420 601 085 921
Daniela Hamplová	Monika Ondrová	monika.ondrova@generaliceska.cz	Masarykovo nám. 34, Uherské Hradiště, 686 01	420 571 773 113
Petr Kopka	Hana Šulová	hana.sulova@generaliceska.cz	Masarykovo nám. 19, Nový Jičín, 741 01	420 556 770 511
Roman Černý	Radmila Tomisová	radmila.tomisova@generaliceska.cz	28. října 2764/60, Ostrava, 702 65	420 596 271 173

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

Regional director	Assistant	E-mail	Address	Telephone
Ing. Róbert Marchevka	Mgr. Monika Hatvanger Dana Brzuľová	rrbb.sk@generali.com	Janka Kráľa 1, Banská Bystrica 974 01	02 5857 3601, 0907 716 635 02 5857 3628, 0907 716 635
František Rácz	Lujza Paljusová	rrba.sk@generali.com	Prešovská 38/B, Bratislava 821 08	0903 479 705
	Dana Juhasová Silvia Tomková	rrke.sk@generali.com	Štúrova 27, Košice 040 01	02 5857 3905, 0908 724 178 02 5857 3911, 0908 724 178
Ing. Jozef Čabala	Mgr. Andrea Šándorová Ing. Lucia Šatláková	rrnr.sk@generali.com	Mostná 58, Nitra 949 01	02 5857 3301 0914 122 465
Michal Demeter	Silvia Havrilová Mgr. Martina Tallová	rrpo.sk@generali.com	Jarková 1, Prešov 080 01	02 5857 3001, 0905 516 376 02 5857 3010, 0905 516 376
Lukáš Vavro	Zuzana Janíčková	rrtn.sk@generali.com	Legionárska 7158/5, Trenčín 911 01	02 5857 3201, 0907 702 972
Lukáš Vavro	Daniela Ilavská Ing. Marcela Gálová	rrtt.sk@generali.com	Starohájska 9/B, Trnava 917 01	02 5857 3404, 0908 799 114 02 5857 3404, 0908 706 676
Ing. Miroslava Fábryová	Ing. Iveta Ludvová Katarína Mandáková	rrza.sk@generali.com	Komenského 24, Žilina 010 01	02 5857 3702, 0908 792 893 02 5857 3721, 0908 792 893

ADDITIONAL INFORMATION

Snapshot

Company name	Generali Česká pojišťovna a.s.
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 at	Municipal Court in Prague Register entry: Section B, File 1464
Date and purpose of most recent change in the Commercial Register	On 1 March 2023, Marián Zelk was registered as a new member of the Board of Directors.

The company owns a branch in Slovakia, which was incorporated by entry in the Slovak Commercial Register on 11 November 2021. The branch is engaged in the same activities as its founding company. All information reported includes the branch, unless otherwise stated.

As at 31 December 2022, the approved share capital consisted of 40,000 dematerialised, registered ordinary shares totalling CZK 4,000 million.

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

Principal Business according to the Current Articles of Association and Types of Insurance Written

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

Under Decision of the Ministry of Finance of the Czech Republic Ref. No 322/26694/2002, dated 11 April 2002, which entered into force on 30 April 2002 and which grants the Company a licence to engage in insurance, reinsurance and related activities, under Decision of the Ministry of Finance of the Czech Republic Ref. No 32/133245/2004-322, dated 10 January 2005, which entered into force on 14 January 2005 and which expands the Company's licence to engage in insurance- and reinsurance-related activities, and under Decision of the Czech National Bank Ref. No 2012/11101/570, amending the scope of licensed activities, the Company's principal business 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 conducted under a contract with an insurer under the Insurance Act;
   – the exercise of rights and fulfilment of obligations for and on behalf of the Czech Insurers' Bureau pursuant to Act No 168/1999, as amended;
   – the intermediation of financial services referred to in (a) to (j) below:
     a) intermediation of the acceptance of deposits and other funds due from the public, including intermediation in building savings schemes and sup plementary pension insurance;
     (b) intermediation of loans of all types, including, without limitation, consumer loans, mortgage loans, factoring and the financing of commercial trans actions;
     (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 ne gotiable 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 2022, 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 2022, the following changes were made to the Company's bodies:

Board of Directors:
Effective as of 18 September 2022, the term of office of Petr Bohumský, a member of the Board of Directors, expired and he was re-elected as a member of the Board of Directors as of 18 September 2022.

Supervisory Board:
Effective as of 1 February 2022, the term of office of Miroslav Singer, a member of the Supervisory Board, expired and he was re-elected as a member of the Supervisory Board as of 1 February 2022. Effective as of 5 April 2022, Luciano Cirinà ceased to be a member of the Supervisory Board.

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 2022:

Petr Bohumský:
- Vice-Chairman of the Supervisory Board of Generali Česká Distribuce a.s.
- Member of the Supervisory Board of Generali Penzijní společnost a.s. (until 8 January 2022)
- Member of the Supervisory Board of the GCP Foundation
- Vice-Chairman of the Executive Committee of the Czech Table Tennis Association
- Vice-Chairman of the Supervisory Board of Generali Slovenská distribúcia, a.s.

Marek Jankovič:
- Chairman of the Board of Directors of PE Project, cooperative, Slovakia
- Member of the Supervisory Board of ~ move on & Co., SE
- Member of the Supervisory Board of Griffin, s.r.o., Slovakia
- Vice-Chairman of the Board of Directors of Icarus, cooperative, Slovakia

Pavol Pitoňák:
- Chairman of the Supervisory Board of Generali Česká Distribuce a.s.
- Member of the Supervisory Board of Generali penzijní společnost a.s.

Miroslav Singer:
- Vice-Chairman of the Supervisory Board of MONETA Money Bank, a.s.
- Member of the Supervisory Board of Generali zavarovalnica d.d., Slovenia

Miloslava Mášová
- Managing Director of Acredité s.r.o.

Marek Kubiska
- This member of the Supervisory Board engages in no significant activity in other companies.

Jiří Doubravský:
- Member of the Management Board of Zemědělská společnost Lípa a.s.

Roman Juráš:
- Chairman of the Management Board of the Czech Insurers' Bureau
- Vice-President of Czech Insurance Association
- Vice-Chairman of the Supervisory Board of VÚB GENERALI DÔCHODKOVÁ SPRÁVCOVSKÁ SPOLOČNOSŤ, A.S., Slovakia
- Member of the Supervisory Board of Generali Beteiligungverwaltung GmbH and Generali Versicherung AG, Austria
- Member of the Supervisory Board of GSK Financial, a.s. (formerly Generali Poisťovňa, a.s.), Slovakia (until 23 November 2022)

David Vosika:
- Member of the Supervisory Board of Generali penzijní společnost , a.s.
- Member of the Supervisory Board of Europ Assistance s.r.o.

Antonella Maier:
- Member of the Supervisory Board of Generali Investments CEE, investiční společnost, a.s.
- Chairwoman of the Supervisory Board of Generali penzijní společnost, a.s.

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

Andrea Leskovská
- Member of the Supervisory Board of Europ Assistance s.r.o.
- Member of the Supervisory Board of Generali penzijní společnost, a.s. (as of 10 January 2022).

Katarína Bobotová
- Member of the Supervisory Board of Generali Slovenská distribúcia, a. s., Slovakia
- Chairwoman of the Supervisory Board of the GCP Foundation

Information on Research and Development

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

Non-financial Information

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

WE ARE THERE FOR OUR CUSTOMERS IN PERSON AND ONLINE

We let our customers decide how they want to communicate with us. They can meet their adviser in person or online, view contracts and other useful information in the Client Zone, and report claims easily from the comfort of their home or office.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Praha 8
Czech Republic
+420 222 123 111
www.kpmg.cz

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying separate financial statements of Generali Česká pojišťovna a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note A to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2022, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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Key Audit Matters

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

Adequacy of the life insurance contracts liabilities

As at 31 December 2022, Life insurance contract liabilities: MCZK 52,358.

Refer to additional information disclosed in Note C.1.13, C.2.1, C.2.3.1, C 2.4.1., D 7.1.3 and E.10; of the Company's financial statements.

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

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

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

As at 31 December 2022, provision for outstanding claims: MCZK 27,154 (including provision for insurance claims incurred but not yet reported in the period (IBNR) of MCZK 5,788 and provision for claims incurred and reported, but not yet settled (RBNS) of MCZK 21,366).

Refer to additional information disclosed in Note C.1.13.2, C 2.2, C.2.4.2, D.7.1.2 and E.10 of the Company's financial statements.

Key audit matter	How the audit matter was addressed
In measuring the provisions for outstanding claims, particular complexity is associated with the estimate of the amount of the expected ultimate cost of claims incurred but not yet reported ('IBNR'), as well as reported but not yet settled ('RBNS'). A range of methods may be used, and in many cases standard actuarial methods need adjustments specific to the circumstances and such adjustments also require the application of significant judgment. For the majority of classes of insurance, the Company uses the chain-ladder method based on the amount of insurance claims incurred or insurance claims paid (based on relevant portfolio). This method is also used for MTPL (motor third party liability insurance) and annuities. IBNR is calculated with implicit prudency level. Part of IBNR provision is calculated separately in simplified way. Key inputs in determining the provision	Our procedures in the area performed, where applicable, with the assistance of our own actuarial and information technology (IT) specialists, included the following, among other things: - We tested the design and implementation of selected system (IT-based) and manual controls over measurement of the provisions for outstanding claims, including those over determination of actuarial assumptions. For some of the selected controls we also tested the operating effectiveness. - In respect of the IBNR provision we: • critically assessed the method and model applied in measuring the amount of the provision against the relevant requirements of the financial reporting standards and market practice. • assessed the key assumptions

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represent volume of claims incurred in current and in prior periods. Relatively minor changes in management's assumptions can have a significant effect on the recognized amounts of the claim provisions. Due to the above factors, we considered measurement of the provisions for outstanding claims to be our key audit matter.	applied, such as development of claims incurred. We compared the development factors with previous year and analysed significant deviations based on information provided by the Company. We also assessed the implicit prudency in IBNR provision by independent recalculation of the provision. • analysed significant year-to-year variations in the amount of the provisions and made relevant inquiries of the Company's actuarial experts. We also carried out own independent recalculations of key elements of the IBNR provisions; - In respect of the RBNS provision we: • reconciled the database of RBNS provision to the general ledger; • for a sample of RBNS provisions, we assessed the accuracy of the provisions based on information obtained from the Company about particular claims, such as loss adjustor reports, independent expert reports or other relevant documentation. - We analysed significant year-to-year variations in the amount of the provisions, assessed the development of claims ratio and made relevant inquiries of the Company's actuarial experts and employees of claims liquidation department; - We evaluated the reasonableness of the provisions for outstanding claims by performing the comparison of the actual experience to previously expected results; - In addition, we assessed the Company's disclosures regarding the provisions for outstanding claims against the requirements of the relevant financial reporting standards.

Other Information

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

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

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

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

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

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

The statutory body is responsible for the preparation 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 statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, 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.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 1 July 2022 and our uninterrupted engagement has lasted for 2 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 30 March 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

xcept for the statutory audit, we did not provide the company and its controlled undertakings with any other services that have not been disclosed in notes to the financial statements or annual report.

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Statutory Auditor Responsible for the Engagement

Ing. Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Generali Česká pojišťovna a.s. at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
31 March 2023

Jindřich Vašina
Partner
Registration number 2059

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

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Sustainability matters to us. That’s why we’re holding a second year of SME EnterPRIZE, the competition for startups, freelancers, and micro, small and medium-sized enterprises that conduct business in the Czech Republic in a sustainable and environmentally friendly way.

CONTENTS

SEPARATE FINANCIAL STATEMENTS

Acronyms:

Acronyms	
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
CSM	Contractual Service Margin
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
GMM	General Measurement Model

Acronyms:

Acronyms	
GP Re	GP Reinsurance EAD
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred But Not Reported
ID Number	Identification Number
IFRIC	Interpretation of International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IRR	Internal Rate of Return
IRS	Interest Rate Swap
ISDA	International Swaps and Derivatives Association
ISO/IEC	International Organization for Standardization/International Electrotechnical Commission
LAT	Liability Adequacy Test
MCEV	Market Consistent Embedded Valuation
MTPL	Motor Third Party Liability
NAV	Nett Asset Value
No	Number
OCI	Other Comprehensive Income
PAA	Premium Allocation Approach
PPE	Property, Plant and Equipment
RA	Risk Adjustment
RBNS	Reported But Not Settled
ROE	Return on Equity
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
UoA	Unit of Account
VFA	Variable Fee Approach
VOBA	Value of business acquired
X/L	Excess of Loss Reinsurance

STATEMENT OF FINANCIAL POSITION

As at 31 December

In CZK million	Note	2022	2021
Investments to subsidiaries and associates	B	13,881	14,173
Intangible assets	E.1	1,855	1,790
Tangible assets	E.2	679	691
Right-of-use assets	E.2	528	533
Investments		71,998	85,930
Investment properties	E.3	125	170
Loans	E.3.1	2,804	2,897
Available-for-sale	E.3.2	46,091	58,917
Financial assets at fair value through profit or loss	E.3.3	22,978	23,946
Reinsurance assets	E.4	17,072	17,298
Receivables	E.5	8,337	7,250
of which: current income tax receivables	E.5	1,106	51
Non-current assets held for sale	E.6	691	691
Deferred tax asset	E.25.1	5,538	4,492
Accruals and prepayments	E.8	2,525	2,257
of which: deferred acquisition costs	E.8.1	2,089	1,900
Cash and cash equivalents	E.7	2,002	2,661
Total assets		**124,578**	**137,233**
Share capital		4,000	4,000
Retained earnings and other reserves		15,055	16,671
Total equity	**E.9**	**19,055**	**20,671**
Insurance liabilities	E.10	85,892	91,450
Other provisions	E.11	334	304
Financial liabilities	E.12	1,158	2,980
Payables	E.13	14,643	18,944
Accruals and deferred income	E.14	3,496	2,884
Total liabilities		**105,523**	**116,562**
Total equity and liabilities		**124,578**	**137,233**

INCOME STATEMENT

For the year ended 31 December

In CZK million	Note	2022	2021
Net earned premium revenue	**E.15**	**30,619**	**24,410**
Insurance premium revenue		47,941	38,782
Insurance premium ceded to reinsurers		(17,322)	(14,372)
Interest and other investment income		1,607	1,266
Income from subsidiaries and associates	E.17	344	5,828
Other income from financial instruments and other investments		890	326
Net income/loss from financial instruments at fair value through profit or loss		(655)	2,627
Other income	E.19	4,868	3,192
Total income		**37,673**	**37,649**
Net insurance benefits and claims	**E.20**	**(14,358)**	**(15,700)**
Gross insurance benefits and claims		(21,756)	(23,815)
Reinsurers' share		7,398	8,115
Expenses from subsidiaries and associates	E.22	(1)	-
Other expenses for financial instruments and other investments	E.21	(3,801)	(1,926)
Acquisition costs	E.23	(5,812)	(3,665)
Administration costs	E.23	(2,956)	(2,410)
Other expenses	E.24	(5,361)	(4,570)
Expenses from discontinued operations	E.6	-	(65)
Total expenses		**(32,289)**	**(28,336)**
Profit before tax		5,384	9,313
Income tax expense	E.25	(854)	328
Net profit for the year		**4,530**	**9,641**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

In CZK million	Note	2022	2021
Net profit for the year		**4,530**	**9,641**
Other comprehensive income - elements which may be recycled to profit or loss			
Currency translation differencies	E.9	(5)	(11)
Available-for-sale financial assets revaluation in equity	E.9	(6,557)	(2,051)
Available-for-sale financial assets revaluation realised in income statement	E.9	461	385
Available-for-sale impairment losses/Reversal of impairment losses	E.9	981	99
Other comprehensive income before tax effects		(5,120)	(1,578)
Tax on items of Other comprehensive income	E.9	983	299
Other comprehensive income/loss, net of tax		**(4,137)**	**(1,279)**
Total comprehensive income		**393**	**8,362**

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 2021	**E.9**	**4,000**	**3,554**	**800**	**-**	**47**	**11,450**	**19,851**
Net profit for the year		-	-	-	-	-	9,641	9,641
Currency translation differencies		-	-	-	(11)	-	-	(11)
Available-for-sale financial assets revaluation in equity		-	(2,051)	-	-	-	-	(2,051)
Available-for-sale financial assets revaluation realised in income statement		-	385	-	-	-	-	385
Available-for-sale impairment losses/Reversal of impairment losses		-	99	-	-	-	-	99
Tax on items of other comprehensive income		-	299	-	-	-	-	299
Total Comprehensive income		**-**	**(1,268)**	**-**	**(11)**	**-**	**9,641**	**8,362**
Dividends to shareholder		-	-	-	-	-	(4,817)	(4,817)
Share-based payment reserve		-	-	-	-	(18)	34	16
Other		-	-	-	-	-	(24)	(24)
Merger	A.5	-	(4)	112	-	-	(116)	(8)
Effect of business combination transaction	A.5	-	-	-	-	5	(2,714)	(2,709)
Balance as at 31 December 2021		**4,000**	**2,282**	**912**	**(11)**	**34**	**13,454**	**20,671**
Net profit for the year		-	-	-	-	-	4,530	4,530
Currency translation differencies		-	(7)	-	2	-	-	(5)
Available-for-sale financial assets revaluation in equity		-	(6,557)	-	-	-	-	(6,557)
Available-for-sale financial assets revaluation realised in income statement		-	461	-	-	-	-	461
Available-for-sale impairment losses/Reversal of impairment losses		-	981	-	-	-	-	981
Tax on items of other comprehensive income		-	983	-	-	-	-	983
Total Comprehensive income		**-**	**(4,139)**	**-**	**2**	**-**	**4,530**	**393**
Dividends to shareholder		-	-	-	-	-	(2,000)	(2,000)
Share-based payment reserve		-	-	-	-	(28)	19	(9)
Balance as at 31 December 2022		**4,000**	**(1,857)**	**912**	**(9)**	**6**	**16,003**	**19,055**

STATEMENT OF CASH FLOWS

For the year ended 31 December

In CZK million	Note	2022	2021
Cash flow from operating activities			
Profit before tax	E.25	5,384	9,313
Adjustments for:			
Depreciation and amortisation	E.21,E.24	881	763
Impairment and reversal of impairment of current and non-current assets		1,056	192
Profit/Loss on disposal of PPE, intangible assets and investment property		-	3
Profit/Loss on sale and revaluation of financial assets		617	273
Gains/losses on disposal of subsidiaries and associated companies	E.17	(17)	(4,233)
Dividends income		(474)	(1,714)
Interest expense		82	38
Interest income		(1,397)	(1,091)
Other income/expenses not involving movements of cash		1,711	(189)
Share based compensation		(10)	15
Total cash flow from operating activities from non-changeable items		**2,449**	**(5,943)**
Change in loans and advances to banks		(13)	4,064
Change in loans and advances to non-banks		28	52
Change in receivables		(119)	(738)
Change in reinsurance assets		227	(1,310)
Change in other assets, prepayments and accrued income		(268)	(266)
Change in payables		(4,587)	1,149
Change in liabilities for investment contracts with DPF		(142)	6
Change in liabilities to banks		282	(1,162)
Change in liabilities to non-banks		-	(127)
Change in insurance liabilities (excluding DPF)		(6,817)	304
Change in other liabilities, accruals and deferred income		613	(220)
Change in other provisions	E.11	30	45
Interest on securities received		1,547	1,224
Dividends received		479	1,714
Purchase of financial assets at FVTPL		(3,756)	(2,902)
Purchase of financial assets available-for-sale		(11,650)	(16,375)
Proceeds from financial assets at FVTPL		3,134	3,621
Proceeds from financial assets available-for-sale		16,983	16,095
Short-term lease payments, payments for leases of low-value assets and variable lease payments	E.23	1	-
Income taxes paid		(1,722)	(2,529)
Net cash flow from operating activities		**2,083**	**6,015**

In CZK million	Note	2022	2021
Cash flow from investing activities			
Interest on loans received		213	(8)
Purchase of tangible assets and intangible assets		(912)	(647)
Acquisition of subsidiaries and associated companies		-	(512)
Proceeds from disposals of tangible and intangible assets		45	67
Purchase of investment property	E.3	(59)	(38)
Proceeds from disposal of subsidiaries and associated companies and other proceeds from subsidiaries		308	309
Repayment of loans granted		25	38
Net cash flow from investing activities		**(380)**	**(791)**
Cash flow from financing activities			
Payment of lease liability		(336)	(197)
Interest paid on lease liability		(26)	(25)
Dividends paid to shareholders	E.9.2	(2,000)	(4,817)
Net cash flow from financing activities		**(2,362)**	**(5,039)**
Net decrease in cash and cash equivalents		**(659)**	**185**
Cash and cash equivalents as at 1 January	**E.7**	**2,661**	**1,228**
Cash in consequence in Business Combination		**-**	**1,248**
Cash and cash equivalents as at 31 December	**E.7**	**2,002**	**2,661**

NOTES TO THE FINANCIAL STATEMENTS

A. General Information

A.1 Description of the Company

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

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

On 19 December 2021 Generali Poisťovňa, a. s. (on 11 January 2022 renamed to GSK Financial, a. s.) sold and the Company acquired insurance and reinsurance contracts, rights, obligation, debts, employees, other assets and liabilities, all other rights and obligations, receivables and liabilities as defined in the agreement on sale of the business (see A.5.1).

Structure of Shareholders
The Company's sole shareholder is Generali CEE Holding B.V., registered office De Entrée 91, 1101BH, Amsterdam, the Netherlands; registered on 8 June 2007, identification number 34275688.

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

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

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

The Directors authorised the financial statements for issue on 27 March 2023. The financial statements are subject to an approval of the sole shareholder.

A.2 Statutory bodies

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

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

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:	Antonella Maier, Mogliano Veneto
Member:	Marek Jankovič, Bratislava
Member:	Miloslava Mášová, Pardubice
Member:	Marek Kubiska, Nový Rychnov

Luciano Cirinà left the Supervisory Board as at 13 April 2022.

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 2022 will be drawn up in accordance with International Financial Reporting Standards ("IFRS"). In accordance with IFRS 10 "Consolidated Financial Statements" and in accordance with Act. No. 563/1991 Sb., section 3, § 19a and § 22aa the Company does not prepare consolidated financial statements and does not prepare consolidated annual report. Consolidated financial statements and consolidated annual report is prepared by its parent company Generali CEE Holding B.V. and will be presented on its website www.generalicee.com.

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

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss and financial instruments classified as available-for-sale.

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

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

Annual report is prepared by its parent company Generali CEE Holding B.V. and will be presented on its website website www.generalicee.com.

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

A.5 Transactions under common control – prior period transactions

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

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

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

Accounting treatment

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

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

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

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

In CZK million	As at 20 December 2021
Intangible assets	154
VOBA	344
Tangible assets	174
Investments	12,532
Available-for-sale	8,217
Financial assets at fair value through profit or loss	4,315
Reinsurance assets	1,748
Receivables	1,518
Deferred acquisition cost – life insurance	1,915
Deferred acquisition cost – non-life insurance	232
Accruals and prepayments	23
Cash and cash equivalents	1,164
Total assets	**19,804**
Retained earnings and other reserves	5
Insurance liabilities	13,477
Other provisions	188
Financial liabilities	127
Payables	1,099
Accruals and deferred income	554
Total equity and liabilities	**15,450**
Net total assets acquired	**4,354**

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

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

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A deferred tax asset has been also recognised on difference between the value of an insurance liabilities acquired and its tax base (the tax value is calculated in accordance with the European Solvency II Directive).

In CZK million	As at 20 December 2021
Purchase price	5,881
Net total assets acquired (see the table above)	(4,354)
Adjustment to align accounting policies	2,259
The Difference	3,786
Deferred tax impact on The Difference	(720)
Deferred tax impact on Insurance liabilites	(352)
Retained earnings	**2,714**

A.5.2 Merge with Pojišťovna Patricie and Česká pojišťovna ZDRAVÍ

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

Accounting treatment

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

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

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

Following table shows assets and liabilities of merged companies:

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

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 2022	Country	Cost of investment	Accumulated impairment	Net cost of investment	Proportion of ownership interest (%)	Proportion of voting power (%)	Accounting treatment	Note
Acredité s.r.o.	Czech Republic	8	-	8	100.00	100.00	Cost less impairment	
Europ Assistance s.r.o.	Czech Republic	30	-	30	25.00	25.00		
Generali Česká Distribuce a.s.	Czech Republic	14	-	14	100.00	100.00		
Generali penzijní společnost, a.s.	Czech Republic	6,904	-	6,904	100.00	100.00		
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	4,500	-	4,500	54.85	54.85		
Generali Slovenská Distribúcia a.s.	Slovak Republic	23	-	23	100.00	100.00		
Nadace GCP	Czech Republic	6	-	6	100.00	100.00		
PALAC KRIZIK a.s.	Czech Republic	527	-	527	50.00	50.00		
Pařížská 26, s.r.o.	Czech Republic	346	-	346	100.00	100.00		
SMALL GREF a.s.	Czech Republic	735	-	735	29.52	29.52		1.
VÚB Generali dôchodková správcovská spoločnosť, a.s.	Slovak Republic	788	-	788	44.74	44.74		2.
TOTAL		**13,881**	**-**	**13,881**				

1. SMALL GREF a.s.
The Company sold on 28 December 2022 16 pieces of shares of SMALL GREF a.s. to Generali Insurance AD in book value of CZK 199,4 million. The sale price CZK 198,6 million was paid on 30 December 2022.

2. VÚB Generali dôchodková správcovská spoločnosť, a.s.
The Company sold on 24 October 2022 16 pieces of shares of VÚB Generali dôchodková správcovská spoločnosť, a.s. in book value of CZK 93 million. The sale price CZK 110 million was paid on 25 October 2022.

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

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

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

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

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

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

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

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

C. Significant accounting policies and assumptions

C.1 Significant accounting policies

C.1.1 Intangible assets

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

The Company owns no software with indefinite useful life. Intangible assets with finite useful lives are amortised on a straight-line basis over an average period of 3 - 5 years. The amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material additional investment is made to an asset during the year, its useful life and residual value are reassessed at the time the cost of the investment is added to the carrying amount of the asset.

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

C.1.1.1 Goodwill

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

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

The purpose of the impairment test on goodwill is to identify the existence of any impairment losses on the carrying amount presented as an intangible asset. In this context, cash-generating units to which the goodwill is allocated are identified and tested for impairment. The impairment loss is equal to the difference, if negative, between the recoverable amount and carrying amount. The former is the higher of the fair value less costs to sell of the cash-generating unit and its value in use, i.e. the present value of the future cash flows expected to be derived from the cash-generating units. The fair value of the cash-generating unit is determined on the basis of current market quotations or commonly used valuation techniques. The value in use is based on the present value of future cash inflows and outflows, considering projections on budgets/forecasts approved by management and covering a maximum period of five years. Cash-flow projections for a period longer than five years is equal to terminal value calculated based on Gordon Growth Model. Key assumptions used for calculation of value in use are estimated growth rate and a discount rate reflecting the risk free rate adjusted to take specific risks into account.

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

C.1.2 Property and equipment

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

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

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in other income.

C.1.3 Subsidiaries and associates

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

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

C.1.4 Investments

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

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

Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as would be accounted for subsequent measurement for the respective measurement category. Financial instruments are measured initially at fair value plus, with the exception of financial instruments at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

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

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

C.1.4.1 Investment property

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

To measure the value of investment properties, the Company applies the cost model set out by IAS 40, and adopts the depreciation criteria defined by IAS 16. Please refer to the paragraph on property and equipment (C.1.2) for information about the criteria used by the Company. Rental income from investment property is accounted for on a straight-line basis over the term of the lease.

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

C.1.4.2 Loans and receivables

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

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

C.1.4.3 Financial assets held-to-maturity

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

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

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

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

C.1.4.4 Financial assets available-for-sale

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

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

Any revaluation gain or loss on a financial asset available-for-sale is recognised in other comprehensive income with the exception of impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these instruments are interest-bearing, interest calculated using the effective interest rate method is recognised in the income statement. Dividend income is recognised in the income statement as other income from financial instruments and other investments – see C.1.22. When available-for-sale assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement (Other income from financial instruments and other investments / Other expenses for financial instruments and other investments).

C.1.4.5 Financial assets at fair value through profit or loss

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

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

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

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

The Company designates non-trading financial assets according to its investment strategy as financial assets at fair value through profit or loss, if the fair value can be reliably measured. The fair value option is only applied in any one of the following situations:
- It results in more relevant information, because it significantly reduces a measurement or recognition inconsistency ("accounting mismatch") of securities covering unit-linked policies;
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, with information being provided to key management personnel on this basis.
- When a contract contains one or more substantive embedded derivatives, unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or it is clear that separation of embedded derivatives is prohibited.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at their fair values (Note C.1.30.7). Gains and losses arising from changes in the fair values are recognised in the Income statement as other income/other expenses (FX derivatives other than unit-link investments derivatives) or as Net income/loss from financial instruments at fair value through profit or loss (other instruments).

C.1.5 Reinsurance assets

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

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

C.1.6 Receivables

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

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

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

C.1.7 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.1.8 Lease transactions

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

The Company has about 275 lease contracts as at 31 December 2022 (2021: 339) which represent real estate interests held on a leasehold basis. The real estates serve mainly as the head office buildings and a network of branches. Part of the leased property is subleased mainly to subsidiaries of the Company. The income is recognised in the line Other income.

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

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

Right-of-use-assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

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

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

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

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

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

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement when the interest rate implicit in the lease is not readily determinable. The leases are of similar characteristics (similar class of underlying assets (properties) in similar economic environment and the discount rates are as at 31 December 2022 as follows:

Lease term	2022	2021
Less or equal 3 years	8.36%	4.81%
3-5 years	8.74%	5.12%
Over 5 years	9.12%	5.48%

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.1.9 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.1.10 Equity

C.1.10.1 Share capital issued

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

C.1.10.2 Retained earnings and other reserves

This item comprises the following reserves:

Reserve fund

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

Retained earnings

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

Revaluation - financial assets AFS

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

Translation reserve

The item includes unrealised gains or losses arising from revaluation of the financial statements of the Branch from its functional currency which is Euro to the reporting currency Czech Crowns (see C.1.29.1).

Result of the period

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

C.1.10.3 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.1.11 Insurance classification

C.1.11.1 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 10% 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.1.11.2 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.1.11.3 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 2022 and 2021.

C.1.12 Insurance liabilities

C.1.12.1 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.1.12.2 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.1.12.3 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.1.12.4 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.1.12.5 Unit link provision
The unit link provision represents liabilities for insurance contracts where investment risk is borne by the policyholder, liabilities are linked to number of units and the market value of the unit.

C.1.12.6 Liabilities for investment contracts with DPF
Liabilities for investment contracts with DPF represents liabilities for contracts that do not meet the definition of insurance contracts, because they do not lead to the transfer of significant insurance risk from the policyholder to the Company, but which contain DPF (as defined in C.1.30.3). Liabilities arising from investment contracts with DPF are accounted for in the same way as insurance contracts.

C.1.12.7 DPF liability for insurance contracts
DPF liability represents a contractual liability to provide significant benefits in addition to the guaranteed benefits that are at the discretion of the issuer over the timing and amount of benefits and which are based on performance of defined contracts, investment returns or the profit or loss of the issuer. For more details, see C.1.30.3.

C.1.13 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.1.14 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.1.15 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.1.29.7) 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.1.16 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.1.17 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.1.18 Net insurance claims and benefits

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

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

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

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

C.1.19 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.1.12.7) and are included in the Income statement in Net insurance claims and benefits.

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

C.1.20 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.1.21 Other income and expense from financial instruments and other investments

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

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

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

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

C.1.22 Income and expense from investment property

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

C.1.23 Other income and other expense

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

C.1.24 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.1.25 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.1.26 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.1.27 Income tax

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

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences from the initial recognition of assets or liabilities outside of business combinations that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted as at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

C.1.28 Employee benefits

C.1.28.1 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.1.28.2 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.1.28.3 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% (2021: 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% (2021: 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.1.28.4 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.1.29 Other accounting policies

C.1.29.1 Foreign currency translation

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

Translation from functional to presentation currency

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

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

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

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

Exchange differences arising from the settlement of monetary items or from translation of the Company's monetary items at rates different from those at which they were initially recorded or reported in previous financial statements are recognised as other income or as other expenses in the period in which they arise (C.1.234). Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the Revaluation - financial assets AFS in equity unless fair value hedge accounting is applied or unless the item is impaired in which case the translation difference is recorded in the Income statement.

C.1.29.2 Impairment

The carrying amounts of the Company's assets, other than deferred acquisition costs (C.1.24), inventories, deferred tax assets (C.1.27) and financial assets at FVTPL and derivatives (C.1.4.5), are reviewed as at each end of the reporting period to determine whether there is any indication of impairment. This determination requires judgement. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is measured annually regardless of any indication of impairment for intangible assets not yet available for use.

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

C.1.29.3 Discretionary participation features (DPF)
A discretionary participation feature (DPF) represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that constitute a significant portion of the total contractual benefits, whose amount or timing is at the discretion of the Company and are based on the performance of pooled assets, profit or loss of the company or investment returns.

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

C.1.29.4 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.1.29.5 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.1.29.6 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.1.29.7 Fair value measurements

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

The fair value of financial instruments and other assets and liabilities is based on their quoted market price as at the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available or if the market for an asset or liability is not active, the fair value is estimated using pricing models or discounted cash-flow techniques. The IBOR transition implemented in 2020 was smooth and overall impact very small (only EUR and USD valued derivatives with central settlement slightly affected). Czech curve is compliant.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description	Fair value as at 31 December 2022	Valuation technique(s)	Non-market observable input(s)	Range
Equities	1,836	Net asset value	n/a*	n/a*
Investment funds	43	Expert judgment	Value of underlying instruments	n/a
Bonds Government	2,468	Discounted cash flow technique /Third party valuation (Refinitive)	Level of credit spread	(12) – 1,711
Bonds Corporate	2,260	Discounted cash flow technique /Third party valuation (Refinitive)	Level of credit spread	(8) - 1,348

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

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

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

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 2022	Sensitivity result
Bonds Government	2,468	(163) - 200
Bonds Corporate	2,260	(49,9) - 52,1
Total	**4,728**	

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

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.1.29.8 Fair value hedge

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

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

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

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

C.1.29.9 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.1.12.4) 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, additional provisions are established. A provision in respect of bonuses payable under certain conditions, referred to as “special bonuses” is established. This provision corresponds to the value of special bonuses calculated using the prospective method and using the same interest rate and mortality assumptions used to calculate the basic life assurance liability. No allowance is made for lapses. Next a provision in respect of risk related to customer behaviour during a process of an enhancement of policy information applied to group of insurance policies has been established. This provision corresponds to the expected value of outflows paid on top of the value of basic life assurance liability.

C.2.2 Non-life insurance liabilities

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

The liability for reported claims (RBNS) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Company’s actuaries using statistical techniques such as chain ladder methods, whereby historical data is extrapolated in order to estimate ultimate claims costs.

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

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

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

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

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

The key assumptions involved in the calculation are the discount rate, the expected increase in wages and disability pensions which influence the amount of annuities to be paid. The Company follows guidance issued by the Czech Insurers’ Bureau in setting these assumptions.

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

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

	CZ 2022-2024	CZ From 2025	SK 2022-2024	SK From 2025
Discount rate	5.0%	1.5%	1.0%	1.0%
Annuity inflation				
– Wages inflation	10.0%	3.5%	4.0%	4.0%
– Pension inflation	10.0%	3.5%	4.0%	4.0%

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

In addition, the Company takes mortality into account through the use of mortality tables recommended by the Czech Insurers' Bureau or Slovak 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 CEE 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 and Slovak 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 risk on existing contracts.

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

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

In case of negative result of the non-life liability adequacy test the deferred acquisition costs are decreased. If the result is still negative the provision for unexpired risk is created.

C.2.4 Significant variables

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

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

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

Life assurance liabilities as at 31 December 2022 according to the Liability Adequacy Test were not sensitive to a change in any variable. Life assurance liabilities as at 31 December 2021 were not sensitive to a defined change in any variable as well.

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

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

Life assurance liabilities as at 31 December 2022 according to the Liability Adequacy Test were not sensitive to a change in any variable. In 2021 according to Liability Adequacy Test life statutory reserves were not sufficiently adequate in comparison to minimum value of the liabilities. Impact of changes in variables could be seen in attached table.

For SK part of portfolio in CZK million, for the year ended 31 December 2021

Scenario	Change in variable	LAT reserve	LAT reserve change
Best estimate		**3**	**-**
Mortality	10%	3	-
Lapses, paid-ups	-10%	3	-
Expenses	10%	36	33
Risk Free Rates	100 bps	-	(3)
Risk Free Rates	(100) bps	275	272
Longevity	10%	-	(3)

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 2022 Variable	Change in variable	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount rate	(100) bp	286	177
Pension growth rate	100 bp	269	166

A decrease of a change in variables is caused by a change of ČKP valorization parametres and a change in the portfolio.

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

C.3 Terms and conditions of insurance and investment contracts with DPF that have a material impact on the amount, timing and uncertainty of future cash flows

C.3.1 Non-life insurance contracts

The Company offers many forms of general insurance, mainly motor insurance, property insurance and liability insurance. Contracts may be concluded for a fixed term of one year or on a continuous basis with either party having the option to cancel at 6 weeks' notice. The Company is therefore generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to impose deductibles and reject fraudulent claims.

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

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

The other significant source of uncertainty connected with non-life insurance arises from legislative regulations which entitle the policyholder to report a claim before the time of expiration, which usually lasts 3-4 years from the date when the policyholder becomes aware of the claim. This feature is particularly significant in the case of permanent disability arising from accident insurance, because of the difficulty in estimating the period between occurrence and confirmation of permanent effects.

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

Motor insurance

The Company motor portfolio comprises both motor third party liability insurance (MTPL) and motor (CASCO) insurance. MTPL insurance covers bodily injury claims and property claims in the Czech Republic as well as claims caused abroad by insured motorists under the Green Card system.

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

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

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

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

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

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

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

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

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

C.3.2 Life insurance contracts

Bonuses
Over 90% of the Company's life insurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Company and are recognised when proposed and approved by the Board of Directors in accordance with the relevant legal requirements. Once allocated to policyholders, bonuses are guaranteed (see DPF in C.1.11.2).

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

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

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

Endowment products
These are also traditional term life insurance products providing life-long financial protection. Many long-term policies have tax advantages and give the insured the possibility to finance their needs in retirement. Capital life insurance products for regular or single premium offers covering risk of death, endowment, dread diseases, waiver of premium in case of disability and accident rider. Insurance benefits are usually paid as a lump-sum.

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

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

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

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

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

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

C.3.3 Investment contracts with DPF

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

C.4 Critical accounting estimates and judgements

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

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

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

C.4.1 Assumptions used to calculate insurance liabilities

The Company uses certain assumptions when calculating its insurance liabilities. The process used to determine the assumptions that have the greatest effect on the measurement of the items in the Company's financial statements, and the effects of changes in the assumptions that would have a material effect on the recognised amounts, are discussed in part C.2.

C.4.2 Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded on an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on the market conditions existing as at each end of the reporting period (see also C.1.29.7).

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

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

C.4.4 Corporate income tax calculation

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

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

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

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

Annual Improvements to IFRS Standards 2018 – 2020

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

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

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

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

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

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

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

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

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

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

C.5.3.1 IFRS 17 and IFRS 9

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have an impact on the Company’s financial statements in the period of initial application.

A. Estimated Impact of IFRS 17 and IFRS 9

The Company has assessed the estimated impact that the initial application of IFRS 17 (see (B)) and IFRS 9 (see (C)) will have on its consolidated financial statements. Based on assessments undertaken to date, the total adjustment (after tax) to the balance of the Company's total equity is estimated to be a increase of CZK 14 692 million at 1 January 2022, as summarised below.

In millions of euro	Note	1 January 2022
Estimated increase in the Company's total equity		
Adjustments due to adoption of IFRS 17		
Life contracts	(B)(v)	14,759
Non-life contracts	(B)(vi)	3,422
		18,182
Adjustments due to adoption of IFRS 9		
Classification of financial assets	(C)	-
Impairment of financial assets	(C)	(2)
		(2)
Deferred tax impacts		(3,489)
Estimated impact of adoption of IFRS 17 and IFRS 9, after tax		**14,692**

The Company will restate comparative information on adoption of IFRS 17 and IFRS 9.

The assessment above is preliminary because not all of the transition work has been finalised. The actual impact of adopting IFRS 17 and IFRS 9 on 1 January 2023 and 2022 may change because:
- the Company is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
- although parallel runs were carried out in the second half of 2022, the new systems and associated controls in place have not been operational for a more extended period;
- the Company has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

B. IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

i. Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with DPF.

When identifying contracts in the scope of IFRS 17, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

For investment contracts with DPF, these contracts are currently subject to the disclosure requirements of IFRS 7 Financial Instruments: Disclosures and some of the presentation requirements of IAS 32 Financial Instruments: Presentation. On transition to IFRS 17, they will no longer be subject to those requirements because the presentation and disclosure requirements of IFRS 17 will apply to them.

ii. Level of aggregation

Under IFRS 17, insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group. This will apply to contracts issued in the EU that are required by regulation to be priced on a gender-neutral basis.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added.

For the groups of reinsurance contracts the requirements are mainly consistent with those to be applied to insurance contracts issued, the only difference regards the existence of reinsurance contracts in a net gain position instead of onerous contracts. For some reinsurance contracts held a group may comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a CSM, against losses on groups of onerous contracts, which are recognised immediately (see (v) and (vi)). Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

iii. Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:
- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Some life contracts contain a guaranteed annuity option, which allows the policyholder to convert, on maturity of stated term, the maturity benefit into an immediately starting life-contingent annuity at a predetermined rate. Currently, the Company does not consider the cash flows related to the options when measuring the contracts until the option is exercised. The Company has assessed the contract boundary for the contracts, including the options, and concluded that, under IFRS 17, the cash flows related to the guaranteed annuity options will fall within the boundary of the contracts. This is because the Company does not have the practical ability to reprice the contract on maturity of the stated term.

Investment contracts with DPF

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Company to deliver cash at a present or future date. The Company has no substantive obligation to deliver cash if it has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:
- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

iv. Measurement - Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. For an explanation of how the Company will apply the measurement model, see (v).

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts (VFA measurement model) or contracts without direct participation features (GMM measurement model). Direct participating contracts are contracts that are substantially investment-related service contracts under which the Company promises an investment return based on underlying items; they are contracts for which, at inception:
- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

VFA measurement model is applied mainly on pure unit-link contracts, all other life contracts are measured under GMM.

PAA
The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. For an explanation of how the Company will apply the PAA, see (vi).

The Company expects that it will apply the PAA to all insurance contracts in the Non-life segment and all reinsurance contracts in both segments because the PAA eligibility criteria are expected to be met at inception.

v. Measurement – Life contracts

Insurance contracts and investment contracts with DPF
On initial recognition, the Company will measure a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Company's non-performance risk.

- The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario will be discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company will use stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for variables such as interest rates and equity returns.

- All cash flows will be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts. Cash flows that vary based on the returns on any underlying items will be adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity. When the present value of future cash flows is estimated by stochastic modelling, the cash flows will be discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

- The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Company would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

- The CSM of a group of contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:
  (a) the fulfilment cash flows;
  (b) any cash flows arising at that date; and
  (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows; see below).

In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue (see (viii)).

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

– The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

– The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future service.

Within the VFA measurement model, any change in fair value of the underlying items will be reflected within the measurement of FCF and CSM.

Reinsurance contracts

For reinsurance contracts in life segment the Company expects that PAA eligibility criteria will be met at inception.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17, for Life contracts, insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods.

Insurance acquisition cash flows that are directly attributable to a group of contracts are allocated only to that group and to the groups that will include renewals of those contracts. The allocation to the renewals will only apply to certain contracts that have a one-year coverage period. The Company expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals will be based on the manner in which the Company expects to recover those cash flows.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognized as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as a part of the measurement of the related insurance contracts. The Company expects that a majority of assets for insurance acquisition cash flows will relate to the renewals of contracts. These assets will be presented in the same line item as the related portfolio of contracts and derecognized once the related group of contracts has been recognized and presented as separate assets from the related insurance contracts (“deferred acquisition costs”).

IFRS 17 will require the Company to assess at each reporting date whether facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired. If it is impaired, then the Company will:

a) Recognize an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
b) If the asset relates to future renewals, recognize an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals an this excess has not already been reconised as an impairment loss under (a).

The Company will reverse any impairment losses in profit or loss and increase the carrying amount of the asset to the extent that the impairment conditions have improved.

Impact assessment

Under IFRS 17, all profits will be recognized in profit or loss over the lifetime of the contracts, and this will primarily be driven by the timing of the recognition in profit or loss of the CSM as services are provided and the risk adjustment for non-financial risk as the related risk expires. The Company expects that the total profit recognized over the lifetime of the contracts will not change, but the timing of the profit recognition will be different.

The decrease in the liabilities for Life contracts on transition to IFRS 17 can mainly be attributed to the following.

Changes from IFRS 4	Impact on equity on transition to IFRS 17
The risk adjustment for non-financial risk under IFRS 17 will be lower than the risk margin under IFRS 4 as a result of (a) recalibration of the measurement techniques to conform with the IFRS 17 requirements, (b) exclusion of financial risk and general operational risk from the IFRS 17 risk adjustment for non-financial risk	Increase
A CSM, determined using the transition approaches described under (ix), will be recognised for the unearned profit for these contracts.	Decrease
The estimates of the present value of future cash flows will replace currently used mathematical provisions and as a result, the insurance liabilities will decrease, due to application of current assumptions rather than locked in assumptions.	Increase

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is an increase in the Company's total equity of CZK 14,759 million at 1 January 2022.

a. Measurement – Non-Life contracts

On initial recognition of each group of Non-life insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition.

In applying the premium allocation approach, the Company decided not to recognize insurance acquisition cash flows as expenses when they occur applying par. 59(a) of the IFRS 17. The amount of insurance acquisition cash flows to be amortized over the reporting period should be added to the LRC. This amount includes amortization of insurance acquisition cash flows paid in the current or in past reporting periods with reference to both annual and multi-year business. The amortization of the acquisition costs is performed using the same pattern used for the release of the liability for remaining coverage.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Company expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Company will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted (see below).

The Company will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

The Company will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Impact assessment
Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for Non-life contracts.

Changes from IFRS 4	Impact on equity on transition to IFRS 17
Under IFRS17, when measuring liabilities for incurred claims, the future expected cash flows will be discounted. Based on the current accounting policy, such cash flows are discounted only for payments paid as annuities. The impact on equity on transition to IFRS17 is the increase of the equity, since the major part of liabilities for incurred claims is paid as lump sum, the major part is paid in CZK currency, and the risk-free rates structure for the dominant currency CZK provided high yields at transition date.	Increase
FRS17 requires the fulfilment cash flows to include a separately presented allowance for non-financial risk, risk adjustment. The current accounting policy allows to include prudency when measuring liabilities for incurred claims. However, such prudency is not presented separately from the best estimate. The current accounting policy does not require to state the types of risks included in the prudent measurement of liabilities for incurred claims. Under IFRS17 Company' s accounting policy, the level of prudency is explicitly stated, and the impact on equity on transition to IFRS17 is the increase of equity given the level of prudency stated by the Company' s accounting policy.	Increase

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is an increase in the Company's total equity of CZK 3,422 million at 1 January 2022.

b. Measurement – Significant judgements and estimates

Estimates of future cash flows
In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics.

Discount rates
The second element of fulfillment cash flows is represented by the time value of money. IFRS 17 requires adjusting the estimates of expected cash flows to reflect the time value of money and the financial risks associated with those cash flows to the extent that the financial risks are not already included in the cash flow estimates.

The discount rates must:
- reflect the time value of money, the characteristics of the cash flows and liquidity characteristics of the insurance contracts;
- be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts (e.g., timing, currency and liquidity);
- exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.
- In case of cash flows that vary according to any financial underlying items, reflect that variability.

The Company will apply the bottom-up approach to define the discount curve to be applied to insurance and reinsurance contracts, in line with what is done in the Solvency 2 framework. Where appropriate, the Company's position is to apply a risk neutral approach for IFRS 17, both for participating and non-participating business for the purpose of fulfilling market consistency requirements. In this context, the IFRS17 discount curve, for each currency in the portfolio, will be determined as the sum of:
- a risk-free base curve and
- an adjustment for the illiquidity premium (IFRS17 adjustment).

To determine the IFRS17 adjustment, the average spread of a portfolio of reference assets adjusted to exclude credit risk components (i.e. risk corrections) and the effect of potential misalignments in asset cash flows with the portfolio of hedged liabilities are considered.

As far as the risk-free base curve is concerned, the approach is aligned with the parameterization and the current Solvency 2 methodology. In particular, the same extrapolation algorithm is applied (i.e. Smith-Wilson method) and the same convergence rate (i.e. ultimate forward rate) is considered for most of the currencies.

With reference to the IFRS17 adjustment component:
- For the GMM and Non-life business, the same adjustment as Solvency 2 (i.e. volatility adjustment) is used.
- For the VFA business, an adjustment for the illiquidity premium specific to each company is calibrated in order to ensure a better economic representation of the life business and avoid creating artificial volatility due to the movement of market spreads on the balance sheet and income statement.
  The illiquidity premium of the VFA business is based on the following company-specific characteristics:
  - asset mix (instead of the EIOPA portfolio considered by Solvency 2)
  - an application percentage that reflects the duration match between the portfolio of assets and liabilities (instead of 65% of Solvency 2)

Risk adjustments for non-financial risk

The Non-financial Risk Adjustment (RA) is the last element included within the fulfillment cash flows. The RA for non-financial risk provides information to users of financial statements about the amount the entity charges for bearing the uncertainty over the amount and timing of cash flows arising from non-financial risk.

The RA considers risks arising from an insurance contract other than financial risk. This includes insurance risk and other non-financial risks as lapse and expense risk. Entities are required to account for a risk adjustment explicitly, while time value of money and financial risk remains implicit in the Present Value Future Cash Flows.

The RA reflects:
- the degree of diversification benefit that the entity includes when determining the compensation that it requires for bearing that risk; and
- the entity's degree of risk aversion, reflected by both favorable and unfavorable outcomes.

With reference to diversification benefits, diversification benefits between the life and non-life segment are not considered. For the purpose of considering diversification effect among risks, Company applies Solvency 2 correlation matrix.

Differently from Solvency II framework for which the Cost of Capital method is applied to quantify the Risk Margin, IFRS 17 does not prescribe a specific method to calculate the Non-financial risk Adjustment. The Company will adopt the percentile approach, leveraging on the methodology and calculation models developed for its Internal Model under Solvency II, appropriately adjusted to comply with the IFRS 17 requirements for determining the Risk Adjustment.

CSM

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

The Company will determine the quantity of the benefits provided under each contract as follows.

Product	Basis for determining quantity of benefits provided
Term life Non-participating whole-life	Sum assured payable on death
Critical illness	Maximum amount payable (including any premiums waived) on detection of illness
Immediate fixed annuity	Annuity amount payable in each period
Universal life Traditional participating Unit-linked and other investment-linked	Insurance coverage: net amount at risk (i.e. guaranteed minimum benefits less account value), if any Investment services: account value

For insurance contracts that provide both, insurance coverages and investment services, the assessment of the quantity of benefits entails determining the relative weighting of benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

To determine the relative weighting of the benefits provided by insurance coverage and investment services, the Company will generally consider the selling príces for the services had they offered on a stand-alone basis and adjust the quantity of benefits for each service in proportion to those stand-alone selling prices. The stand-alone selling price for a service may be evidenced by observable prices when the Company sells that service separately to policyholders with similar characteristics.

vi. Presentation and disclosure

IFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contracts with DPF are presented and disclosed in the Company's financial statements.

Under IFRS 17, portfolios of insurance contracts and investment contracts with DPF that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into
A. an insurance service result, comprising insurance revenue and insurance service expenses; and
B. insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 and IFRS 9 (see (C)) will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Investment components will not be included in insurance revenue and insurance service expenses under IFRS 17. As a result, the Company expects a significant reduction in the total amounts of revenue and expenses from contracts with investment components compared with those recognised under the current practice. The Company will identify the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. The Company has identified that its life contracts contain an investment component, determined as the surrender value specified in the contractual terms.

Amounts recovered from reinsurers and reinsurance expenses will be presented separately in profit or loss.

The Company is planning to choose to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

Insurance finance income and expenses

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For Life risk and Life savings contracts, the Company is planning to choose to disaggregate insurance finance income or expenses between profit or loss and OCI. This is expected to reduce accounting mismatches in profit or loss, considering that many of the supporting financial assets will be debt investments measured at FVOCI under IFRS 9 (see (C)(i)). The amount included in profit or loss will be determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts using the discount rates determined on initial recognition of the group of contracts.

If the Company derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract will be reclassified to profit or loss as a reclassification adjustment.

For Participating and Non-life contracts, the Company will present insurance finance income or expenses in profit or loss, considering that the supporting assets will generally be measured at FVTPL.

Disclosure

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts and investment contracts with DPF (see (i)). Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

vii. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Company will:

- identify, recognise and measure each group of insurance contracts, reinsurance contracts and investment contracts with DPF as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs, provisions for levies attributable to existing insurance contracts and customer-related intangible assets related to acquired insurance contracts);
- recognise any resulting net difference in equity.

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Company will choose between the modified retrospective approach and the fair value approach. However, if the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

Insurance contracts, reinsurance contracts and investment contracts with DPF

The Company will apply the full retrospective approach to all Non-life contracts and the following approaches to Life contracts on transition to IFRS 17.

Transition Approach	Scope of Application
Contracts underwritten in the Czech Republic	
Full Retrospective Approach	Applied on protection and hybrid units of accounts with cohorts of year 2020 and 2021
Modified Retrospective Approach	Applied on participating business for pure unit-link contracts for all accounting periods and in case of non-participating business, the approach is applied for protection and hybrid units of accounts with cohorts between years 2008 and 2019
Fair Value Approach	Applied on endowment, annuities and employee benefit units of accounts for all cohorts and on protection and hybrid units of accounts of 2007 cohort.
Contracts underwritten in the Slovak Republic Portfolio of the Branch	
Full Retrospective Approach	Applied on accounting periods 2017-2021 excluding credit protection unit of accounts from periods 2017-2020 and Annuities steaming from Pillar II
Modified Retrospective Approach	Applied to units of accounts falling in cohorts between years 2010 and 2016
Fair Value Approach	Applied on portfolios with cohort less than 2010, acquired business from business combination and portfolios which didn't passed the data quality or are immaterial

The Company considers the full retrospective approach impracticable under any of the following circumstances.

The effects of retrospective application are not determinable because the information required has not been collected (or has not been collected with sufficient granularity) or is unavailable because of system migrations, data retention requirements or other reasons. Such information includes for certain contracts:
- expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
- information about historical cash flows (including insurance acquisition cash flows and other cash flows incurred before the recognition of the related contracts) and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
- information required to allocate fixed and variable overheads to groups of contracts, because the Company's current accounting policies do not require such information; and
- information about certain changes in assumptions and estimates, because they were not documented on an ongoing basis.

The full retrospective approach requires assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight. Such assumptions and estimates include for certain contracts:
- expectations at contract inception about policyholders' shares of the returns on underlying items required for identifying direct participating contracts;
- assumptions about discount rates, because the Company was not subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis before 2007; and
- assumptions about the risk adjustment for non-financial risk, because the Company was not subject to any accounting or regulatory framework that required an explicit margin for non-financial risk before 2016.

Modified retrospective approach

The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Company will apply each of the following modifications only to the extent that it does not have reasonable and supportable information to apply IFRS 17 retrospectively.

The Company will apply the following modifications to certain groups of contracts.

Historical data are not available in UoA detail, historical accounting balances will be used.

The future cash flows on initial recognition will be taken from IFRS4 accounting reports. For participating business, there will be a simplification for calculation of management fee as this figure is not available separately in accounting data. Future statutory profit will be calculated as Present Value of Future Profits from actuarial platform.

Attributable expenses are not available in UoA detail except for direct acquistion commissions. The expenses will be allocated in UoA level based on the similar allocation process used in actuarial platform for future cash-flow model. This allocation is based on a number of policies in case of direct costs and on a regular premium in case of indirect expenses.

RA at inception based on the following formula:

RA at Transition* ((Past Cash Outflows-Past Acq.CF+Future Cash outflows))/(Future Cash outflows)

The CSM release will be driven by aggregated coverage units in order to represent the service provided by the different components of the insurance contracts. It has been decided to go with a formula which attempts to normalise the value of the service to 1 currency unit for the risk of death, using the outputs from actuarial platform.

If the calculation results in a loss component, then the Company will adjust the loss component to zero and increase the liability for remaining coverage excluding the loss component by the same amount at 1 January 2022.

Fair value approach

Under the fair value approach, the CSM (or the loss component) at 1 January 2022 will be determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date. The Company will measure the fair value of the contracts as the sum of (a) the present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique; and (b) an additional margin, determined using a confidence level technique.

The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary (see (iii)). Therefore, the cash flows related to expected future renewals of insurance contracts will not be considered in determining the fair value of those contracts if they are outside the contract boundary. The present value of the future cash flows considered in measuring fair value will be broadly consistent with that determined in measuring the fulfilment cash flows.

Differences in the Company's approach to measuring fair value from the IFRS 17 requirements for measuring fulfilment cash flows will give rise to a CSM at 1 January 2022. In particular, in measuring fair value the Company will include a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require to assume the obligations to service the insurance contracts. In determining this margin, the Company will consider certain costs that are not directly attributable to fulfilling the contracts (e.g. general overheads) and certain risks that were not reflected in the fulfilment cash flows (e.g. general operational risk), among other factors that a market participant would consider.

For all contracts measured under the fair value approach, the Company will use reasonable and supportable information available at 1 January 2022 to determine:
- how to identify groups of contracts;
- whether a contract meets the definition of a direct participating contract;
- how to identify discretionary cash flows for contracts without direct participation features; and
- whether an investment contract meets the definition of an investment contract with DPF.

Some groups of contracts measured under the fair value approach will contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition will be determined at 1 January 2022 instead of at the date of initial recognition.

For all contracts measured under the fair value approach, the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 will be determined to be zero.

C. IFRS 9 Financial Instruments

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018, unless overlay or deferral approach is adopted – see C.5.5).

IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets and financial liabilities. No material impact is expected on transition to IFRS 9. Key features are as follows:

Classification and measurement of financial assets

Financial assets designated as at FVTPL under IAS 39 will be measured at FVTPL under IFRS 9. Debt investments that are classified as available-for-sale under IAS 39 will be measured under IFRS 9 as FVOCI. Loans that are measured at amortized cost under IAS 39 will also be measured at amortized cost under IFRS 9. Investment funds classified as available for sale under IAS 39 will be measured as FVTPL in IFRS 9 with an impact on the statement of profit or loss in related year. All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

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

Impairment

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

Hedge accounting

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

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

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

The Company has chosen to apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. as its activities are predominantly connected with insurance as at 31 December 2015 (see Note C.5.5).

C.5.3.2 Other standards

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

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

Amendments to IAS 8 – Definition of Accounting estimates effective for annual periods beginning on or after 1 January 2023.

This amendment focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

Amendments to IFRS 16 Leases – Amended by Lease liability in a Sale and Leaseback effective for annual periods beginning on or after 1 January 2024

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

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

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

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

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

C.5.5 Temporary exemption from IFRS 9

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

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

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

- Insurance provisions (CZK 67,693 million)
- Deposits from reinsurers (CZK 1,402 million)
- Insurance liabilities connected with insurance business (CZK 6,543 million)
- Other (CZK 556 million)

As at 31 December 2022 and for the period ending a fair value and a change in the fair value of financial assets within the scope of IFRS 9 is disclosed in the following table:

In CZK million, as at 31 December 2022	Fair value	Fair value change from 31 December 2021
Financial assets managed on fair value basis and held for trading	**22,978**	**(2,005)**
Derivatives	401	87
Investments back to policies where the risk is borne by the policyholders and pension funds	20,318	(2,092)
Other	2,259	-
Available for sale financial assets (AFS), held to maturity and loans and receivables*	**48,890**	**(7,552)**
Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest	**41,317**	**(7,001)**
Bonds	38,518	(6,994)
Loans and other debt instruments	2,799	(7)
Financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest**	**7,573**	**(551)**
Equity instruments	2,187	(27)
Bonds	195	(21)
Investment fund units	5,191	(503)
Total	**71,868**	**(9,557)**

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

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

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

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 2022	Carrying amount* (IAS 39)
AAA	1,554
AA	19,958
A	4,366
BBB	10,637
BB	1,739
B	67
CCC	167
Not rated	30
Total	**38,518**

*before impairment

In CZK million, as at 31 December 2021	Carrying amount* (IAS 39)
AAA	1,735
AA	21,096
A	7,067
BBB	17,612
BB	2,822
B	254
Total	**50,585**

*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 2022	Carrying amount* (IAS 39)
A	582
BB	950
Not rated	1,272
Total	**2,804**

In CZK million, as at 31 December 2021	Carrying amount* (IAS 39)
A	1,100
BBB	450
Not rated	1,349
Total	**2,899**

** 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 2022	Fair value	Book value (IAS 39)
Bonds	197	197
Total	**197**	**197**

In CZK million, as at 31 December 2021	Fair value	Book value (IAS 39)
Bonds	254	254
Total	**254**	**254**

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. GCEE is a part of International organizational unit since September 2022.

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 (business taken over from Generali Poisťovňa in 2021 is currently modelled using Standard formula approach). Compared to Standard Formula pre-defined by EIOPA, internal model 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 2022		100bp parallel increase		100bp parallel decrease	
	Current value	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Loans and receivables	**2,804**	**-**	**-**	**-**	**-**
Bonds					
Bonds AFS	38,713				
- gross impact on fair value		(376)	(1,567)	428	1,820
- income tax charge /(credit)		71	298	(81)	(346)
Bonds FVTPL	-				
- gross impact on fair value		-	-	-	-
- income tax charge /(credit)		-	-	-	-
Derivatives					
Derivatives FVTPL	1,450				
- gross impact on fair value		403	-	(461)	-
- income tax charge /(credit)		(77)	-	88	-

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

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 evelopment 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 2022		Equity price +10 %		Equity price -10 %	
	Current value	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Equities & Investment fund unit					
Equities & Investment fund unit AFS	7,378				
- gross impact on fair value		-	738	-	(738)
- income tax charge /(credit)		-	(140)	-	140
- Total net impact		**-**	**598**	**-**	**(598)**

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

D.4.4 Currency risk

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

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

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

The currency exposure is shown in the following tables.

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

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

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

In CZK million, as at 31 December 2022	EUR		USD		Other	
	10%	-10%	10%	-10%	10%	-10%
FX investment portfolio exposure						
Income statement						
- Impact on income statement	496	(496)	19	(19)	3	(3)
- Income tax charge /(credit)	(95)	95	(4)	4	-	-

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

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

In CZK million, as at 31 December 2022	EUR		USD		Other	
	10%	-10%	10%	-10%	10%	-10%
FX insurance liabilities exposure						
Income statement						
- Impact on income statement	133	(133)	3	(3)	9	(9)
- Income tax charge /(credit)	(25)	25	(1)	1	(2)	2

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

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

In CZK million, as at 31 December 2022	EUR	USD	CZK	Other	Total
Loans	892	50	1,840	22	2,804
Financial assets available-for-sale	15,614	3,238	26,719	520	46,091
Financial assets at fair value through profit or loss	8,217	648	13,276	837	22,978
Reinsurance assets	1,872	(1)	15,199	2	17,072
Receivables	1,553	110	5,275	291	7,229
Cash and cash equivalents	746	10	1,196	50	2,002
Total assets	**28,894**	**4,055**	**63,505**	**1,722**	**98,176**
Insurance liabilities	13,900	34	71,865	93	85,892
Financial liabilities	146	122	878	9	1,155
Deposits received from reinsurers	3	-	-	-	3
Payables	3,020	36	10,874	143	14,073
Other liabilities	586	-	2,910	-	3,496
Total liabilities	**17,655**	**192**	**86,527**	**245**	**104,619**
Net foreign currency position	11,239	3,863	(23,022)	1,477	(6,443)

In CZK million, as at 31 December 2021	EUR	USD	CZK	Other	Total
Loans	938	-	1,959	-	2,897
Financial assets available-for-sale	22,500	10,020	25,307	1,090	58,917
Financial assets at fair value through profit or loss	9,276	423	13,432	815	23,946
Reinsurance assets	1,741	(1)	15,554	4	17,298
Receivables	1,469	102	5,345	279	7,195
Cash and cash equivalents	1,196	236	1,169	60	2,661
Total assets	**37,120**	**10,780**	**62,766**	**2,248**	**112,914**
Insurance liabilities	14,587	33	76,722	108	91,450
Financial liabilities	285	420	870	-	1,575
Deposits received from reinsurers	5	-	1,400	-	1,405
Payables	6,485	23	11,995	126	18,629
Other liabilities	562	-	2,322	-	2,884
Total liabilities	**21,924**	**476**	**93,309**	**234**	**115,943**
Net foreign currency position	15,196	10,304	(30,543)	2,014	(3,029)

D.4.5 Risk limits

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

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

D.5 Credit risk

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

In CZK million, as at 31 December	Note	2022	2021
Bonds and Loans		**41,512**	**53,706**
Bonds available-for-sale	E.3.2	38,713	50,807
Loans (fair value)	E.3.1	2,799	2,899
Receivables	**E.5**	**8,337**	**7,250**
Reinsurance assets	**E.4**	**17,072**	**17,298**
Total		**66,921**	**78,254**

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

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

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

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

The Group Credit Rating Assignment Guideline provides a framework for the methodology, process and governance used for assigning and reviewing credit ratings. These ratings evaluate the creditworthiness of counterparties and financial instruments. For the external rating assessment of an issue or an issuer, only ESMA (European Securities and Markets Authority) recognized ECAIs' (External Credit Assessment Institutions) ratings can be used and the Second Best Rule is applied (i.e. if more ratings leading to a different assessment are available, the second best rule states that the lower of the two best credit ratings is chosen). Securities without an external rating are given an internal one in line with Group Credit Rating Assignment Guideline and based on materiality.

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

Rating of bonds and loans

In CZK million, as at 31 December	2022	2021
AAA	1,554	1,735
AA	19,958	21,096
A	4,948	8,166
BBB	10,632	18,087
BB	2,689	2,822
B	67	254
CCC	173	-
Non-rated	1,491	1,546
Total	**41,512**	**53,706**

Significant part of non-rated bonds and loans are loans to subsidiaries (2022: CZK 1,264 million, 2021: CZK 1,324 million).

Rating of reinsurance assets

In CZK million, as at 31 December	2022	2021
AA	249	257
A	483	432
BBB	-	14
Captive reinsurance	14,901	14,888
Non-rated	1,439	1,707
Total	**17,072**	**17,298**

There were no past due or impaired reinsurance assets either in 2022 or 2021.

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

In CZK million, as at 31 December	Loans and advances		Receivables	
	2022	2021	2022	2021
Collectively impaired – carrying amount	-	-	1,816	1,809
Gross amount	18	18	2,853	2,856
31 days to 90 days after maturity	-	-	1,586	1,406
91 days to 180 days after maturity	-	-	172	336
181 days to 1 year after maturity	-	-	148	161
Over 1 year after maturity	18	18	947	953
Allowance for impairment	(18)	(18)	(1,037)	(1,047)
Past due but not impaired - carrying amount	-	-	582	471
Neither past due nor impaired – carrying amount	2,804	2,897	5,939	4,970
Total Amortised costs	**2,804**	**2,897**	**8,337**	**7,250**
Total Fair value	**2,799**	**2,899**	**8,337**	**7,250**

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

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

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

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

The following table shows the fair value of collateral held:

In CZK million, as at 31 December	Loans and advances to banks and nonbanks	
	2022	2021
Against individually impaired	5	5
Property	5	5
Against neither past due nor impaired	4,494	2,874
Securities	1,437	1,539
Cash	2,817	1,080
Property	240	255
Total	**4,499**	**2,879**

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	2022		2021	
	CZK million	in %	CZK million	in %
Economic concentration				
Public sector	25,300	60.94	29,033	54.06
Financial	10,755	25.91	13,737	25.58
Telecommunication services	1,061	2.56	1,373	2.56
Consumer Discretionary	1,030	2.48	1,682	3.13
Consumer Staples	805	1.94	746	1.39
Energy	793	1.91	2,711	5.05
Industrial	740	1.78	1,524	2.84
Utilities	579	1.39	1,548	2.88
Information technology	235	0.57	265	0.49
Materials	214	0.52	1,087	2.02
Total	**41,512**	**100.00**	**53,706**	**100.00**

In CZK million, as at 31 December	2022		2021	
	CZK million	in %	CZK million	in %
Geographic concentration				
Czech republic	24,204	58.32	25,614	47.69
Rest of Europe	4,048	9.75	4,941	9.20
Other central-eastern European countries	2,804	6.75	3,677	6.85
Slovakia	2,170	5.23	3,784	7.05
Rest of world	2,073	4.99	3,015	5.61
USA	1,835	4.42	2,376	4.42
Netherlands	1,229	2.96	1,671	3.11
Poland	959	2.31	2,632	4.90
United Kingdom	798	1.92	1,041	1.94
Italy	732	1.76	1,251	2.33
Austria	386	0.93	683	1.27
Slovenia	219	0.53	355	0.66
Russia	55	0.13	2,666	4.96
Total	**41,512**	**100.00**	**53,706**	**100.00**

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

D.6 Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of its positions. It includes both the risk of being unable to fund assets using instruments with appropriate maturities and rates and the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount, and the risk of being unable to meet obligations as they become due.

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

The Company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities; for details see also the section above on asset and liability matching. Further, the Company holds a portfolio of liquid assets as part of its liquidity risk management strategy. The Company continuously monitors the liquidity risk to gain smooth access to funds to meet known obligations, with an additional buffer to cover potential unknown situations. Special attention is paid to the liquidity management of non-life insurance business requiring sufficient funding to meet all the potential obligations in the event of a natural disaster or other extraordinary event.

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

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

Residual maturities of financial assets:

In CZK million, as at 31 December 2022	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	**2,446**	**957**	**7,367**	**25,403**	**29,093**	**26,190**	**91,456**
Loans	1,533	-	1,260	93	-	-	2,886
Available-for-sale	320	457	5,563	22,938	27,929	7,378	64,585
Bonds	320	457	5,563	22,938	27,929	-	57,207
Equities	-	-	-		-	2,187	2,187
Investment fund units	-	-	-	-	-	5,191	5,191
Financial assets at fair value through profit or loss	593	500	544	2,372	1,164	18,812	23,985
Unit-linked investments	218	92	167	1,171	148	18,812	20,608
Derivatives	375	408	377	1,201	1,016	-	3,377
Receivables	**6,619**	**600**	**10**	**-**	**-**	**-**	**7,229**
Cash and cash equivalents	**2,002**	**-**	**-**	**-**	**-**	**-**	**2,002**
Assets	**11,067**	**1,557**	**7,377**	**25,403**	**29,093**	**26,190**	**100,687**

In CZK million, as at 31 December 2021	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Investments	**2,531**	**1,200**	**7,212**	**27,257**	**31,409**	**29,066**	**98,675**
Loans	1,550	-	938	431		-	2,919
Available-for-sale	536	906	5,635	25,346	30,351	8,110	70,884
Bonds	536	906	5,635	25,346	30,351	-	62,774
Equities	-	-	-	-	-	3,199	3,199
Investment fund units	-	-	-	-	-	4,911	4,911
Financial assets at fair value through profit or loss	445	294	639	1,480	1,058	20,956	24,872
Unit-linked investments	284	62	80	733	541	20,956	22,656
Derivatives	161	232	559	747	517	-	2,216
Receivables	**6,368**	**449**	**11**	**35**	**332**	**-**	**7,195**
Cash and cash equivalents	**2,661**	**-**	**-**	**-**	**-**	**-**	**2,661**
Assets	**11,560**	**1,649**	**7,223**	**27,292**	**31,741**	**29,066**	**108,531**

Residual maturities of liabilities:

In CZK million, as at 31 December 2022	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Between 1 and 5 years	Total
Financial liabilities	152	112	446	289	129	1,128
Other financial liabilities	-	-	3	-	-	3
Financial liabilities at fair value through profit or loss	136	45	210	77	-	468
Lease liabilities	16	67	233	212	129	657
Payables	3,907	6,975	1,197	282	1,712	14,073
Other liabilities	3,083	405	-	-	-	3,488
Liabilities	**7,142**	**7,492**	**1,643**	**571**	**1,841**	**18,689**

In CZK million, as at 31 December 2021	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Between 1 and 5 years	Total
Financial liabilities	102	239	1,907	686	14	2,948
Other financial liabilities	-	-	1,405	-	-	1,405
Financial liabilities at fair value through profit or loss	85	172	285	249	-	791
Lease liabilities	17	67	217	437	14	752
Payables	9,738	6,834	1,132	16	909	18,629
Other liabilities	2,558	319	-	-	-	2,877
Liabilities	**12,398**	**7,392**	**3,039**	**702**	**923**	**24,454**

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

In CZK million, as at 31 December 2022	Less than 1 month	Between 1 and 3 months	Between 5 months and 10 year	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Non-life insurance liabilities	**12,859**	**6,433**	**1,636**	**815**	**647**	**1,908**	**24,298**
RBNS & IBNR	12,322	6,414	1,633	815	647	1,908	23,739
Other insurance liabilities	537	19	3	-	-	-	559
Life assurance liabilities	**5,542**	**9,215**	**8,079**	**8,210**	**7,649**	**13,663**	**52,358**
Of which guaranteed liability for investment contracts with DPF	102	277	163	153	131	218	1,044
Total	**18,401**	**15,648**	**9,715**	**9,025**	**8,296**	**15,571**	**76,656**

In CZK million, as at 31 December 2021	Less than 1 month	Between 1 and 3 months	Between 5 months and 10 year	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Non-life insurance liabilities	**12,379**	**7,402**	**1,914**	**860**	**647**	**1,807**	**25,009**
RBNS & IBNR	11,837	7,402	1,914	860	647	1,807	24,467
Other insurance liabilities	542	-	-	-	-	-	542
Life assurance liabilities	**6,172**	**12,101**	**10,696**	**9,325**	**7,911**	**11,416**	**57,621**
Of which guaranteed liability for investment contracts with DPF	85	324	165	133	115	361	1,183
Total	**18,551**	**19,503**	**12,610**	**10,185**	**8,558**	**13,223**	**82,630**

D.7 Insurance risks

Insurance risk results from the uncertainty surrounding the timing, frequency and size of claims under insurance contracts. The principal risk is that the frequency or size of claims is greater than expected. In addition, for some contracts, there is uncertainty about the timing of insured events. These are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

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

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

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

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

D.7.1 Concentration of insurance risk

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

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

D.7.1.1 Geographic concentrations

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

D.7.1.2 Low-frequency, high-severity risks

Significant insurance risk is connected with low-frequency and high-severity risks. The Company manages these risks through its underwriting strategy and adequate reinsurance arrangements.

According to its underwriting strategy, the most significant risk of natural disaster to which the Company is exposed is the risk of flooding in the Czech Republic and the earthquake risk in the Slovak 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, strong wind-storms or hail-storms or earthquake for Slovak portfolios 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	2022	2021
Liabilities with guaranteed interest		
Between 0% and 2.49%	11,041	11,826
Between 2.5% and 3.49%	3,811	4,220
Between 3.5% and 4.49%	2,772	3,296
More than 4.5% (incl.)	5,479	6,068
Provisions without guaranteed interest	4,598	4,637
Total	**27,701**	**30,047**

The decrease in traditional life mathematical reserve is related to the change in the portfolio, when endowment life insurance products are being replaced by risk life insurance products. Risk life insurance products are without possibility to invest money to guaranteed technical interest rate (settled in a traditional mathematical reserve).

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	2022	2021
Motor	17,777	14,624
Accident, Health and Disability	1,088	602
Marine, aviation and transport	502	419
Property	10,927	9,199
General liability	3,559	3,191
Other	169	176
Total	**34,022**	**28,211**

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

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

The reserving risk relates to the uncertainty of the run-off of reserves around its expected value, which is the risk that the actuarial reserve is not sufficient to cover all liabilities of claims incurred. Its assessment is closely related to the estimation of reserves and both processes are performed together for consistency reasons, using claim triangles and all other relevant information collected and analysed according to specific guidelines.

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

Natural catastrophe risk is described above.

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

D.7.2 Reinsurance strategy

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

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

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

Ceded reinsurance contains a reinsurers' credit risk as the cession does not relieve the Company of its obligations to its clients. Through the GCEE credit risk management, the Company regularly evaluates the financial status of its reinsurers and monitors the concentration of credit risk to minimise its exposure to financial loss caused by a reinsurer's insolvency. Any external reinsurance placement is guided by the Security List of Assicurazioni Generali S.p.A..

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

The overview of obligatory reinsurance treaties for the main programme and underwriting year 2022:

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

D.8 Operational risk and other risks

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

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

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

D.8.1 Operating systems and IT security management

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

D.8.2 Other risks

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

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

D.9 Financial strength monitoring by third parties

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

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

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

The Company has a Financial Strength Rating of A (Excellent) with stable outlook and an Long-Term Issuer Credit Rating „a+" with stable outlook, assigned by A.M. Best on 16 December 2022.

D.10 Capital management

The Capital Management Policy defines principles for Capital Management activities.

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

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

D.10.1 Solvency

The Company carries out business in the insurance sector, which is a regulated industry. The Company must comply with all regulations set in the Insurance Act No 277/2009 Coll. and regulation No 306/2016 Coll., fully harmonised with EU regulation, including prudential rules relating to the capital. The Generali Group makes use of an internal approach to determine the available financial resources and the capital requirements for risks which it is exposed to (Group Internal Model), while maintaining consistency with the basic framework of Solvency II. The Company, following regulatory approval, uses the Group Internal Model for regulatory solvency capital requirement (SCR) calculation. The SCR for business taken over from Generali Poisťovňa in 2021 is currently modelled using Standard formula approach and added to the Internal model SCR as a model adjustment.

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

To determine the amount of eligible own funds, the total Equity per financial statements (2022: CZK 19,055 million, 2021: CZK 20,671 million) is further adjusted for revaluation of assets and liabilities to market value and taking into account the eligibility criteria according to Solvency II rules.

The Company has complied with the regulatory capital requirements in respect of Solvency position both during 2022 and 2021. The solvency position according to the Solvency II requirements is published as a part of the Solvency and Financial Condition Report (SFCR) which is available on the web pages of the Company.

D.11 Impacts of crisis caused by Russian military invasion of Ukraine

The Company is continuosly assessing the impact of the war following the Russian invasion of Ukraine, in particular the impact of the sanctions imposed by the EU and the United States to stop the invasion. This extraordinary event significantly influenced the geopolitical and economic situation in the world, especially in Europe. Financial markets are obviously also strongly influenced and our Company did not avoid it either. Securities in our portfolio were affected by negative market development, i.e. a combination of adverse shocks led by the war in Ukraine, rise in energy prices and agressive monetary policy.

Based on monitoring of all potential impacts, the management has concluded, that the crisis has no significant impact on the business continuity. Therefore the financial statements are prepared assuming that the Company will continue as a going concern.

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

E.1 Intangible assets

In CZK million, as at 31 December	2022	2021
Software	1,793	1,717
Other intangible assets	62	73
Total	**1,855**	**1,790**

E.1.1 Software

In CZK million, for the year ended 31 December	2022	2021
Acquisition cost as at the beginning of the year	**8,437**	**7,742**
Accumulated amortisation and impairment as at the beginning of the year	**(6,720)**	**(6,286)**
Carrying amount as at the beginning of the year	**1,717**	**1,456**
Additions	592	549
Amortisation for the period	(528)	(434)
Currency translation difference	(5)	(2)
Merger	-	3
Business combination	-	145
Other movements	15	(37)
Accumulated amortisation related to other movements	2	37
Acquisition cost as at the end of the year	**9,039**	**8,437**
Accumulated amortisation and impairment as at the end of the year	**(7,246)**	**(6,720)**
Carrying amount as at the end of the year	**1,793**	**1,717**

E.1.2 Other intangible assets

In CZK million, for the year ended 31 December	2022	2021
Acquisition cost as at the beginning of the year	**160**	**139**
Accumulated amortisation and impairment as at the beginning of the year	**(87)**	**(69)**
Carrying amount as at the beginning of the year	**73**	**70**
Additions	1	6
Amortisation for the period	(13)	(8)
Currency translation difference	(3)	-
Business combination	-	7
Other movements	2	(9)
Accumulated amortisation related to other movements	2	7
Acquisition cost as at the end of the year	**160**	**160**
Accumulated amortisation and impairment as at the end of the year	**(98)**	**(87)**
Carrying amount as at the end of the year	**62**	**73**

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

In CZK million, as at 31 December	2022	2021
Land and buildings (self-used)	34	47
Right-of-use assets (self-used)	528	533
Other tangible assets	92	84
Other assets	25	27
Total	**679**	**691**

E.2.1 Land and buildings (self-used)

In CZK million, for the year ended 31 December	2022	2021
Acquisition cost as at the beginning of the year	**308**	**321**
Accumulated depreciation and impairment as at the beginning of the year	**(261)**	**(266)**
Carrying amount as at the beginning of the year	**47**	**55**
Additions	12	6
Disposals	(20)	(36)
Accumulated depreciation related to disposals	20	14
Depreciation of the period	(7)	(9)
Business combination	-	17
Other movements	(18)	-
Acquisition cost as at the end of the year	**282**	**308**
Accumulated depreciation and impairment as at the end of the year	**(248)**	**(261)**
Carrying amount as at the end of the year	**34**	**47**

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

In CZK million, for the year ended 31 December	2022	2021
Acquisition cost as at the beginning of the year	**1,119**	**996**
Accumulated depreciation and impairment as at the beginning of the year	**(586)**	**(394)**
Carrying amount as at the beginning of the year	**533**	**602**
Additions	243	51
Disposals	(16)	(27)
Accumulated depreciation related to disposals	10	20
Depreciation of the period	(239)	(212)
Currency translation difference	(3)	(2)
Business combination	-	101
Acquisition cost as at the end of the year	**1,343**	**1,119**
Accumulated depreciation and impairment as at the end of the year	**(815)**	**(586)**
Carrying amount as at the end of the year	**528**	**533**

E.2.3 Other tangible assets

In CZK million, for the year ended 31 December	2022	2021
Acquisition cost as at the beginning of the year	**186**	**164**
Accumulated depreciation and impairment as at the beginning of the year	**(102)**	**(99)**
Carrying amount as at the beginning of the year	**84**	**65**
Additions	65	30
Disposals	(39)	(44)
Accumulated depreciation related to disposals	2	8
Depreciation of the period	(19)	(10)
Currency translation difference	(1)	(1)
Merger	-	1
Accumulated amortisation related to merger	-	(1)
Business combination	-	36
Acquisition cost as at the end of the year	**211**	**186**
Accumulated depreciation and impairment as at the end of the year	**(119)**	**(102)**
Carrying amount as at the end of the year	**92**	**84**

Other tangible assets comprise primarily IT and office equipment.

E.3 Investments

Carrying values of investment:

In CZK million, for the year ended 31 December	Investment properties – Right of use assets	Loans	Available for-sale	Fair value through profit or loss
Balance as at 1 January 2021	**295**	**6,962**	**53,043**	**18,152**
Purchases/additions	38	100,200	16,376	2,902
Disposals/repayments/sales/maturities	-	(104,354)	(16,682)	(3,465)
Depreciation	(90)	-	-	-
Fair value gains/losses recorded in the income statements	-	-	(866)	2,178
Fair value gains/losses recorded in other comprehensive income	-	-	(1,634)	(63)
Accrued interest	-	26	(253)	(73)
Foreign exchange adjustments	-	(22)	(617)	-
Business combination (A.5.1)	-	-	8,217	4,315
Merger	-	85	1,333	-
Other movements	(73)	-	-	-
Balance as at 31 December 2021	**170**	**2,897**	**58,917**	**23,946**
Purchases/additions	59	48,974	11,648	3,778
Disposals/repayments/sales/maturities	-	(49,055)	(17,974)	(3,620)
Depreciation	(72)	-	-	-
Fair value gains/losses recorded in the income statements	-	-	(1,023)	(1,022)
Fair value gains/losses recorded in other comprehensive income	-	-	(5,405)	(121)
Accrued interest		(22)	24	5
Foreign exchange adjustments	-	10	(96)	-
Other movements	(32)	-	-	12
Balance as at 31 December 2022	**125**	**2,804**	**46,091**	**22,978**

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

E.3.1 Úvěry a půjčky

In CZK million, as at 31 December	2022	2021
Loans		
Loans to subsidiaries	1,272	1,347
Other loans	1,532	1,550
Total	**2,804**	**2,897**
Current portion	**2,721**	**2,489**
Non-current portion	**83**	**408**

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

The fair value of loans:

In CZK million, as at 31 December	2022	2021
Loans		
Loans to subsidiaries	1,267	1,349
Other loans	1,532	1,550
Total	**2,799**	**2,899**

In CZK million, as at 31 December 2022	Level 1	Level 2	Level 3	Total
Loans				
Loans to subsidiaries	-	1,267	-	1,267
Other loans	-	1,532	-	1,460
Total	**-**	**2,799**	**-**	**2,727**

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

E.3.2 Available-for-sale financial assets

In CZK million, as at 31 December	2022	2021
Equities at fair value	2,187	3,199
Quoted	351	1,778
Unquoted	1,836	1,421
Bonds	38,713	50,807
Quoted	38,402	50,451
Unquoted	311	356
Investment fund units	5,191	4,911
Total	**46,091**	**58,917**
Current portion	**4,644**	**5,907**
Non-current portion	**41,447**	**53,010**

The decrease of equities was primarily caused by the sale of single stock positions and subsequent investment in Irish collective asset-management vehicle (ICAV). Therefore there is an increase in the investment fund units, despite negative development in the financial markets.

Bonds were also affected by negative market development, i.e. a combination of adverse shocks led by the war in Ukraine, rise in energy prices and agressive monetary policy.

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

In CZK million, as at 31 December 2022	Level 1	Level 2	Level 3	Total
Equities at fair value	351	-	1,836	2,187
Quoted	351	-	-	351
Unquoted	-	-	1,836	1,836
Bonds	30,791	3,275	4,647	38,713
Quoted	30,791	3,275	4,336	38,402
Unquoted	-	-	311	311
Investment fund units	1,166	4,025	-	5,191
Total	**32,308**	**7,300**	**6,483**	**46,091**

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

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	2022	2021
Opening balance	**7,505**	**4,616**
Transfers into Level 3	4,352	2,778
Total gains or losses	(1,501)	(338)
in income statement	99	(65)
in other comprehensive income	(1,600)	(267)
Purchases	977	774
Sales	(1,874)	(202)
Impairment	3	-
Business Combination	-	182
Transfer out of Level 3	(2,979)	(306)
Closing balance	**6,483**	**7,504**
Total change	**(1,022)**	**2,894**

In 2022 corporate bonds in the amount of CZK 1,507 million were reclassified from Level 2 to Level 3. The main driver was the fact that level of credit spread used for valuation started to be classified as material non-observable market input (either materiality increases or less information on the market was available).

In 2022 corporate bonds in the amount of CZK 2,864 million were reclassified from Level 1 to Level 3. The main driving force was a change of data source (Level 1 quotations are no longer available).

In 2022 corporate bonds in the amount of CZK 2,979 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 2021 corporate bonds in the amount of CZK 1,976 million were reclassified from Level 2 to Level 3. The main driving force was a change of parameters that more rigorously assesses the levels of credit spreads used for valuations.

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

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

In CZK million, for the year ended 31 December	2022	2021
Transfer into Level 1 from Level 2	-	48
Transfer into Level 1 from Level 3	837	-
Transfer into Level 2 from Level 1	78	-
Transfer into Level 2 from Level 3	2,120	306
Transfer into Level 3 from Level 1	2,864	802
Transfer into Level 3 from Level 2	1,507	1,976

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

In CZK million, as at 31 December	2022	2021
Up to 1 year	4,642	5,907
Between 1 and 5 years	15,560	21,442
Between 5 and 10 years	10,945	14,631
More than 10 years	6,566	8,827
Total	**38,713**	**50,807**

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

In CZK million, for the year ended 31 December 2022	Realised gains	Realised losses	Impairment losses
Equities	439	(109)	(104)
Bonds	19	(1,143)	(799)
Investment fund units	423	(90)	(78)
Total	**881**	**(1,342)**	**(981)**

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

The war conflict significantly reduced the value of Russian corporate bonds in the portfolio, which directly affects realised losses and impairment losses. Part of the Russian corporate exposure, that have been already sold, affects realised losses, while impairment losses are affected by remaining Russian corporate exposure in portfolio.

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Derivatives	401	244		-	2,259	1,206	2,660	1,450
Unit-linked investments		-	20,318	22,496		-	20,318	22,496
Allocated to policyholders		-	20,452	22,733		-	20,452	22,733
Not allocated to policyholders		-	(134)	(236)		-	(134)	(236)
Total	401	244	20,318	22,497	2,259	1,206	22,978	23,946
Current portion		-		-		-	1,015	912
Non-current portion		-		-		-	21,963	23,034

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

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

In CZK million, as at 31 December 2022	Level 1	Level 2	Level 3	Total
Derivatives		2,660		2,660
Unit-linked investments	19,700	494	124	20,318
Total	19,700	3,154	124	22,978

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

The following table presents the changes in Level 3 instruments:

In CZK million, for the year ended 31 December	2022	2021
Opening balance	**184**	**829**
Transfers into Level 3	115	68
Total gains or losses in P/L	(31)	4
Purchases	21	90
Disposals	(55)	(2)
Pay-backs (maturities)	(3)	(787)
Transfer out of Level 3	(107)	(18)
Closing balance	**124**	**184**
Total change	**(60)**	**(645)**

In CZK million, for the year ended 31 December	2022	2021
Transfer into Level 1 from Level 3	5	-
Transfer into Level 2 from Level 3	102	18
Transfer into Level 3 from Level 1	103	-
Transfer into Level 3 from Level 2	12	68

E.4 Reinsurance assets

In CZK million, as at 31 December	Direct insurance		Accepted reinsurance		Total	
	2022	2021	2022	2021	2022	2021
Non-life reinsurance assets	**15,420**	**15,678**	**823**	**778**	**16,243**	**16,456**
Provisions for unearned premiums	3,928	3,682	7	12	3,935	3,694
Provisions for outstanding claims	9,639	9,914	700	635	10,339	10,549
IBNR	1,843	2,071	116	131	1,959	2,202
Other insurance liabilities	10	11	-	-	10	11
Life reinsurance assets	**813**	**828**	**16**	**14**	**829**	**842**
Provisions for unearned premiums	80	78	10	9	90	87
Provisions for outstanding claims	422	373	1	1	423	374
IBNR	295	351	5	4	300	355
Mathematical provision	16	26	-	-	16	26
Total	**16,233**	**16,506**	**839**	**792**	**17,072**	**17,298**
Current portion	**10,338**	**10,141**	**452**	**400**	**10,790**	**10,541**
Non-current portion	**5,895**	**6,365**	**387**	**392**	**6,282**	**6,757**

The amounts included in reinsurance assets represent expected claims to be recovered in the future 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			2022			2021
	Gross	Correction	Net	Gross	Correction	Net
Receivables arising out of direct insurance operations	3,766	(832)	2,934	4,087	(897)	3,190
Amounts owed by policyholders	3,627	(767)	2,860	3,941	(817)	3,124
Amount owed by intermediaries	139	(65)	74	146	(80)	66
Receivables arising out of reinsurance operations	3,879	(129)	3,750	3,301	(70)	3,231
Trade and other receivables	586	(88)	498	475	(79)	396
Receivables from derivatives collateral	49	-	49	382	-	382
Current income tax receivable	1,106	-	1,106	51	-	51
Total	9,386	(1,049)	8,337	8,296	(1,046)	7,250
Current portion	9,386	(1,049)	8,337	7,929	(1,046)	6,883
Non-current portion	-	-	-	367	-	367

There are no non-current receivables in 2022. In 2021 are non-current receivables represented by collaterals.

In CZK million, for the year ended 31 December	2022	2021
Balance as at 1 January	**7,250**	**6,008**
Net change in gross value of receivables	1,184	583
Movement in impairent allowance	(3)	56
Merger	-	62
Business combination	-	643
Write offs	(94)	(102)
Balance as at 31 December	**8,337**	**7,250**

The increase of receivables in 2022 is primarily result of an increase of tax receivables by CZK 1,106 million caused by the overpayment of income tax for the year 2022.

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

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

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

As at 31 December 2022 and 2021 the Company classifies as non-current assets held for sale its investment in a subsidiary Green Point Offices s. r. o. in the amount of CZK 691 million (2021 CZK 691 million). Due to failed negotiations with a buyer the property has not been sold so far, however, the sale is expected during the year 2023.

E.7 Cash and cash equivalents

In CZK million, as at 31 December	2022	2021
Cash and cash equivalents	1	2
Cash at bank	1,564	2,659
Short term deposits	437	-
Total	**2,002**	**2,661**

E.8 Accruals and prepayments

In CZK million, as at 31 December	2022	2021
Deferred acquisition costs	2,089	1,900
Accrued income and prepayments	436	357
Total	**2,525**	**2,257**
Current portion	**2,525**	**2,257**

E.8.1 Deferred acquisition costs

In CZK million, for the year ended 31 December	2022	2021
Carrying amount as at the beginning of the year	**1,900**	**1,397**
Net change of deferred acquisition costs	196	271
Adjustment on acquisition costs	(7)	-
Business combination	-	232
Carrying amount as at the end of the year	**2,089**	**1,900**

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	2022	2021
Share capital	4,000	4,000
Currency translation differences	(9)	(11)
Reserve for unrealised gains and losses on investments available-for-sale	(1,857)	2,282
Statutory reserve fund	912	912
Retained earnings	11,479	3,847
Net profit for the year	4,530	9,641
Total	**19,055**	**20,671**

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

In CZK million, for the year ended 31 December	2022	2021
Balance as at 1 January	**2,282**	**3,554**
Gross revaluation as at the beginning of the year	**2,812**	**4,383**
Tax on revaluation as at the beginning of the year	**(530)**	**(829)**
Currency translation differences	(7)	-
Revaluation gain/loss in equity – gross	(6,557)	(2,051)
Revaluation gain/loss on realisation in income statement – gross	461	385
Movement in impairment losses	981	99
Tax on revaluation	983	299
Merger	-	(4)
Gross revaluation as at the end of the year	**(2,310)**	**2,812**
Tax on revaluation as at the end of the year (Note E.25.2)	**453**	**(530)**
Balance as at 31 December	**(1,857)**	**2,282**

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	2022	2021
Number of shares authorised, issued and fully paid	40,000	40,000
Par value per share (CZK)	100,000	100,000

E.9.2 Dividends

No proposal for a distribution of the profit of the year 2022 has been made by the date of the financial statements.

The sole shareholder approved on 14 April 2022 the distribution of a prior year profit of the Company in the amount of CZK 9,641 million. CZK 7,641 million was transferred to retained earnings and CZK 2,000 million was paid in the form of dividend of CZK 50,000 per each share in the nominal value of CZK 100,000.

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

E.10 Insurance liabilities

In CZK million, as at 31 December	Direct insurance		Accepted reinsurance		Total	
	2022	2021	2022	2021	2022	2021
Non-life insurance liabilities	**31,884**	**32,209**	**1,650**	**1,620**	**33,534**	**33,829**
Provisions for unearned premium	9,178	8,761	58	59	9,236	8,820
Provisions for outstanding claims (RBNS)	18,118	18,406	1,340	1,267	19,458	19,673
Claims incurred but not reported (IBNR)	4,075	4,543	206	251	4,281	4,794
Other insurance liabilities	513	499	46	43	559	542
Life assurance liabilities	**52,342**	**57,607**	**16**	**14**	**52,358**	**57,621**
Provisions for unearned premium	346	362	10	9	356	371
Provisions for outstanding claims (RBNS)	1,907	1,827	1	1	1,908	1,828
Claims incurred but not reported (IBNR)	1,502	1,676	5	4	1,507	1,680
Mathematical provision	27,701	30,047	-	-	27,701	30,047
Unit-linked provision	20,452	22,733	-	-	20,452	22,733
Other insurance liabilities	434	962	-	-	434	962
Total	**84,226**	**89,816**	**1,666**	**1,634**	**85,892**	**91,450**
Current	**26,721**	**26,520**	**916**	**851**	**27,637**	**27,371**
Non-current	**57,505**	**63,296**	**750**	**783**	**58,255**	**64,079**

Other insurance liabilities consist of nonlife provision for profit-sharing in the amount CZK 559 million (2021: CZK 542 million). Other life insurance liabilities represent mainly provision for profit sharing and provisions for maturities amounting to CZK 399 million (2021: CZK 417 million) and in 2021 provision of CZK 503 million for amounts expected to be paid on top of the value of basic life assurance liability. In 2022 the company assessed, that the probability of the payments on the top of basic life assurance liability is lower than 20%, therefore the provision was released.

E.10.1 Non-life insurance liabilities

E.10.1.1 Provision for unearned premiums

In CZK million, for the year ended 31 December 2022	Gross	Reinsurance	Net
Balance as at 1 January	**8,820**	**(3,694)**	**5,126**
Added during the year	33,904	(4,713)	29,191
Released to the income statement	(33,442)	4,475	(28,967)
Foreign currency translation	(46)	(3)	(49)
Balance as at 31 December	**9,236**	**(3,935)**	**5,301**

In CZK million, for the year ended 31 December 2021	Gross	Reinsurance	Net
Balance as at 1 January	**7,199**	**(2,936)**	**4,263**
Added during the year	27,948	(2,257)	25,691
Released to the income statement	(27,783)	2,110	(25,673)
Foreign currency translation	22	9	31
Business combination	1,452	(616)	836
Other changes	(18)	(4)	(22)
Balance as at 31 December	**8,820**	**(3,694)**	**5,126**

E.10.1.2 Provisions for outstanding claims (RBNS)

In CZK million, for the year ended 31 December 2022	Gross	Reinsurance	Net
Balance as at 1 January	**19,673**	**(10,549)**	**9,124**
Plus claims incurred	17,076	(7,747)	9,329
Current year	15,487	(7,015)	8,472
Transfer from IBNR	1,589	(732)	857
Less claims paid	(16,196)	7,342	(8,854)
Released to the income statement	(991)	627	(364)
Foreign currency translation	(99)	(14)	(113)
Other changes	(5)	2	(3)
Balance as at 31 December	**19,458**	**(10,339)**	**9,119**

In CZK million, for the year ended 31 December 2021	Gross	Reinsurance	Net
Balance as at 1 January	**16,107**	**(8,259)**	**7,848**
Plus claims incurred	16,824	(7,728)	9,096
Current year	15,568	(7,174)	8,394
Transfer from IBNR	1,256	(554)	702
Less claims paid	(13,755)	6,339	(7,416)
Released to the income statement	(1,314)	(94)	(1,408)
Foreign currency translation	(96)	15	(81)
Business combination	2,017	(916)	1,101
Other changes	(110)	94	(16)
Balance as at 31 December	**19,673**	**(10,549)**	**9,124**

E.10.1.3 Claims incurred but not reported

In CZK million, for the year ended 31 December 2022	Gross	Reinsurance	Net
Balance as at 1 January	**4,794**	**(2,202)**	**2,592**
Plus additions recognised during the year	2,425	(1,116)	1,309
Less transfer to claims reported provision	(1,589)	732	(857)
Released to the income statement	(1,337)	679	(658)
Foreign currency translation	(12)	(52)	(64)
Balance as at 31 December	**4,281**	**(1,959)**	**2,322**

In CZK million, for the year ended 31 December 2021	Gross	Reinsurance	Net
Balance as at 1 January	**4,928**	**(2,174)**	**2,754**
Plus additions recognised during the year	2,219	(980)	1,239
Less transfer to claims reported provision	(1,256)	554	(702)
Released to the income statement	(1,487)	615	(872)
Foreign currency translation	(6)	3	(3)
Business combination	424	(213)	211
Other changes	(28)	(7)	(35)
Balance as at 31 December	**4,794**	**(2,202)**	**2,592**

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

In CZK million, for the year ended 31 December 2022	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of cumulative claims at the end of accident year	16,511	13,864	13,611	14,699	15,801	16,354	16,908	15,214	18,580	16,717	
One year later	15,843	14,052	13,209	14,309	15,656	16,095	16,818	14,734	18,805		
Two years later	15,261	13,489	12,875	13,932	15,463	15,904	16,670	14,456			
Three years later	15,008	13,201	12,506	13,543	15,018	15,419	16,172				
Four years later	14,338	12,648	12,175	12,998	14,610	14,776					
Five years later	14,176	12,348	11,921	12,843	14,369						
Six years later	14,031	12,088	11,760	12,685							
Seven years later	13,971	11,927	11,645								
Eight years later	13,897	11,881									
Nine years later	13,855										
Estimate of cumulative claims	**13,855**	**11,881**	**11,645**	**12,685**	**14,369**	**14,776**	**16,172**	**14,456**	**18,805**	**16,717**	**145,361**
Cumulative payments	13,565	11,506	11,005	12,127	13,642	13,696	14,291	12,258	14,650	9,940	126,680
Accepted reinsurance											1,546
Provisions for ULAE											1,210
Provisions for outstanding claims not included in accident year											2,302
Amount recognised in the Statement of Financial Position	**290**	**375**	**640**	**558**	**727**	**1,080**	**1,881**	**2,198**	**4,155**	**6,777**	**23,739**

Information in the table include also claims handling costs attributable to the claims. Provisions for outstanding claims which were not included in the analysis by an accident year include provision for claims which occurred before 2012 and provisions related to minor non-life insurance products. The different values in the development of policyholders claims between 2022 and 2021 are due to the including of the Branch data in 2022.

In CZK million, for the year ended 31 December 2021	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of cumulative claims at the end of accident year	14,142	15,246	12,662	12,303	13,222	14,136	14,512	14,907	13,414	16,521	,
One year later	13,410	14,523	12,812	11,960	12,881	14,054	14,336	14,805	13,016		
Two years later	12,989	14,008	12,327	11,667	12,561	13,909	14,225	14,766			
Three years later	12,730	13,789	12,079	11,346	12,212	13,546	13,836				
Four years later	12,201	13,149	11,521	11,060	11,718	13,189					
Five years later	11,999	12,999	11,252	10,833	11,565						
Six years later	11,840	12,867	11,020	10,699							
Seven years later	11,709	12,807	10,864								
Eight years later	11,628	12,737									
Nine years later	11,542										
Estimate of cumulative claims	**11,542**	**12,737**	**10,864**	**10,699**	**11,565**	**13,189**	**13,836**	**14,766**	**13,016**	**16,521**	**128,735**
Cumulative payments	11,263	12,452	10,497	9,986	10,909	12,236	12,092	12,357	10,411	9,013	111,216
Accepted reinsurance											1,448
Provisions for ULAE											1,202
Provisions for outstanding claims not included in accident year											1,921
Amount before Business combination and FX impact	**279**	**285**	**367**	**713**	**656**	**953**	**1,744**	**2,409**	**2,605**	**7,508**	**22,090**
Business combination											2 441
Translation differences											(64)
Amount recognised in the Statement of Financial Position											**23,739**

Information in the table include also claims handling costs attributable to the claims. Provisions for outstanding claims which were not included in the analysis by an accident year include provision for claims which occurred before 2011 and provisions related to minor non-life insurance products.

E.10.1.5 Other insurance liabilities

Contractual non-discretionary bonuses:

In CZK million, for the year ended 31 December 2022	Gross	Reinsurance	Net
Balance as at 1 January	**542**	**(11)**	**531**
Creation of provisions	894	(41)	**853**
Use of provisions	(876)	42	**(834)**
Foreign currency translation	(1)	-	**(1)**
Balance as at 31 December	**559**	**(10)**	**549**

In CZK million, for the year ended 31 December 2021	Gross	Reinsurance	Net
Balance as at 1 January	**741**	**(34)**	**707**
Creation of provisions	1,306	(47)	1,259
Use of provisions	(1,538)	48	(1,490)
Foreign currency translation	(1)	-	(1)
Business combination	34	22	56
Balance as at 31 December	**542**	**(11)**	**531**

E.10.2 Life assurance liabilities

In CZK million, for the year ended 31 December 2022	Gross	thereof Unit-linked provision	Reinsurance	Net
Balance as at 1 January	**57,621**	**22,733**	**(842)**	**56,779**
Premium allocation	9,107	2,150	-	**9,107**
Release of liabilities due to benefits paid, surrenders and other terminations	(10,332)	(2,078)	-	**(10,332)**
Fees deducted from account balances	(2,140)	-	-	**(2,140)**
Unwinding of discount / accretion of interest	703	-	-	**703**
Changes in unit-prices	(2,241)	(2,241)	-	**(2,241)**
Change in IBNR and RBNS	(73)	-	6	**(67)**
Change in UPR	(11)	-	7	**(4)**
Foreign currency translation	(273)	(112)	-	**(273)**
Balance as at 31 December	**52,358**	**20,452**	**(829)**	**51,529**

In CZK million, for the year ended 31 December 2021	Gross	thereof Unit-linked provision	Reinsurance	Net
Balance as at 1 January	**48,649**	**17,254**	**(837)**	**47,812**
Premium allocation	7,235	1,153	-	7,235
Release of liabilities due to benefits paid, surrenders and other terminations	(8,314)	(1,661)	-	(8,314)
Fees deducted from account balances	(1,954)	-	-	(1,954)
Unwinding of discount / accretion of interest	717	-	-	717
Changes in unit-prices	1,826	1,826	-	1,826
Change in IBNR and RBNS	7	-	30	37
Change in UPR	(8)	-	5	(3)
Foreign currency translation	(143)	(63)	-	(143)
Business combination	9,549	4,224	(26)	9,523
Other changes	57	-	(14)	43
Balance as at 31 December	**57,621**	**22,733**	**(842)**	**56,779**

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

In CZK million, as at 31 December	2022	2021
Insurance contracts	51,314	56,438
Investments contracts with discretionary participation feature	1,044	1,183
Total	**52,358**	**57,621**
Current portion	**5,542**	**6,172**
Non-current portion	**46,816**	**51,449**

E.11 Other provisions

In CZK million, as at 31 December	2022	2021
Restructuring provision	43	34
Provisions for commitments	288	258
Other provisions	3	12
Total	**334**	**304**
Current portion	**178**	**172**
Non-current portion	**156**	**132**

In CZK million, for the year ended 31 December	2022	2021
Carrying amount as at 1 January	**304**	**67**
Provisions created during the year	121	95
Provisions used during the year	(94)	(48)
Foreign currency translation	(4)	(3)
Business combination	-	188
Other changes	7	5
Carrying amount as at 31 December	**334**	**304**

Provisions for commitments represent mainly a guarantee for Slovac Insurers´ Bureau of CZK 168 million (2021: CZK 173 million).

E.12 Financial liabilities

In CZK million, as at 31 December	2022	2021
Financial liabilities at fair value through profit or loss	457	823
Derivatives	457	823
Other financial liabilities	3	1,405
Lease liabilities	698	752
Total	**1,158**	**2,980**
Current portion	**708**	**2,190**
Non-current portion	**450**	**790**

Decrease in other financial liabilities is caused by a repayment of a deposit received from a reinsurer GP Reinsurance EAD in the amount of CZK 1,4 billion.

Rollforward on financial liabilities:

In CZK million, for the year ended 31 December			Non-cash movements			
	Carrying amount as at 31.12.2021	Cash flow movements	Foreign currency translation effects	Fair value changes	Other non-cash movements	Carrying amount as at 31.12.2022
Lease liabilities	752	(362)	(3)		311	698
Total	**752**	**(362)**	**(3)**		**311**	**698**

In CZK million, for the year ended 31 December			Non-cash movements			
	Carrying amount as at 31.12.2020	Cash flow movements	Foreign currency translation effects	Fair value changes	Other non-cash movements	Carrying amount as at 31.12.2021
Lease liabilities	922	(221)	(2)		53	752
Total	**922**	**(221)**	**(2)**		**53**	**752**

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

In CZK million, as at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	-	457	-	457
Lease liabilities	-	657	-	657
Other financial liabilities	-	3	-	3

In CZK million, as at 31 December 2021	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	5	818	-	823
Lease liabilities	-	752	-	752
Other financial liabilities	-	1,405	-	1,405

E.12.1 Other financial liabilities and lease liabilities

In CZK million, as at 31 December	2022			2021		
	Amortised cost	Fair value	Fair value level	Amortised cost	Fair value	Fair value level
Loans, bonds	**3**	**3**	**-**	**1,405**	**1,405**	**-**
Deposits received from reinsurers	3	3	2	1,405	1,405	2
Lease liabilities	**698**	**657**	**2**	**752**	**752**	**2**
Total	**701**	**660**	**-**	**2,157**	**2,157**	**-**
Current portion	**374**	**405**	**-**	**1,722**	**1,722**	**-**
Non-current portion	**327**	**255**	**-**	**435**	**435**	**-**

E.13 Payables

In CZK million, as at 31 December	2022	2021
Payables arising out of direct insurance operations	2,723	2,998
Payables arising out of reinsurance operations	7,571	7,380
Payables relating to taxation	253	46
Payables to client and suppliers	278	172
Payables to employees	197	176
Social security	91	77
Other payables	3,530	8,095
Total	**14,643**	**18,944**
Current portion	**12,649**	**18,019**
Non-current portion	**1,994**	**925**

The most significant items of other payables in 2022 are the payable to the Ministry of Finance of the Czech Republic for the employer´s liability insurance in the amount of CZK 1,167 million (2021: CZK 1,109 million) which the Company administers for the state and the liability from a collateral in the amount of CZK 2,050 million (2021: CZK 924 million).

Other payables in 2021 consist of a payable from the purchase price to Generali Poisťovňa, a. s. (GSK Financial, a. s.) in the amount of CZK 5,881 million (see Note A.5) . This payable from the purchase price was paid off in 2022.

Non-current payables are represented by collaterals.

E.14 Accruals and deferred income

In CZK million, as at 31 December	2022	2021
Reinsurance deferrals	405	319
Other accrued expense	3,037	2,537
Thereof: Non-invoiced supplies	656	496
Commissions	1,898	1,460
Accrued expenses for untaken holidays and bonuses	483	581
Deferred income	54	28
Total	**3,496**	**2,884**
Current portion	**3,496**	**2,878**
Non-current portion	**-**	**6**

The increase of Commissions in the amount of CZK 438 million corresponds with a higher production in 2022.

E.15 Net earned premium

In CZK million, for the year ended 31 December	Gross amount		Reinsurer's share		Net amount	
	2022	2021	2022	2021	2022	2021
Non-life earned premium	**34,022**	**28,211**	**(15,607)**	**(12,841)**	**18,415**	**15,370**
Premiums written	34,483	28,376	(15,845)	(12,988)	18,638	15,388
Change in the UPR	(461)	(165)	238	147	(223)	(18)
Life earned premium	**13,919**	**10,571**	**(1,715)**	**(1,531)**	**12,204**	**9,040**
Premium written	13,919	10,571	(1,715)	(1,531)	12,204	9,040
Total	**47,941**	**38,782**	**(17,322)**	**(14,372)**	**30,619**	**24,410**

Increase of the Net earned premium in 2022 is caused by the fact, that income statement for 2021 does not include the Branch.

E.16 Income from other financial instruments and investment properties

In CZK million, for the year ended 31 December	2022	2021
Interest income	**1,386**	**1,060**
Interest income from loans and receivables	134	43
Interest income from available-for-sale financial assets	1,179	1,010
Interest income from cash and cash equivalents	73	7
Other income	**221**	**206**
Income from land and buildings (investment properties)	74	88
Income from equities available-for-sale	129	70
Other income from investment fund units	18	48
Interests and other investment income	**1,607**	**1,266**
Realised gains	**882**	**317**
Realised gains on land and buildings (investment properties)	1	2
Realised gains on available-for-sale financial assets (Note E.3.2)	881	315
Unrealised gains	**8**	**3**
Unrealised gains on hedged instruments	8	3
Reversal of impairment	**-**	**6**
Reversal of impairment of other receivables	-	6
Other income from financial instruments and other investments	**890**	**326**
Total	**2,497**	**1,592**

E.17 Income from subsidiaries and associates

In CZK million, for the year ended 31 December	2022	2021
Dividends and other income	327	1,595
Realised gains from disposal (Note B)	17	4,233
Total	**344**	**5,828**

In 2021 a realised gain from disposal was booked on CP Strategic Investments N.V. in the amount of CZK 4,233 million.

Income from dividends consists of the dividends received from:

In CZK million, for the year ended 31 December	2022	2021
Generali Česká Distribuce a.s.	103	92
Europ Assistance s.r.o.	1	-
Generali Real Estate Fund CEE a.s.	11	20
Generali penzijní společnost a.s.	-	1,371
Green Point Offices s. r. o.	-	102
Pařížská 26, s.r.o.	10	10
VÚB Generali dôchodková správcovská spoločnosť, a.s.	198	-
Small GREF a.s.	4	-
Total	**327**	**1,595**

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	
		2022	2021	2022	2021	2022	2021	2022	2021
Financial assets									
Interests and other income		115	134	142	103	(37)	(46)	220	191
Realised	– gains	80	60	291	290	-	-	371	350
	– losses	(14)	(54)	(420)	(126)	-	-	(434)	(180)
Unrealised	– gains	98	138	241	1,891	916	601	1,255	2,630
	– losses	(11)	(131)	(2,334)	(181)	-	-	(2,345)	(312)
Interest expenses		(210)	(49)	-	-	(10)	(148)	(220)	(197)
Realised	– gains	34	68	-	-	-	-	34	68
	– losses	(80)	(168)	-	-	-	-	(80)	(168)
Unrealised	– gains	32	80	-	-	106	366	138	446
	– losses	(139)	(248)	-	-	(7)	(17)	(146)	(265)
Other income		-	-	-	-	552	64	552	64
Total		**(95)**	**(170)**	**(2,080)**	**1,977**	**1,520**	**820**	**(655)**	**2 627**

Unrealised losses were affected by negative market development, i.e. a combination of adverse shocks led by the war in Ukraine, rise in energy prices and agressive monetary policy.

E.19 Other income

In CZK million, for the year ended 31 December	2022	2021
Gains on foreign currency	3,908	2,397
Reversal of other provisions (Note E.11)	94	48
Income from services and assistance activities and recovery of charges	720	575
Income from sale of assets	1	1
Other technical income	145	171
Total	**4,868**	**3,192**

The increase of Other income corresponds with higher gains on foreign currency (FX hedging benefits) and higher income from shared services in 2022.

E.20 Net insurance benefits and claims

In CZK million, for the year ended 31 December	Gross amount		Reinsurer’s share		Net amount	
	2022	2021	2022	2021	2022	2021
Non-life net insurance benefits and claims	**16,873**	**15,986**	**(6,910)**	**(7,666)**	**9,963**	**8,320**
Claims paid	16,778	14,249	(7,341)	(6,339)	9,437	7,910
Claims settlement expenses	270	231	-	-	270	231
Profit sharing and premium refunds paid	462	575	(30)	(35)	432	540
Change in the provision for outstanding claims	(99)	1,689	217	(1,482)	118	207
Change in the IBNR provision	(555)	(524)	243	189	(312)	(335)
Change in other insurance liabilities	17	(234)	1	1	18	(233)
Life net insurance benefits and claims	**4,883**	**7,829**	**(488)**	**(449)**	**4,395**	**7,380**
Claims paid	9,784	8,279	(501)	(484)	9,283	7,795
Claims settlement expenses	58	15	-	-	58	15
Profit sharing and premium refunds paid	34	26	-	-	34	26
Change in the provision for UPR	(11)	(8)	(3)	(2)	(14)	(10)
Change in the provision for outstanding claims	91	78	(49)	2	42	80
Change in the IBNR provision	(164)	(71)	55	28	(109)	(43)
Change in the mathematical provision	(2,213)	(1,776)	10	7	(2,203)	(1,769)
Change in the unit-linked provision	(2,169)	1,318	-	-	(2,169)	1,318
Change in other insurance liabilities	(527)	(32)	-	-	(527)	(32)
Total	**21,756**	**23,815**	**(7,398)**	**(8,115)**	**14,358**	**15,700**

Non-life insurance

The main reason of differences between 2022 and 2021 is caused by the fact, that income statement for 2021 does not include the Branch.

On the other hand the year 2022 was below-average year of huge natural events against 2021.

Life insurance

The continued release of mathematical provisions is caused by ongoing maturities and continuing product mix change aimed at non-guaranteed unit-linked and risk products. Decrease of unit-linked provision in 2022 is caused by an overall decrease of value of underlying assets contrary to their increase in year 2021. Increase in claim payments is caused by adding the claims portfolio of the Branch which were not part of claims in 2021. Otherwise the claim payments are stable compared to last year. Change in other insurance provision in 2022 represents the release of a provision for amounts expected to be paid on top of the value of basic life assurance liability related to the process of an enhancement of policy information. The updated assumptions do not prove the need to hold special provision for these purposes any more.

E.21 Other expenses for financial instruments and other investments

In CZK million, for the year ended 31 December	2022	2021
Interest expense	**82**	**36**
Interest expense on loans, bonds and other payables	-	2
Interest expense on deposits received from reinsurers	56	9
Interest expense on lease liabilities (IFRS 16)	26	25
Other expenses	**276**	**189**
Other expenses on investments	204	99
Depreciation of right-of-use assets investment properties (IFRS 16) (Note E.3)	72	90
Realised losses	**1,349**	**700**
Realised losses on available-for-sale financial assets (Note E.3.2)	1,342	700
Realised losses on other receivables	7	-
Unrealised losses	**1,030**	**869**
Unrealised losses on hedged instruments	1,030	869
Impairment losses	**1,064**	**132**
Impairment of loans and receivables	18	29
Impairment of available-for-sale financial assets (Note E.3.2)	981	99
Impairment on receivables from reinsurers	59	4
Impairment of other receivables	6	-
Other expenses for financial instruments and other investments	**3,801**	**1,926**

E.22 Expenses from subsidiaries and associates

The realised loss from sale of shares of Small GREF a.s. in the amount CZK 1 million was booked in 2022 (see note B), no expenses from subsidiaries and associates were booked in 2021.

E.23 Acquisition and administration costs

In CZK million, for the year ended 31 December	Non-life segment		Life segment		Total	
	2022	2021	2022	2021	2022	2021
Gross acquisition costs and other commissions	3,789	2,652	2,219	1,284	6,008	3,936
Change of deferred acquisition costs	(178)	(260)	(18)	(11)	(196)	(271)
Other administration costs	1,983	1,612	973	798	2,956	2,410
of which: statutory audit	-	-	-	-	55	16
Total	**5,594**	**4,004**	**3,174**	**2,071**	**8,768**	**6,075**

Increase of the Gross acquisition costs and other commissions in the amount of CZK 715 million (Non-life segment) and in the amount of CZK 681 million (Life segment) is caused by the fact that income statement for 2021 does not include the Branch. The remaining increase corresponds with a higher production.

The majority of the Other administration costs are wages, remuneration and related paid insurance.

E.24 Other expenses

In CZK million, for the year ended 31 December	2022	2021
Amortisation of intangible assets	541	442
Depreciation of tangible assets	29	19
Depreciation of right-of-use assets (own use) IFRS 16 (Note E.2.2)	239	212
Losses on foreign currency	3,069	2,683
Restructuring charges and allocation to other provisions (Note E.11)	121	95
Other taxes	37	10
Expense from service and assistance activities and charges incurred on behalf of third parties	928	827
Other technical expenses	397	282
Total	**5,361**	**4,570**

Increase of the Other expenses is caused mainly by the fact that income statement for 2021 does not include the Branch and by an increase of losses on foreign currencies. Losses on foreign currencies corresponds with hedging FX position (See E.19).

E.25 Income taxes

In CZK million, for the year ended 31 December	2022	2021
Current income taxes	1,031	1,152
of which: related to prior years	181	(53)
Deferred taxes	(177)	(1,480)
Total	**854**	**(328)**

Deferred and current income taxes are in 2021 impacted by a one-off tax in amount of CZK 1,223 million resulting from the regulation Act No. 364/2019 Coll. According to the Act, the tax base of insurance liabilities has changed to a value calculated in accordance with the European Solvency II Directive and resulted in an additional tax payable due in 2020 and 2021. In 2021 the final part of the one-off tax liability, resulting from difference between the book value of insurance liabilities and the new tax base, became payable and increased the current income tax expense and consequently increased an income from the released deferred taxes.

In addition, current income taxes were in 2021 affected by a one-off positive impact of 1,054 million CZK representing the tax value of insurance liabilities (the tax value is calculated in accordance with the European Solvency II Directive) related to Business combination (see A.5).

Reconciliation between expected and effective tax rates:

In CZK million, for the year ended 31 December	2022	2021
Expected income tax rate	**19%**	**19%**
Earnings before taxes	**5,384**	**9,313**
Expected income tax expense	**1,023**	**1,769**
Expenses not allowable for tax purposes	59	65
Income not subject to tax	(98)	(1,108)
Other reconciliations	(130)	(1,054)
Tax expense	854	(328)
Effective tax rate	**15,86%**	**-3,52%**

Effective tax rate in 2021 is affected mainly by a one-off positive impact described above the table.

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	
	2022	2021	2022	2021
Intangible assets	-	1	(142)	(113)
Assets from business combinations recognised in equity	1,510	1,492	-	-
Tangible assets and Land and buildings (self used)	-	-	(4)	(3)
Land and buildings (investment properties)	-	-	(24)	(32)
Available-for-sale financial assets	932	25	-	-
Financial liabilities and other liabilities	95	63	-	-
Insurance liabilities	3,202	2,955	-	-
Other	41	175	(72)	(71)
Total	**5,780**	**4,711**	**(242)**	**(219)**
Net deferred tax asset/liability	**5,538**	**4,492**		**-**

The increase in deferred tax assets and liabilities were recognised through the income statement in the amount of CZK 178 million and through the equity in the amount of CZK 868 million.

The increase in a deferred tax from insurance liabilities corresponds with annual development of a book value and its tax value.

The increase in deferred tax from available-for-sale financial assets corresponds with increase of unrealised losses in 2022.

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 2022 and following years is 19% on local assets and liabilities (2021: 19%) and 19 - 24,5% on the Branch´s assets and liabilities.

E.25.2 Income tax and deferred tax recognised in OCI

In CZK million, for the year ended 31 December	2022	2021
Deferred tax - revaluation gain/losses on financial assets at AFS	935	30
Income tax - unrealised gain/losses on financial assets at AFS	(482)	(560)
Total tax on revaluation on financial assets at AFS	453	(530)
Total	**453**	**(530)**

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 2019-2021, 2020-2022 and 2021-2023 Cycle. The plans aim to strengthen the link between the remuneration of the potential beneficiaries and expected performance under the Generali Group's strategic plan (so-called absolute performance), also retaining the link between remuneration and the creation of value relative to a peer group (so-called relative performance). The plans also aim to achieve management engagement at Generali Group level. The incentive for achieving the objectives will be paid in shares issued by Assicurazioni Generali S.p.A. (ultimate parent company).

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

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

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

Plan structure and Vesting period

The plans are structured to cover approximately a period of 6 calendar years: 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 were required to select a payment option at maturity of the plan. If the final share price is greater than the initial price, employees 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 and is EUR 14.43, therefore it is lower than the intial price. According to the rules of the plan, it was not possible to purchase the shares within the plan.

Effect on the Company´s financial statements

In CZK million	2022	2021
Total expenses per year	**(7)**	**7**
Employee plan	1	3
2019-2021 Plan	(10)	2
2020-2022 Plan	-	1
2021-2023 Plan	1	1
2022-2024 Plan	1	-
Total equity reserve as at 31.12.	**6**	**34**
Employee plan	-	8
2019-2021 Plan	-	23
2020-2022 Plan	2	2
2021-2023 Plan	2	1
2022-2024 Plan	2	1

In 2022, 2019-2021 Cycle vested with share assignment and employee plan ended. Participating employees received the sum of the total of instalments paid over the 3-year period. In 2021, 2018-2020 Cycle vested with share assignment. There is no fiscal implications and related tax effect for the Company.

E.27 Information on employees

Number of employees, as at 31 December	2022	2021
Top management	35	41
Other managers	244	247
Employees	3,300	3,417
Sales attendant	34	-
Others	2	2
Total	**3,615**	**3,707**

In CZK million, for the year ended 31 December	2022	2021
Wages and salaries	2,601	2,160
Compulsory social security contributions	843	687
Thereof: state-defined contribution pension plan	500	431
Other expenses	188	117
Thereof: contribution to the private pension funds	40	42
Total staff costs	**3,632**	**2,964**
Total remuneration included in staff cost for top management	**275**	**157**

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

In CZK million, for the year ended 31 December	2022	2021
Acquisition costs	783	606
Insurance Benefits and Claims	835	734
Administration costs	2,013	1,624
Total	**3,632**	**2,964**

Other expenses include the costs of the Company's health and social programmes (e.g. health programme for managers, medical check-up for employees and social benefits). Staff costs are affected by acquisition of Business as the Business was acquired on 17 December 2021.

E.28 Hedge accounting

E.28.1 Foreign currency risk hedging

Since 1st October 2008, fair value hedge accounting has been applied by the Company on foreign currency risk (FX risk). The functional currency of the Company and the currency of its liabilities is CZK. However, in the investment portfolios, there are also instruments denominated in foreign currencies. According to the general policy, all these instruments are either dynamically hedged into CZK or are assigned to foreign currency technical reserves in corresponding value.

The functional currency of Company's branch in Slovakia is EUR and all the hedging rules are applied accordingly.

Foreign currency hedging is in place for all foreign currency investments (i.e. those in different than the functional currency) and 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 also receivables linked to pledged collaterals in other than functional currency.

Hedging instruments
Hedging instruments are defined as all FX derivatives, except for options, and part of the financial liabilities (e.g. FX REPO or 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 31.12.2022	FX gain/(loss) for the period from 1.1. to 31.12.2022
Hedged items		
Equities, bonds, investment funds units	14,917	116
Term deposits, current bank accounts and other	433	(33)
Hedging instruments		
Derivatives	648	(56)
Financial liabilities (Sell-buy operations)	-	27

In CZK million	Fair value as at 31.12.2021	FX gain/(loss) for the period from 1.1. to 31.12.2021
Hedged items		
Equities, bonds, investment funds units	26,729	(613)
Term deposits, current bank accounts and other	1,105	(40)
Hedging instruments		
Derivatives	320	670
Financial liabilities (Sell-buy operations)	-	(22)

Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Company on monthly basis. In every month of 2022 and 2021 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 thanks to the hedge accounting applied 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 items several groups of assets which differ by currency (in order to reflect different movements of yield curves in various currencies). This designation is performed with respect to the dynamic hedging strategy.

Hedging instruments
Hedging instruments are defined as groups of interest rate derivatives which differ by currency. 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 31.12.2022	Change in fair value attributable to interest rate risk for the period from 1.1. to 31.12.2022
Hedged items	9,018	(1,023)
Hedging instruments*	1,493	1,118

* Notional principal amount is CZK 13,067 million

In CZK million	Fair value as at 31.12.2021	Change in fair value attributable to interest rate risk for the period from 1.1. to 31.12.2021
Hedged items	13,798	(866)
Hedging instruments*	418	833

* Notional principal amount is CZK 15,873 million

Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Company on a monthly basis. In every month of 2022 and 2021 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 2022 and 2021, 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 2022 and 2021.

In CZK million, as at 31 December 2022	Note	Derivative assets	Derivative liabilities
Financial instrument total carrying value	E.3.3, E.12	2,660	(457)
Financial instruments not subject to master netting agreements		93	(58)
Financial instrument subject to master netting agreements		2,567	(399)
Collateral paid/Cash deposit received	E.5, E.10, E.12	(2,050)	49
Amounts presented in the balance sheet		517	(350)
Effect of master netting agreement		(399)	2,567
Net amount after master netting agreement		**118**	**2,217**

In CZK million, as at 31 December 2021	Note	Derivative assets	Derivative liabilities	Reinsurance receivables
Financial instrument total carrying value	E.12, E.3.3	1,450	(823)	2,885
Financial instruments not subject to master netting agreements		45	(31)	1,950
Financial instrument subject to master netting agreements		1,405	(791)	935
Collateral paid/Cash deposit received	E.5	(924)	382	(1,405)
Amounts presented in the balance sheet		481	(410)	(470)
Effect of master netting agreement		(791)	1,405	-
Net amount after master netting agreement		**(310)**	**995**	**(470)**

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 2022, the Company had a commitment under investment agreements of CZK 486 million (2021: CZK 1,012 million) to make an additional contribution into the private equity funds. Till 31 December 2022, the Company already invested CZK 1,836 million (2021: CZK 1,137 million) into these private equity funds.

E.30.2 Pledged assets and collaterals

As at 31 December 2022 CZK 419 million (2021: CZK 382 million) has been pledged in derivatives agreements. The fair value of the derivative liability amounted to CZK 457 million (2021: CZK 823 million).

Furthermore, as at 31 December 2022 the Company has received financial assets as collateral for CZK 1,460 million (2021: CZK 1,558 million), in particular for transactions in bonds and loans and CZK 2,078 million (2021: CZK 1,434 million) for derivative transactions and CZK 398 million (2021: CZK 374 million) for other operations . Fair value of collateral held in bonds and loans is CZK 1,442 million (2021: 1,544 million), in derivative CZK 2,633 million (2020: CZK 941 million) and in other operations CZK 418 million (2021: CZK 394 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	2022	2021
Liability (w/o D&O liability)	291	253
D&O liability only	33	29
FLEXA extended coverage of nuclear Risks plus BI	709	709
Total	**1,033**	**991**

The Company as a member of CzNIP signed pool documents like Statute, Cooperation agreement, Claims handling cooperation agreement and Solidarity agreement. As a result of this, the Company is jointly and severally liable for the obligations resulting from these pool documents. This means that, in the event that one or more of the other members are unable to meet their obligations to the CzNIP, the Company would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The management does not consider the risk of another member being unable to meet its obligations to the CzNIP to be material to the financial position of the Company. CzNIP implemented adequacy rules of net member's retentions related to their capital positions and evaluated in individual quarters. In addition, the potential liability of the Company for any given insured/assumed risk is contractually capped at quadruple the Company's net retention for direct risks (insurance contracts) and double the Company's net retention for indirect risks (inwards reinsurance contracts).

E.30.3.3 Participation in Slovak insurance nuclear pool

Generali Poisťovňa, pobočka poisťovne z iného členského štátu is a member of the Slovak Insurance Nuclear Pool ("SJPP"). The subscribed net retention is as follows:

In CZK million, for the year ended 31 December	2022	2021
Liability (w/o D&O liability)	6	6
FLEXA extended coverage of nuclear Risks plus BI	3	3
Total	**9**	**9**

The Company as a member of SJPP signed pool documents like Statute, Cooperation agreement, Claims handling cooperation agreement and Solidarity agreement. As a result of this, the Company is jointly and severally liable for the obligations resulting from these pool documents. This means that, in the event that one or more of the other members are unable to meet their obligations to the SJPP, the Company would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The management does not consider the risk of another member being unable to meet its obligations to the SJPP to be material to the financial position of the Company. SJPP implemented adequacy rules of net member's retentions related to their capital positions and evaluated in individual quarters.

E.30.3.4 Collateral pledged on behalf of third party

There is no collateral pledged on behalf of third party as at 31 December 2022 and 2021.

E.30.3.5 Membership in the Insurers' Bureau

As a member of the Czech Insurers' Bureau and Slovak Insurers´ Bureau ("the Bureau") related to MTPL insurance, the Company is committed to guarantee the MTPL liabilities of the Bureau. For this purpose, the Company makes contributions to the guarantee fund of the Bureau based on the calculations of the Bureau.

In the event of a fellow member of the Bureau being unable to meet its liabilities arising from MTPL due to insolvency, the Company may be required to make additional contributions to the guarantee fund. Management does not believe the risk of this occurring to be material to the financial position of the Company.

E.31 Related parties

This section contains information about all significant transactions with related parties excluding those which are described in other parts of the notes.

E.31.1 Identity of related parties

The Company is related to ultimate controlling entity Assicurazioni Generali S.p.A. and to companies controlled by it.

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The key management personnel of the Company and its parent, their close family members and other parties that are controlled, jointly controlled or significantly influenced by such individuals and entities in which such individuals hold significant voting power are also considered related parties.

Key management personnel of the Company comprise the members of the Board of Directors and the Supervisory Board.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

E.31.2 Key management personnel compensation

There were no significant transactions with members of Supervisory Board during 2022 and 2021. Transactions with members of Board of Directors comprised:

In CZK million, as at 31 December 2022	Board of Directors	
	Related to the board membership	Related to employment contract
Short-term employee benefits	149	2
State-defined contribution pension plan	4	-

In CZK million, as at 31 December 2021	Board of Directors	
	Related to the board membership	Related to employment contract
Short-term employee benefits	130	-
State-defined contribution pension plan	3	-

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 2022 termination benefits to the key management personnel of the Company were not paid (2021: CZK 5 million).

As at 31 December 2022 and 31 December 2021, the members of the statutory bodies held no shares of the Company.

Selected members of management of the Company are beneficiaries of a Generali Group's long-term incentive Plans as described in the Chapter E.26.

E.31.3 Related party transactions

The related party transactions were carried out on terms equivalent to those that would apply in similar transactions with unrelated parties and are usually settled in cash.

The Company had no material transactions or outstanding balances with the ultimate and direct parent company Assicurazioni Generali S.p.A. in either in 2022 or in 2021, 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 2022	Notes	Group 1a	Group 1b	Group 2	Group 3
Assets					
Investments	i	1,270	-	218	580
Reinsurance assets	ii	-	-	15,189	-
Receivables	iii	130	42	3,082	1
Other assets		241	5	82	7
Total assets		**1,641**	**47**	**18,571**	**588**
Liabilities					
Insurance liabilities	iv	-	-	829	-
Financial liabilities		383	-	-	-
Payables	v	293	2	7,261	3
Other liabilities		275	12	522	-
Total liabilities		**951**	**14**	**8,612**	**3**

Notes:
i. The balances with companies in Group 1a comprise mainly loan to Green Point Offices s.r.o. in the amount of CZK 808 million and loan to Palac Krizik a.s. in the amount of CZK 379 million.
ii. The balances with companies in Group 2 comprise mainly technical provisions ceded to GP Re in the amount of CZK 14,880 million and technical provisions ceded to Assicurazioni Generali S.p.A. in the amount of CZK 161 million.
iii. The balances with companies in Group 2 comprise mainly receivables from reinsurance from GP Re in the amount of CZK 2,915 million and receivables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 38 million.
iv. The balances with companies in Group 2 comprise mainly technical provisions from accepted reinsurance from Generali Insurance AD in the amount of CZK 721 million.
v. The balances with companies in Group 2 comprise mainly payables from reinsurance from GP Re in the amount of CZK 6,956 million and payables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 105 million.

In CZK million, as at 31 December 2021	Notes	Group 1a	Group 1b	Group 2	Group 3
Assets					
Investments	i	1,323	-	166	636
Reinsurance assets	ii	-	-	15,228	-
Receivables	iii	83	47	2,735	11
Other assets		198	7	64	6
Total assets		**1,604**	**54**	**18,193**	**653**
Liabilities					
Insurance liabilities	iv	-	-	727	-
Financial liabilities	v	40	-	1,678	-
Payables	vi	404	2	12,844	41
Other liabilities		155	7	392	-
Total liabilities		**599**	**9**	**15,641**	**41**

Notes:
i. The balances with companies in Group 1a comprise mainly loan to Green Point Offices a.s. in the amount of CZK 833 million and loan to Palac Krizik a.s. in the amount of CZK 404 million.
ii. The balances with companies in Group 2 comprise mainly technical provisions ceded to GP Re in the amount of CZK 14,886 million and technical provisions ceded to Assicurazioni Generali S.p.A. in the amount of CZK 201 million.
iii. The balances with companies in Group 2 comprise mainly receivables from reinsurance from GP Re in the amount of CZK 2,536 million and receivables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 57 million.
iv. The balances with companies in Group 2 comprise technical provisions from accepted reinsurance from Generali Insurance AD in the amount of CZK 729 million.
v. The balances with companies in Group 2 comprise mainly deposits received from reinsurers from GP Re in the amount of CZK 1,400 million.
vi. The balances with companies in Group 2 comprise payables from the Acquisition of business from GSK Financial, a.s. (Generali Poisťovňa, a.s.) in the amount of CZK 5,794 million, payables from reinsurance from GP Re in the amount of CZK 6,736 million and payables from reinsurance from Assicurazioni Generali S.p.A. in the amount of CZK 112 million.

In CZK million, for the year ended 31 December 2022	Notes	Group 1a	Group 1b	Group 2	Group 3
Income					
Net earned premium	i	-	-	(15,730)	-
Net income from financial instruments at FVthPL		-	-	(25)	(8)
Income from subsidiaries and associates		339	5	-	-
Other income for financial instruments and other investments		119	-	69	32
Other income		364	8	115	3
Total income		**822**	**13**	**(15,571)**	**27**
Expenses					
Net insurance benefits and claims	ii	-	-	6,715	(8)
Expenses from subsidiaries and associates		-	(1)	-	-
Other expenses for financial instruments and other investments		(15)	-	(56)	-
Acquisition and administration costs	iii	(4,504)	-	4,200	(1)
Other expenses		(296)	-	(118)	(16)
Expenses from discontinued operations		-	-	-	-
Total expenses		**(4,815)**	**(1)**	**10,741**	**(25)**

Notes:
i. The balances in Group 2 include ceded earned premium from GP Re in the amount of CZK 15,270 million and ceded earned premium from Assicurazioni Generali S.p.A. in the amount of CZK 296 million. Against this amounts include accepted earned premium from Generali Insurance AD in the amount of CZK 326 million.
ii. The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 6,655 million and reinsurance with Assicurazioni Generali S.p.A. in the amount of CZK 24 million (ceded claims paid).
iii. The balances in Group 1a include transactions with Generali Česká Distribuce a.s. in the amount of CZK 3,886 million (acquisition costs). The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 4,646 million (ceded commission) and transactions from reinsurance Assicurazioni Generali S.p.A. in the amount of CZK 54 million (ceded commission). Against this amounts include expenses from IT service with Generali Operations Service Platform S.r.l. in the amount of CZK 568 million.

In CZK million, for the year ended 31 December 2021	Notes	Group 1a	Group 1b	Group 2	Group 3
Income					
Net earned premium	i	2	-	(13,044)	-
Net income from financial instruments at FVthPL		-	-	2	23
Income from subsidiaries and associates	ii	5,827	-	-	-
Other income for financial instruments and other investments		123	-	9	16
Other income		270	6	92	2
Total income		**6,222**	**6**	**(12,941)**	**41**
Expenses					
Net insurance benefits and claims	iii	(2)	-	6,813	(10)
Expenses from subsidiaries and associates		(2)	-	(12)	-
Other expenses for financial instruments and other investments	iv	(3,898)	9	3,390	-
Acquisition and administration costs		(139)	-	(59)	18
Other expenses		-	-	-	(65)
Total expenses		**(4,041)**	**9**	**10,132**	**(57)**

Notes:
i. The balances in Group 2 include ceded earned premium from GP Re in the amount of CZK 13,019 million and ceded earned premium from Assicurazioni Generali S.p.A. in the amount of CZK 216 million. Against this amounts include accepted earned premium from Generali Insurance AD in the amount of CZK 324 million.
ii. The balances in Group 1a income from sale CP Strategic Investments N.V. in amount of CZK 4,232 million and dividend received from Generali penzijní společnost, a.s. in amount of CZK 1,371 million.
iii. The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 6,717 million and reinsurance with Assicurazioni Generali S.p.A. in the amount of CZK 75 million (ceded claims paid).
iv. The balances in Group 1a include transactions with Generali Česká Distribuce a.s. in the amount of CZK 3,775 million (acquisition costs). The balances in Group 2 include transactions from reinsurance with GP Re in the amount of CZK 3,939 million (ceded commission) and transactions from reinsurance Assicurazioni Generali S.p.A. in the amount of CZK 42 million (ceded commission). Against this amounts include expenses from IT service with Generali Operations Service Platform S.r.l. in the amount of CZK 478 million.

As at 31 December 2022 and 31 December 2021, the Company held no securities issued by related parties.

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

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

F. SUBSEQUENT EVENTS

Effective from 1 January 2023, Manlio Lostuzzi joined the supervisory board. Effective from 1 March 2023, Marián Zelko joined the board of directors.

Effective from 28 February 2023 Juraj Jurčík terminated his membership in the board of directors.

The Company has not identified any other significant events that have occurred since the end of the reporting period up to 27 March 2023.

27 March 2023

Petr Bohumský

Roman Juráš

WE CARE DEEPLY ABOUT PEOPLE AND THEIR LIVES

The Human Safety Net is an initiative we run to help disadvantaged families with disabled children (the Leontinka Foundation).
We have channelled specific help to refugees from Ukraine (e.g. by offering discounted insurance, places where children and adults can learn and adapt, and fundraisers).

REPORT ON RELATED-PARTY TRANSACTIONS FOR THE 2022 ACCOUNTING PERIOD

Generali Česká pojišťovna a.s., incorporated by entry in the Commercial Register kept by the Municipal Court in Prague, Section B, File 2866, on 1 January 1992, as a public limited company (registration number 45272956), having its registered office at Spálená 75/16, 110 00 Praha 1 (the "Company"), is required to compile a report on related-party transactions for the 2022 accounting period in accordance with Section 82 of Act No 90/2012 on companies and cooperatives (the Business Corporations Act), as amended.

The Company's sole shareholder as at 31 December 2021 was Generali CEE Holding B.V., having its registered office at De Entree 91, 1101 BH, Amsterdam, Netherlands (the controlling entity). The disclosures in the Generali Česká pojišťovna a.s. financial statements are incorporated into the consolidated financial statements of Generali CEE Holding B.V. and Assicurazioni Generali S.p.A., Italy, which is the ultimate controlling company ("Generali Group").

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

The structure of the Group and the status of Generali pojišťovna are described in a separate section of the Annual Report.

The Report on Related-party Transactions includes contracts and agreements effected 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. Effective 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:

- Contracts with Acredité s.r.o., having its registered office at Na Pankráci 1658, 140 21 Praha 4:
  – insurance contracts;
  – framework cost-sharing contract (including addenda);
  – lease/sublease contracts (including addendum);
  – contract on the fulfilment of obligations arising from group participation;
  – contracts granting rights of software use;
  – Helpline access contract;
  – service agreement (including addendum);
  – contract on access to the APH application (including addendum);
  – insurance examinations contract;
  – cost-sharing contracts (including addenda).

- Contracts with Akcionarsko društvo za osiguranje Generali Osiguranje Srbija, Beograd, having its registered office at Vladimira Popovića 8, 11070 Novi Beograd, Beograd:
  – MTPL insurance card (green card) contract;
  – secondment contract.

- Contracts with Akcionarsko društvo za reosiguranje Generali Reosiguranje Srbija, Beograd, having its registered office at Vladimira Popovića 8, 11070 Novi Beograd, Beograd:
  – reinsurance contract.

- Contracts with Assicurazioni Generali S.p.A., having its registered office at Piazza Duca degli Abruzzi, 2, Trieste:
  – cooperation agreement;
  – derivatives trading contract;
  – terms and conditions for the use of the Generali brand;
  – service contract on the appointment of a proxy to exercise voting rights at general meetings of companies;
  – credit rating contract;
  – reinsurance contracts.

- Contracts with Europ Assistance S.A., having its registered office at 1, Promenade de la Bonnette, Gennevilliers:
  – cooperation agreement;
  – reinsurance contracts.

- Contracts with Europ Assistance s.r.o., having its registered office at Na Pankráci 1658/121, 140 00 Praha 4:
  – Helpline access contract;
  – insurance contracts;
  – framework cost-sharing contracts;
  – lease/sublease contract;
  – breakdown cover cooperation contracts (including addenda);
  – cooperation agreement.

- Contracts with Generali Biztosító Zrt., having its registered office at Teréz krt. 42-44, Budapest, 1066:
  – IT support contract (including addendum);
  – tripartite agreements on the transfer of a contract;
  – reinsurance contracts.

- Contracts with Generali CEE Holding B.V., having its registered office at De Entree 91, 1101 BH, Amsterdam:
  – agreement on the assignment of rights and assumption of obligations;
  – Earnix licensing agreement;
  – insurance contracts;
  – framework cost-sharing contracts (including addenda);
  – framework IT and non-IT sharing contract (including addenda);
  – receivable and payable offset contract;
  – lease/sublease contracts;
  – contract on the fulfilment of obligations arising from group participation (including addendum);
  – Helpline access contract;
  – service agreement (including addenda);
  – cooperation agreement.

- Contracts with Generali Česká Distribuce a.s., having its registered office at Na Pankráci 1658/121, Nusle, 140 00 Praha 4:
  – compensation agreement;
  – contribution transfer agreement;
  – insurance contracts;
  – framework IT and non-IT sharing contract (including addenda);
  – lease/sublease contracts;
  – agency agreement;
  – contract on the fulfilment of obligations arising from group participation;
  – Helpline access contract (including addendum);
  – advertising and promotion contract;
  – cost-sharing contract (including addendum);
  – cooperation agreement;
  – loan agreement.

- Contracts with Generali Deutschland Versicherung AG, having its registered office at AachenMünchener-Platz 1, Aachen:
  – reinsurance contracts.

- Contracts with Generali Development d.o.o. Beograd, having its registered office at Vladimira Popovića 8, 11070 Novi Beograd, Beograd:
  – development and technical support contract.

- Contracts with Generali Espana, S.A. de Seguros y Reaseguros, having its registered office at Calle Orense 2, Madrid:
  – reinsurance contracts.

- Contracts with Generali Finance spólka z ograniczoną odpowiedzialnością, having its registered office at ul. Postępu 15B 02-676 Warszawa:
  – licensing agreement.

- Contracts with Generali Hellas Insurance Company S.A., having its registered office at Ilia Iliou 35-37, Athina 117 43, Greece:
  – reinsurance contracts.

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

- Contracts with Generali Insurance AD, having its registered office at 68 Knyaz Al. Dondukov Blvd., Sofia:
  – contract on the sale of shares in SMALL GREF a.s.;
  – reinsurance contracts.

- Contracts with Generali Investments CEE, investiční společnost, a.s., having its registered office at Na Pankráci 1720/123, 140 00 Praha 4, service number 140 21:
  – agreement on consistent shared-cost accounting;
  – investment management agreement (including addenda);
  – insurance contracts;
  – framework cost-sharing contract (including addenda);
  – framework IT and non-IT sharing contract (including addenda);
  – contracts on the exercise of voting rights;
  – lease/sublease contracts (including addendum);
  – agency agreement;
  – contract on the fulfilment of obligations arising from group participation;
  – Helpline access contract;
  – cooperation agreement;
  – loyalty bonus contracts (including addenda).

- Contracts with Generali Investments Luxembourg S.A., having its registered office at 4, rue Jean Monnet, Luxembourg:
  – distribution agreement (including addenda);
  – cooperation agreement.

- Contracts with Generali IT s.r.o., having its registered office at Heydukova 12-14 , Bratislava 811 08:
  – software development and maintenance support contract.

- Contracts with Generali Italia S.p.A., having its registered office at Via Marocchesa n. 14, Mogliano Veneto:
  – reinsurance contracts.

- Contracts with Generali Operations Service Platform s.r.l., having its registered office at Piazza Duca degli Abruzzi, 2, Trieste:
  – framework cost-sharing contract (including addenda);
  – framework IT and non-IT sharing contract;
  – lease/sublease contracts (including addenda);
  – contract on the fulfilment of obligations arising from group participation.

- Contracts with Generali Osiguranje d.d., having its registered office at Bani 110, 10010 Zagreb:
  – reinsurance contract.

- Contracts with Generali penzijní společnost, a.s., having its registered office at Na Pankráci 1720/123, 140 21 Praha 4 – Nusle:
  – agreement on an assessment of professional competence;
  – Helpline access contract;
  – purchase contracts (motor vehicles);
  – insurance contract;
  – framework cost-sharing agreement;
  – framework IT and non-IT sharing contract (including addenda);
  – lease/sublease contract;
  – cooperation agreement;

- Contracts with GSK Financial, a. s., having its registered office at Lamačská cesta 3/A, Bratislava 841 04:
  – framework cost-sharing agreement.

- Contracts with Generali Real Estate Fund CEE a.s., investiční fond, having its registered office at Na Pankráci 1658/121, 140 21 Praha 4:
  – insurance contract;
  – cost-sharing agreement.

- Contracts with Generali Real Estate S.p.A., having its registered office at Piazza Duca degli Abruzzi, 1, Trieste:
  – shared services contract;
  – insurance contract.

- Contracts with Generali Seguros, S.A., having its registered office at Avenida da Liberdade, 242, 1250-149 Lisboa:
  – reinsurance contracts.

- Contracts with Generali Slovenská distribúcia, a. s., having its registered office at Lamačská cesta 3/A, 841 04 Bratislava:
  – framework IT and non-IT sharing contract;
  – framework cost-sharing contracts (including addendum);
  – agreement on the termination of a framework cost-sharing contract.

- Contracts with Generali Towarzystwo Ubezpieczeń Spółka Akcyjna, having its registered office at ul. Postępu 15B 02-676 Warszawa:
  – contracts on the assignment of an IT administration contract by Generali Česká pojišťovna (including addendum);
  – reinsurance contracts.

- Contracts with Generali Versicherung AG, having its registered office at Landskrongasse 1-3, Vienna:
  – outsourcing and service cooperation contract;
  – reinsurance contracts.

- Contracts with GP Reinsurance EAD, having its registered office at 68 Knyaz Al. Dondukov Blvd., Sofia:
  – contract assignment agreement;
  – reinsurance contracts.

- Contracts with GRE PAN-EU Prague 1 s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with Green Point Offices a.s., having its registered office at Lamačská cesta 3/A, 841 04 Bratislava:
  – insurance contracts;
  – lease/sublease contracts;
  – credit agreement (including addenda).

- Contracts with IDEE s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with Mustek Properties, s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with Nadace GCP, having its registered office at Na Pankráci 1658/121, Nusle, 140 21 Praha 4:
  – donation contract;
  – Helpline access contract;
  – framework cost-sharing contract (including addendum);
  – lease/sublease contract.

- Contracts with Office Center Purkyňova, a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts;
  – lease/sublease contracts.

- Contracts with PALAC KRIZIK a.s., having its registered office at Radlická 608/2, 150 23 Praha 5:
  – insurance contracts;
  – credit agreement.

- Contracts with Palác Špork, a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with PAN EU Kotva Prague a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with Pankrác East a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts;
  – lease/sublease contract (including addenda).

- Contracts with Pankrác West a.s., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contract;
  – lease/sublease contract (including addenda).

- Contracts with Pařížská 26, s.r.o., having its registered office at Václavské náměstí 772/2, Nové Město, 110 00 Praha 1:
  – insurance contracts;
  – loan contract (including addendum).

- Contracts with PCS - Praha Center spol. s.r.o., having its registered office at Václavské náměstí 823/33, Nové Město, 110 00 Praha 1:
  – insurance contracts.

- Contracts with S.C. Generali Romania Asigurare Reasigurare S.A., having its registered office at Piata Charles De Gaulle, Nr.15, Bucuresti, 11857:
  – reinsurance contract.

- Contracts with Solitaire Real Estate, a.s., having its registered office at Sokolovská 694/100a, Karlín, 186 00 Praha 8:
  – insurance contracts.

All the contracts listed above were concluded on an arm's-length basis. The granting of an interest-free loan to a controlled subsidiary is also considered to be on an arm's-length basis as it is not to the detriment of the parent company. All services provided and received under these contracts and under contracts concluded in prior periods, as disclosed in previous reports on related-party transactions, which continued to be delivered in the 2022 accounting period were provided on an arm's-length basis and the Company incurred no loss. Nor did the contracts executed result in any special advantages, disadvantages or additional risks for the Company.

Consideration under the above contracts comprises the payment of the price agreed for services provided by the other party, which is subject to business secrecy.

Within Generali Group, the Company cooperates on Group projects and policies. The Company incurred no detriment or loss as a result of its cooperation on such Group activities.

The Company did not take any measures or execute other legal acts on behalf of or at the instigation of related parties in the 2022 accounting period in respect of assets exceeding 10% of the Company's equity as determined by the latest financial statements.

The Company's governing body declares that it has prepared this report with due professional care and that the information disclosed herein is sufficient, correct and complete. In keeping with its statutory obligations, the Company will publish an Annual Report, of which this Company Report on Related-party Transactions will be an integral part.

Prague, 27 March 2023

Roman Juráš
Chairman of the Board of Directors

Petr Bohumský
Vice-Chairman of the Board of Directors

WE TREASURE OUR PEOPLE

We know that every individual is unique As are their preferences and needs. That’s why we make it easier for our people to have a better work-life balance by enabling them to work from home.

Annual Report 2022

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