SOLVENCY AND FINANCIAL CONDITION REPORT

2017

ČESKÁ POJIŠŤOVNA

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Introduction

Česká pojišťovna a.s. (the Company), falling under the scope of Solvency II Directive reporting, is required to prepare its own Solvency and Financial Condition Report (SFCR). This is in accordance with Directive 2009/138/EC ('Solvency II Directive') as well as with Delegated Regulation 2015/35/EC ('Delegated Act') and the related Guidelines.

Policyholders and beneficiaries are the main addressees of a SFCR, benefitting from increased market discipline that encourages best practices as well as from higher market confidence that leads to an improved understanding of the business.

The SFCR's specific content is defined by primary legislation and implementing measures, providing detailed information on the essential aspects of the business, such as a description of the activity and performance of the undertaking, the System of Governance, the risk profile, an evaluation of assets and liabilities, and capital management for solvency purposes.

When disclosing the information referred to in this Regulation, figures reflecting monetary amounts shall be disclosed in thousands of Czech Crowns ('CZK'), which is the Company's functional currency, unless otherwise stated. Negligible differences can arise due to rounding.

The document was approved by the Company's Board of Directors on 7 May 2018.

Glossary

AFS	Available For Sale
AHD	Accident, Health and Disability
ALAE	Allocated Loss Adjustment Expenses
ALM	Asset Liability Management
AMSB	Administrative, Management and Supervisory Body
BEL	Discounted Best Estimate of Liabilities
BoD	Board of Directors
BOF	Basic Own Funds
BSCR	Basic Solvency Capital Ratio
CAT	CATastrophe reinsurance contract
CAT XL	CATastrophe eXcess of Loss reinsurance contract
CB	Contract Boundaries
CDA	Counterparty Default Adjustment
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIB	Czech Insurers' Bureau
CMP	Capital Management Plan
CoC	Cost of Capital
COR	Combined Ratio
CRO	Chief Risk Officer
CV	Curriculum Vitae
CZK	Czech Crowns
CzNIP	Czech Insurance Nuclear Pool
D&O	Directors and Officers Liability
DFM	Development Factor Models
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EC	European Committee
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected Profit Included in Future Premiums
EU countries	Countries of the European Union
EUR	Euro
FV	Fair Value
FVTPL	Fair Value Through Profit or Loss
FX	Foreign eXchange
FY	Financial Year
GCRO	Group Chief Risk Officer
Generali	Assicurazioni Generali S.p.A. - the ultimate parent company of the Company
GIGP	Group Investment Governance Policy
GIRG	Group Investments Risk Guidelines
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
ICS	Internal Control System
ID number	IDentification number
IFRS	International Financial and Accounting Standards
IT	Information Technology
L	Life insurance
LAE	Loss Adjustment Expenses
LAF	Life Actuarial Function
LDC	Loss Data Collection
LoB	Line of Business
LTI	Long Term Incentive programs
MCR	Minimum Capital Requirement
MCZK	Millions of Czech Crowns
MTPL	Motor Third Party Liability
MVBS	Market Value Balance Sheet
MVM	Market Value Margin
NAT CAT	NATural CATastrophe excess of loss reinsurance contract
NCC	New Civil Code
NG	Percentage of IFRS Net Outstanding Claims Reserve on IFRS Gross Outstanding Claims Reserve for each accident year
NL	Non-life insurance
No	Number
OCR	Outstanding Claims Reserve
ORSA	Own Risk and Solvency Assessment
P&C	Property & Casualty, Non-life insurance
P&L	Profit and Loss
PDF	Probability Distribution Forecast
PIM	Partial Internal Model
QRT	Quantitative Reporting Template
RA	Risk Adjustment
RAF	Risk Appetite Framework
RBNS	Reported But Not Settled
ResQ	Group Reserving Tool
RFF	Ring Fenced Funds
RM	Risk Margin
RSR	Regular Supervisory Report
RUB	Russian Ruble
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II: the set of legislative and regulatory provisions introduced following the issue of Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009
SLT	Similar to Life Techniques

SME business	Small and Medium Enterprise business
SPV	Special Purpose Vehicle
STI	Short Term variable Incentives
TCZK	Thousands of Czech Crowns
the Bureau	Czech Insurers' Bureau
the Company	Česká pojišťovna, a.s.
TP	Technical Provisions
TPL	Third Party Liability
TRCR	Technical Reserves Coverage Requirement
UBEL	Undiscounted Best Estimate of Liabilities
UL (products)	Unit Linked products
ULAE	Unallocated Loss Adjustment Expenses
UW	Underwriting
VaR	Value at Risk
XL	Excess of Loss reinsurance
YE	End of the Year

Summary

The objective of the Solvency and Financial Condition Report (SFCR) is to increase transparency in the insurance market by requiring insurance and reinsurance undertakings to publicly disclose a report on their solvency and financial condition on an annual basis.

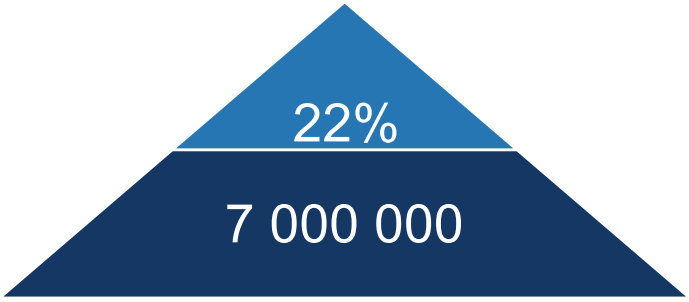
BUSINESS AND PERFORMANCE (SECTION A)

Česká pojišťovna is a composite insurance company providing individual life and non-life insurance as well as insurance for small, medium and large clients covering risks in industry, business and agriculture.

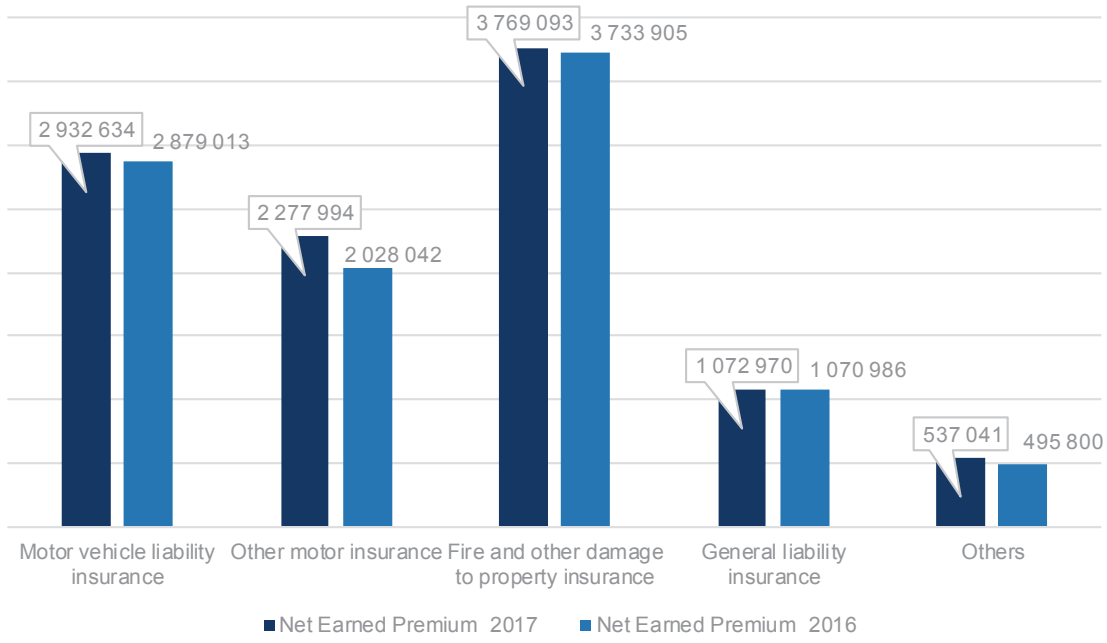
On 13 December 2017, A.M. Best, the international rating agency specializing in the insurance sector, confirmed an 'A' (Excellent) financial strength rating for Česká pojišťovna with a stable outlook and a credit rating of "a" where Česká pojišťovna has improved the outlook from stable to positive. The Česká pojišťovna´s rating reflects the balance sheet strength, adequate operating performance, profitable business profile and appropriate risk management with a solid capital position.

The Česká pojišťovna´s rating has a long tradition. Česká pojišťovna received its first rating in 1998, produced by DCR (Duff and Phelps, today Fitch). In the years that followed, Česká pojišťovna was evaluated by Moody's and Standard and Poor's. In the past three years, Česká pojišťovna goes has been rated by A. M. Best, which specializes in the insurance sector.

Česká pojišťovna manages more than seven million insurance policies, and its market share in the home insurance market exceeds 22%.

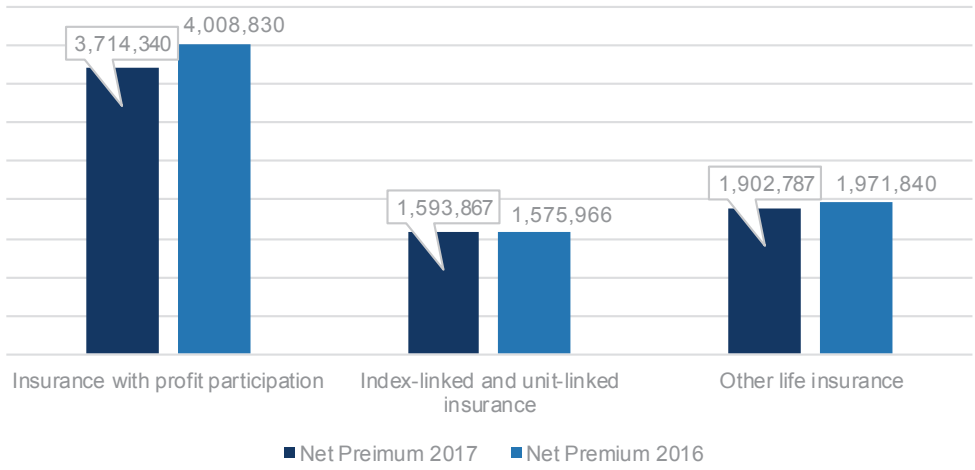


Non-life Insurance



Česká pojišťovna remained the leading non-life insurance service provider in 2017 with a 24.4% market share. The results of non-life insurance on the Czech market echo the overall economic upswing. Non-life premiums grew moderately in MTPL and significantly in the Casco business, other lines were flat.

Life Insurance



In life insurance, regular gross written premium fell by CZK 370 million due to continuing portfolio diminution. New business was not able to compensate for the fall in the life insurance portfolio in 2017.

SYSTEM OF GOVERNANCE (SECTION B)

The Company's System of Governance has been set up to ensure operational effectiveness and efficiency, financial reporting reliability, compliance with laws and regulations, development and compliance with the Company's strategies, and the detection and prevention of conflicts of interest and internal fraud. The adequacy of the System of Governance is subject to independent review on a yearly basis by the Internal Audit Function. There have been no material changes to the System of Governance since the last report.

RISK PROFILE (SECTION C)

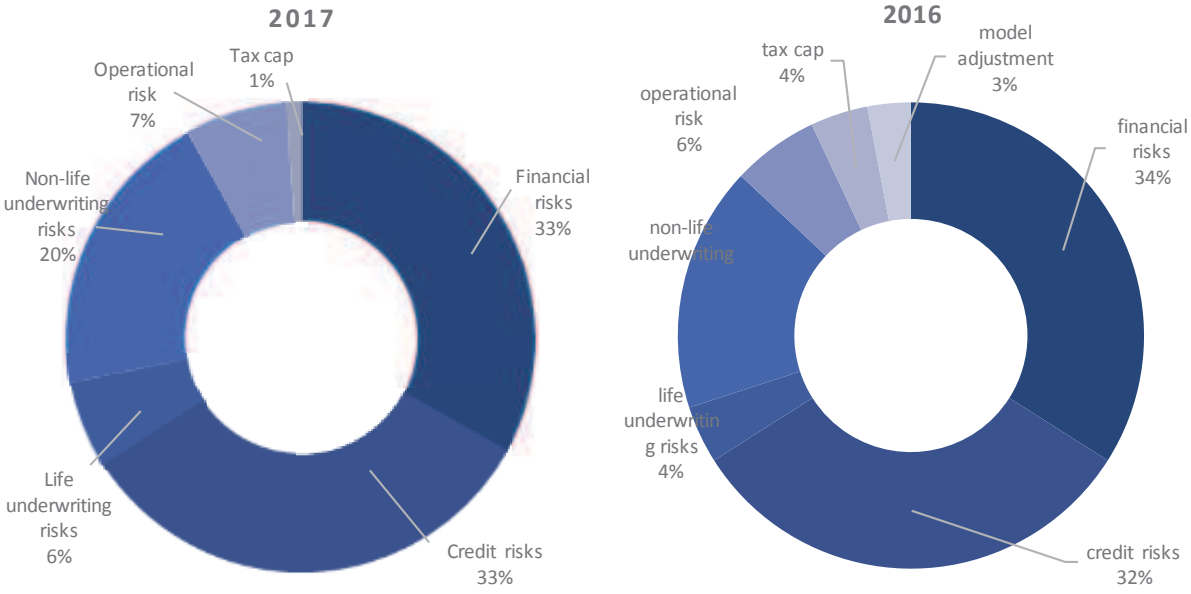
Česká pojišťovna is a member of the Generali Group and applies an internal approach to determine the available financial resources and the capital requirements for the risks to which it is exposed (Internal Model), while maintaining consistency with the basic framework of Solvency II. On 7 March 2016, the Company received regulatory approval to use its own Internal Model for regulatory Solvency Capital Requirement calculations.

The Risk Management System is based on three main pillars:

i. the risk assessment process: aimed at identifying and evaluating the risks and the solvency position of the Company;
ii. the risk governance process: aimed at defining and controlling managerial decisions in relation to the relevant risks;
iii. the risk management culture: aimed at embedding risk awareness in the decision-making processes and increasing value creation.

Česká pojišťovna has implemented a Risk Management System that aims to identify, evaluate, monitor and manage the most important risks to which the Company is exposed. There were no material changes to the risk structure in comparison with 2016.

Solvency Capital Requirement (SCR) by type of risk before diversification



VALUATION FOR SOLVENCY PURPOSES (SECTION D)

Section D includes a complete overview of the valuation of Solvency II assets and liabilities. The general principle for the valuation is an economic, market-consistent approach using assumptions that market participants would use in valuing the same asset or liability (Article 75 of the Solvency II Directive). In particular, assets and liabilities other than Technical Provisions are recognized in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee approved by the European Union before the balance sheet date, provided they include valuation methods that are consistent with the market approach.

Technical provisions under Solvency II are calculated as the sum of best estimate liabilities plus risk margin. °

The significant methods and assumptions used are detailed in chapter D.2. and remain stable.

CAPITAL MANAGEMENT (SECTION E)

The Company regularly assesses its statutory solvency position, which is derived from the ratio of its available capital and the capital requirement. Česká pojišťovna has a very strong capital position. At the end of 2017, the ratio of total eligible own funds to SCR reached 322%, i.e. eligible own funds amounted to more than double the required level prescribed by Solvency II. The strong capital position should enable the Company to face any adverse external events or events with an impact higher than required by Solvency II (for instance catastrophic floods) and be able to fully meet its liabilities towards clients while continuing to fulfil all capital requirements prescribed by the regulation. Česká pojišťovna is a composite insurer providing a comprehensive range of services, encompassing life and non-life personal lines, insurance for small, medium-sized and large customers, covering industrial and business risks and agriculture. The wide range of products and large portfolio allow significant risk diversification, and thus Česká pojišťovna achieves long-term stable financial results and a strong capital position. Customers benefit from this diversification by having a strong and reliable partner, which is able to help under all circumstances, even under unfavorable economic conditions.

Regulatory capital requirements in respect of the Solvency position, base scenario

(CZK million)	SCR	Eligible Own Funds	Solvency Ratio
2017	8,635	27,791	322%
2016	9,880	28,965	293%

The solvency position of the Company improved compared to last year due to steeper decrease in the Solvency Capital Requirement than in the eligible own funds. The year-on-year change in eligible own funds was mainly driven by an increase in financial liabilities, partially compensated by increasing investments (including participations) and a reduction of technical provisions. The Solvency Capital Requirement is lower mainly as a consequence of lower Equity and Credit risks (driven by a drop in market value of participations and continuous maturities on the traditional life portfolio), higher tax absorption (caused by increased DTL which serves as a cap) and lower model adjustments.

Outside the basic framework of the solvency position, the Company has defined hypothetical adverse events (or sensitivities) and continues to manage the risks arising from these scenarios while quantifying their potential impact on the Company's solvency position (see for instance Section E.6.) Should such additional adverse situations occur, the Company will be fully able to meet the regulatory requirements on equity.

A. Business and Performance

A.1. BUSINESS

A.1.1. BASIC COMPANY INFORMATION

Company name	Česká pojišťovna a.s.
Legal form	Joint stock company
Registered office	Spálená 75/16, 113 04 Praha 1
ID number	452 72 956
Tax ID number	CZ 4527 2956
Date of inception	1 May 1992
Legal regulation	The Company was founded pursuant to Section 11(3) of Act No 92/1991, on the Conditions for the Transfer of State Property to Other Entities, as amended, by the National Property Fund of the Czech Republic under a founder's deed dated 28 April 1992, and was incorporated by registration in the Commercial Register on 1 May 1992.
Incorporation in Commercial Register	Prague Municipal Court Section B, File number 1464
Date of incorporation in the Commercial Register	1 May 1992
Share capital	CZK 4,000,000,000 Paid up: 100%

Information about Holders of Qualifying Holdings in the Undertaking

The Company's sole shareholder is CZI Holdings N.V., with its registered office at Diemerhof 42, 1112XN, Diemen, the Netherlands; registered on 6 December 2006, identification number 34245976.

CZI Holdings is an integral part of Generali CEE Holding B.V., a company fully owned by Assicurazioni Generali S.p.A. ('Generali'), which is the ultimate parent company of the Company. The financial statements of Generali Group are publicly available at www.generali.com

CZI Holdings N.V.

Legal form:	joint stock company
Registered office:	1112XN Diemen, Amsterdam, Diemerhof 42, Netherlands
File number in the Register of the Amsterdam Chamber of Commerce and Industry:	34245976
Share capital:	EUR 100 000 000
Stake in the voting rights:	100%
Date of inception:	6 April 2006
Principal businesses:	financial holding

Generali CEE Holding B.V.

Legal form:	limited company
Registered office:	1112XN Diemen, Amsterdam, Diemerhof 42, Netherlands
File number in the Register of the Amsterdam Chamber of Commerce and Industry:	34275688
Share capital:	EUR 100 000
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of inception:	8 June 2007
Principal businesses:	holding activities

Assicurazioni Generali S.p.A

Legal form:	joint stock company
Registered office:	Piazza Duca degli Abruzzi 2, Trieste, Italy
Trieste Companies' Register number:	00079760328
Share capital:	EUR 1 556 873 283
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of inception:	26 December 1831
Principal businesses:	providing insurance and finance products

Supervisory Authority for the Entity

Name:	CZECH NATIONAL BANK
Registered office:	Na Příkopě 864/28, 115 03 Praha 1 - Nové Město
ID Number :	48136450
Telephone:	+420 224 411 111
Fax:	+420 224 412 404

Supervisory Authority for the Group

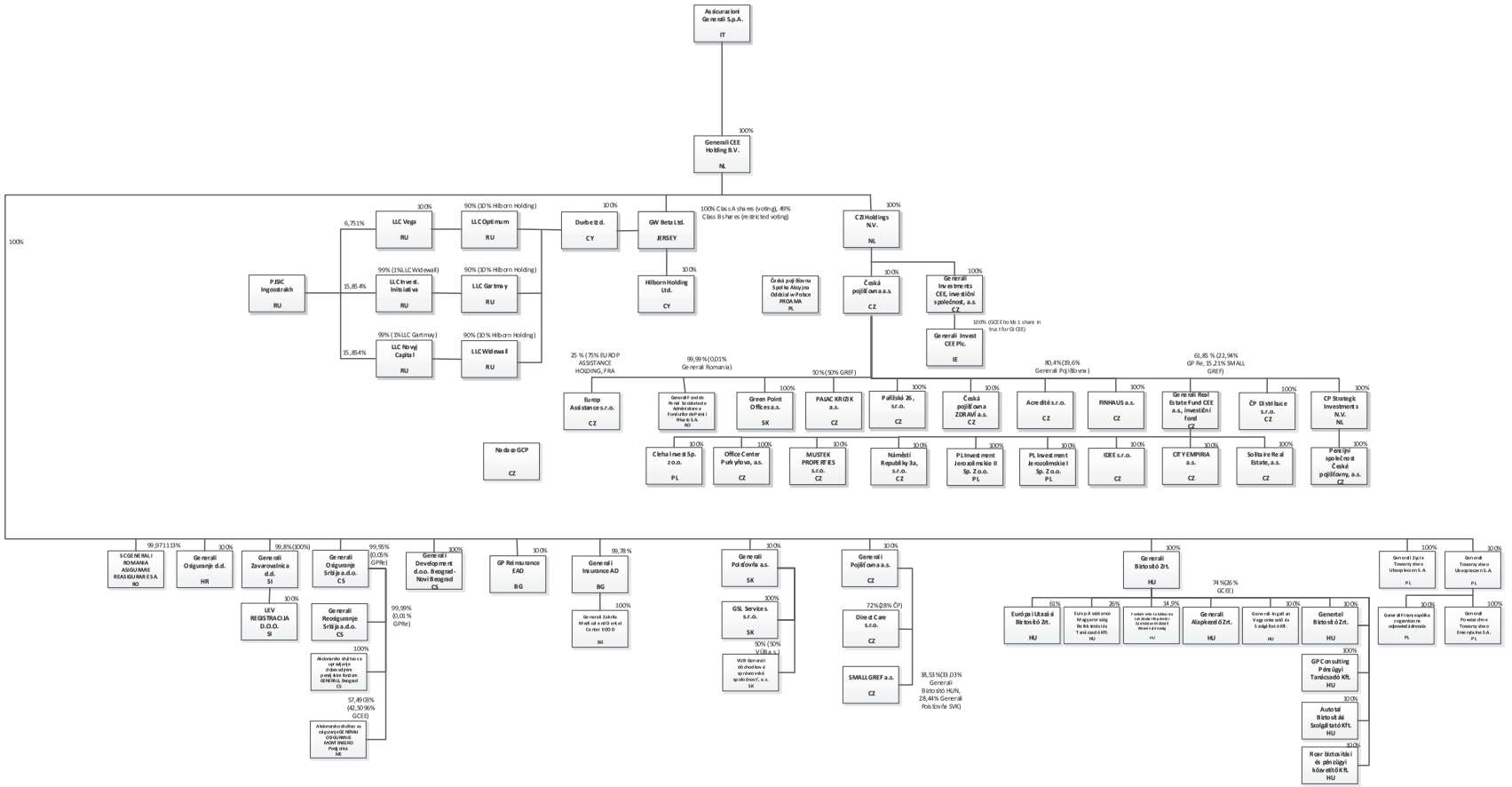
Name:	IVASS - Istituto per la Vigilanza sulle Assicurazioni
Registered office:	Via del Quirinale 21, 00187 Rome, Italy
ID Number:	97730600588
Telephone:	+39.06.42133.1
Fax:	+39.06.42133.206
Email:	ivass@pec.ivass.it

Information about the External Auditor

Since 2012, the financial statements have been audited by Ernst & Young Audit, s.r.o. The financial statements of Česká pojišťovna were audited on 26 March 2018, and the consolidated financial statements of Česká pojišťovna were audited on 26 April 2018.

Registration number:	267 04 153
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Statutory audit licence number:	401
Auditor-in-charge:	Lenka Bízová
Authorisation number:	2331

Group Structure Chart as at 31 December 2017



A.1.2. SUBSIDIARIES AND ASSOCIATES

The following table provides details about the Company's subsidiaries and associates as at 31 December 2017:

Name	Country	Proportion of ownership interest (%)	Proportion of voting rights (%)	Note
Direct Care s.r.o.	Czech Republic	31.00	31.00	
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	100.00	100.00	
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	61.85	61.85	3
FINHAUS a.s.	Czech Republic	100.00	100.00	1
Nadace GCP	Czech Republic			
Acredité s.r.o.	Czech Republic	80.40	80.40	
CP Strategic Investments N.V.	Netherlands	100.00	100.00	4
Generali SAF de Pensii Private S.A.	Romania	99.90	99.90	
Green Point Offices a.s.	Slovakia	100.00	100.00	5
Pařížská 26, s.r.o.	Czech Republic	100.00	100.00	
PALAC KRIZIK a.s.	Czech Republic	50.00	50.00	
Europ Assistance s.r.o.	Czech Republic	25.00	25.00	
CP Distribuce s.r.o.	Czech Republic	100.00	100.00	2

The following table provides details about the Company's subsidiaries and associates as at 31 December 2016:

Name	Country	Proportion of ownership interest (%)	Proportion of voting rights (%)
Direct Care s.r.o.	Czech Republic	28.00	28.00
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	100.00	100.00
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	60.16	60.16
FINHAUS a.s.	Czech Republic	100.00	100.00
Nadace GCP	Czech Republic		
Acredité s.r.o.	Czech Republic	80.40	80.40
CP Strategic Investments N.V.	Netherlands	100.00	100.00
Generali SAF de Pensii Private S.A.	Romania	99.90	99.90
Green Point Offices a.s.	Slovakia	100.00	100.00
Pařížská 26, s.r.o.	Czech Republic	100.00	100.00
PALAC KRIZIK a.s.	Czech Republic	50.00	50.00
Europ Assistance s.r.o.	Czech Republic	25.00	25.00
CP Distribuce s.r.o.	Czech Republic	100.00	100.00

Detailed information about transactions with subsidiaries of the Company is provided below .

1) Capital increase in FINHAUS a.s.

On 15 May 2017, Česká pojišťovna increased its investment in FINHAUS a.s. in a form of a payment outside the share capital of the company of CZK 34.8 million. On 6 September 2017, the Company agreed to make an additional payment outside the share capital of CZK 60 million. These investments will ensure the company has a sound liquidity position and will improve its capital position.

2) Capital increase in ČP Distribuce, s.r.o.

On 30 May 2017, Česká pojišťovna increased its investment in ČP Distribuce, s.r.o. in the form of a non-monetary surplus outside the share capital of the company. The surplus was in the form of tangible assets with a net book amount of CZK 14.2 million. On 21 June 2017, the sole shareholder, Česká pojišťovna, agreed to a monetary increase in the share capital from CZK 1.8 million to CZK 2 million.

3) A capital increase in Generali Real Estate Fund CEE a.s., investiční fond

The shareholder meeting approved an increase in the share capital by CZK 37 million on 2 June 2017. In total, 37 shares have been issued with a nominal value CZK 1 million per share. The price per share was set at CZK 17.72 million, out of which CZK 16.72 million was the emission premium. Česká pojišťovna subscribed 29 shares with a total amount of CZK 513.88 million.

4) Capital decrease in CP Strategic Investments N.V.

On 8 November 2017, the Company agreed to pay back surplus capital outside the share capital of CZK 250 million.

5) Impairment in Green Point Offices

There was a decrease in the market value of the building that is the main asset of the company. This resulted in a decrease in a value of the subsidiary, and the Company agreed to account for an impairment of CZK 79 million.

A.1.3. MATERIAL LINES OF BUSINESS AND MATERIAL GEOGRAPHICAL AREAS

Gross earned premiums revenue	2017	2016
Motor vehicle liability insurance	4,827,022	4,744,087
Other motor insurance	3,893,374	3,474,473
Fire and other damage to property insurance	7,482,781	7,307,408
General liability insurance	2,226,174	2,168,460
Other lines of business	1,164,934	1,110,544
Total Non-life	**19,594,285**	**18,804,972**
Insurance with profit participation	3,714,340	4,008,830
Index-linked and unit-linked insurance	1,593,867	1,575,966
Other life insurance	3,100,044	3,205,349
Total life	**8,408,251**	**8,790,145**

All segment revenues are generated from sales to external customers. No single external customer amounts to 10% or more of the Company's revenues.

In 2017 and 2016, the Company mainly operated in the Czech Republic and in other EU countries. More than 99% of the income from insurance contracts came from clients in the Czech Republic.

A.1.4. SIGNIFICANT BUSINESS OR OTHER EVENTS THAT HAVE OCCURRED OVER THE REPORTING PERIOD

External Rating of the Company

The Company has a financial strength rating of A (Excellent) with a stable outlook and an issuer credit rating of 'a', improved from stable to positive outlook, assigned by A.M. Best on 13 December 2017.

Termination of the Company's Bond Program

Through its bond program, on 13 December 2012, Česká pojišťovna issued 500 000 000 bonds with a total nominal value of CZK 500 million - ISIN CZ0003703555. The bonds bore interest at a fixed rate of 1.83% p.a. The bonds were redeemable in accordance with the plan on 13 December 2017.

Distribution Network

ČP Distribuce a.s. (ČP Distribuce s.r.o. until 1 January 2018), formerly Generali Development s.r.o., was purchased by Česká pojišťovna from Generali Pojišťovna a.s. in 2016, and was transformed into an insurance intermediary in 2017. This transition was formally completed at the end of the first quarter of 2017.

The primary task of ČP Distribuce a.s. is to maintain wall-to-wall service provision for Česká pojišťovna customers at least at the same level as that prior to the amendment to the Insurance Act. This was why ČP Distribuce took over operations and services previously covered by the internal distribution network, including Česká pojišťovna branches.

Cyclone Herwart

Cyclone Herwart hit the Czech Republic in October 2017. The cyclone triggered the Company's 'disaster mode' and caused claims of almost CZK 233 million.

Otherwise the Company run an ordinary business during the year and there were no other significant business or other events to be disclosed.

A.2. UNDERWRITING PERFORMANCE

A.2.1. NON-LIFE

2017	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Other	Total
Premium written						
Gross - Direct Business	4,858,378	3,934,042	6,776,427	2,085,805	1,112,420	18,767,072
Gross - Proportional reinsurance accepted	0	36,211	711,666	164,983	43,269	956,129
Gross - Non-proportional reinsurance accepted	0	0	0	0	132,467	132,467
Reinsurers' share	1,906,930	1,646,012	3,722,639	1,161,780	621,716	9,059,077
Net	2,951,448	2,324,241	3,765,454	1,089,008	666,440	10,796,591
Premiums earned						
Gross - Direct Business	4,827,022	3,857,163	6,763,300	2,058,990	989,130	18,495,605
Gross - Proportional reinsurance accepted	0	36,211	719,481	167,184	43,399	966,275
Gross - Non-proportional reinsurance accepted	0	0	0	0	132,406	132,406
Reinsurers' share	1,894,388	1,615,380	3,713,688	1,153,204	627,894	9,004,554
Net	2,932,634	2,277,994	3,769,093	1,072,970	537,041	10,589,732
Claims incurred						
Gross - Direct Business	2,275,404	2,693,402	2,979,284	814,567	343,589	9,106,246
Gross - Proportional reinsurance accepted	0	70,241	468,895	77,374	11,471	627,981
Gross - Non-proportional reinsurance accepted	0	0	0	0	38,374	38,374
Reinsurers' share	891,445	1,070,139	1,604,469	466,720	242,550	4,275,323
Net	1,383,959	1,693,504	1,843,710	425,221	150,884	5,497,278
Expenses incurred	1,155,104	777,391	1,273,258	456,805	256,422	3,918,980

2016	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Other	Total
Premiums written						
Gross - Direct Business	4,766,712	3,518,993	6,754,375	2,017,464	1,144,165	18,201,709
Gross - Proportional reinsurance accepted	0	0	558,429	174,520	49,402	782,351
Gross - Non-proportional reinsurance accepted	0	0	0	0	111,215	111,215
Reinsurers' share	1,874,064	1,464,358	3,569,287	1,123,746	613,976	8,645,431
Net	2,892,648,	2,054,635	3,743,517	1,068,238	690,806	10,449,844
Premiums earned						
Gross - Direct Business	4,744,086	3,474,473	6,746,653	1,996,013	949,913	17,911,138
Gross - Proportional reinsurance accepted	0	0	560,755	172,447	49,417	782,619
Gross - Non-proportional reinsurance accepted	0	0	0	0	111,215	111,215
Reinsurers' share	1,865,073	1,446,431	3,573,503	1,097,474	614,745	8,597,226
Net	2,879,013	2,028,042	3,733,905	1,070,986	495,800	10,207,746
Claims incurred						
Gross - Direct Business	1,943,169	2,281,222	2,801,118	1,101,511	309,352	8,436,372
Gross - Proportional reinsurance accepted	0	0	274,100	118,455	20,574	413,129
Gross - Non-proportional reinsurance accepted	0	0	0	0	40,491	40,491
Reinsurers' share	860,572	920,842	1,320,829,	652,010	213,181	3,967,434
Net	1 082 597	1 360 380	1 754 389	567 956	157 236	4 922 558
Expenses incurred	1,090,026	695,228	1,339,523	452,418	251,256	3,828,451

Non-life premiums grew moderately in MTPL and significantly in the Casco business, other lines were flat. The claims increased mainly in both Lines of Business in the Motor business and also slightly in the Fire and other damage to property business line. Expenses incurred slightly increased due to overall growth in the non-life business.

ANALYSIS OF THE UNDERTAKING'S OVERALL UNDERWRITING PERFORMANCE

The highest premium growth took place in MTPL and Casco lines. Retail remained flat, which is a good result in light of the large volume. The increase was visible in MTPL fleets and a record increase in Casco fleets and leasing for both lines. The average MTPL and Casco premium is increasing in Retail and Leasing, stagnating in Fleet. Fire and other damage to property (Corporate, SME, Personal and Agro business) copied the trend from last year. In the case of General Liability, there was growth in the retail part. In Other insurance, there was a slight decrease due to lower production from Credit and Suretyship in cooperation with UniCredit Bank (decrease by CZK 43 million). The new 'Můj majetek' product launched in October 2016 resulted in the stabilization of retail property insurance (the portfolio had previously been falling) and an acceleration in retail liability insurance.

Claims incurred increased in motor business mainly due to growth in the cost of the average claim (inflation in spare parts and painting). The Company is however seeking to minimize the impact of such developments. Fire and other damage to property was heavily hit by Cyclone Herwart. The impact was mainly in the corporate and SME business, but retail was also affected (CZK 440 million overall, CZK 121 million in corporate, CZK 156 million in SME, the rest in retail). Corporate insurance recorded quite good profitability (excluding Herwart) thanks to a lower frequency of really substantial claims. Agricultural insurance reported almost no impact from the cyclone, while other natural calamities were at regular levels

A.2.2. LIFE

2017	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Life reinsurance	Total
Premium written						
Gross	3,714,340	1,593,867	3,099,365	0	679	8,408,251
Reinsurers' share	0	0	1,196,578	0	679	1,197,257
Net	3,714,340	1,593,867	1,902,787	0	0	7,210,994
Premium earned						
Gross	3,714,340	1,593,867	3,099,365	0	679	8,408,251
Reinsurers' share	0	0	1,196,578	0	679	1,197,257
Net	3,714,340	1,593,867	1,902,787	0	0	7,210,994
Claims incurred						
Gross	4,923,721	1,766,114	1,105,483	(193,228)	(212)	7,601,878
Reinsurers' share	0	0	424,092	(65,961)	(212)	357,919
Net	4,923,721	1,766,114	681,391	(127,267)	0	7,243,959
Changes in other technical provisions						
Gross	2,463,613	(369,924)	11,907	0	0	2,105,596
Reinsurers' share	0	0	2,844	0	0	2,844
Net	2,463,613	(369,924)	9,063	0	0	2,102,752
Expenses incurred	871,004	24	435,608	0	0	1,306,636

2016	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Life reinsurance	Total
Premium written						
Gross	4,008,830	1,575,966	3,204,655	0	693	8,790,144
Reinsurers' share	0	0	1,232,815	0	693	1,233,508
Net	4,008,830	1,575,966	1,971,840	0	0	7,556,636
Premium earned						
Gross	4,008,830	1,575,966	3,204,655	0	693	8,790,144
Reinsurers' share	0	0	1,232,815	0	693	1,233,508
Net	4,008,830	1,575,966	1,971,840	0	0	7,556,636
Claims incurred						
Gross	5,524,071	1,835,036	1,185,412	0	116	8,544,635
Reinsurers' share	0	0	445,824	0	116	445,940
Net	5,524,071	1,835,036	739,588	0	0	8,098,695
Changes in other technical provisions						
Gross	2,980,611	(196,749)	-2,520	376,613	328	3,158,283
Reinsurers' share	0	0	3,280	166,184	328	169,792
Net	2,980,611	(196,749)	-5,800	210,429	0	2,988,491
Expenses incurred	1,094,424	0	502,992	0	0	1,597,416

Premiums decreased mainly due to diminution of the insurance portfolio. The regular GWP decreased by 4.6% between 2016 and 2017. Claims paid and the lapse rate decreased, while maturities remained high. Expenses decreased mainly in the non-commission area.

ANALYSIS OF THE UNDERTAKING'S OVERALL UNDERWRITING PERFORMANCE

Regular gross written premiums decreased by CZK 370 million in 2017 in comparison with the prior year due to the continuing diminution of the portfolio. In 2017, New business (+ CZK 620 million) was not able to compensate for the decrease in the portfolio (maturities CZK –420 million and lapses CZK –520 million). The Life portfolio average lapse rate was at a very low level in 2017, even lower than we expected. Finally, the new business 2017 volume was slightly worse than originally forecast. GWP (regular premiums volume) met our projections almost precisely in 2017.

Claims paid decreased by CZK 750 million (9%) with the main movements on maturities (CZK 510 million), surrenders and extra withdrawals (CZK 130 million). 2017 Claims paid were lower than expected due to lower surrenders and a better accident loss ratio.

The development of reserves was influenced by the portfolio volume development (see above) and higher gains for policyholders from UL reserves (+CZK 190 million). Traditional reserves met expectations, while UL reserves did not meet expectations because UL balanced and dynamic funds performed better than expected.

Total expenses in 2017 decreased by CZK 290 million (19%) in comparison with 2016 due to savings in non-commission costs. Commission costs were at the same level in 2017 as in 2016. Real expenses in 2017 were lower than projected. The main reasons are lower performance by external distribution (direct commission) and non-commission costs.

A.3. INVESTMENT PERFORMANCE

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

The Company's investment strategy complies with the 'Prudent Person Principle' requirements. The objective of the strategy is to establish appropriate return potential while ensuring that the Company can always meet its obligations without undue costs and in accordance with its internal and external Regulatory Capital Requirements.

There are no investments in securitization.

The Company's investment portfolio performance in FY 2017 and 2016 was as follows:

Subsidiaries and associates

	2017	2016
Dividends and other income	835,628	503,632
Total	**835,628**	**503,632**

Financial instruments at fair value through profit or loss

		2017	2016
Financial assets			
Interests and other income		62,685	108,014
Realised	– gains	140,683	108,830
	– losses	(36,045)	(83,096)
Unrealised	– gains	830,238	401,540
	– losses	(170,780)	(89,195)
Financial liabilities			
Interest expenses		(205,440)	(271,467)
Realised	– gains	0	19,056
	– losses	(64,634)	(14,586)
Unrealised	– gains	400,838	116,015
	– losses	(67,874)	(72,755)
Other income		16,257	17,687
Total		**905,928**	**240,043**

Year-on-year growth in FVTPL segment is caused by positive sentiment on financial markets and subsequent impact on fair value of unit-linked assets.

Revaluation of interest rate hedging derivatives with an upward shift of market interest rates also contributed to better results in this segment.

Other financial instruments

Income

	2017	2016
Interest income	**1,490,079**	**1,626,419**
Interest income from loans and receivables	174,825	108,145
Interest income from available-for-sale financial assets	1,313,990	1,514,915
Interest income from cash and cash equivalents	1,263	1,057
Other interest income	1	2,302
Other income	**219,890**	**172,202**
Income from land and buildings (investment properties)	40	566
Income from equities available-for-sale	83,438	79,209
Other income from investment fund units	136,412	92,427
Interests and other investment income	1,709,969	1,798,621
Realised gains	**598,014**	**1,289,459**
Realised gains on land and buildings (investment properties)	0	2,710
Realised gains on loans and receivables	0	3,648
Realised gains on available-for-sale financial assets	598,014	1,283,101
Unrealised gains	**2,269**	**75,665**
Unrealised gains on hedged instruments	2,269	75,665
Reversal of impairment	**938**	**13,224**
Reversal of impairment of loans and receivables	0	5,363
Reversal of impairment on other receivables from reinsurers	0	7,861
Reversal of impairment of other receivables	938	0
Other income from financial instruments and other investments	601,221	1,378,348
Total	**2,311,190**	**3,176,969**

Interest income significantly contributes to the total investment income of the Company. The year-on-year decrease reflects the persistency of the low interest rate environment, implying lower reinvestment yields on bonds.

Total investment income also decreased due to lower gains realized through profit-and-loss.

Expenses

	2017	2016
Interest expense	**174,459**	**26,277**
Interest expense on loans, bonds and other payables	166,759	17,554
Interest expense on deposits received from reinsurers	7,695	8,710
Other interest expense	5	13
Other expenses	**85,361**	**87,126**
Expenses from land and buildings (investment properties)	2,435	5,519
Other expenses on investments	82,926	81,607
Realised losses	**138,718**	**280,234**
Realised losses on available-for-sale financial assets	138,714	280,234
Realised losses on other receivables	4	0
Unrealised losses	**440,043**	**36,675**
Unrealised losses on hedged instruments	440,043	36,675
Impairment losses	**84,059**	**332,712**
Impairment of loans and receivables	28,359	0
Impairment of available-for-sale financial assets	29,858	330,494
Impairment on receivables from reinsurers	25,842	0
Impairment of other receivables	0	2,218
Total	**922,640**	**763,024**

Higher investment expenses in a y/y comparison are driven by unrealized losses on hedged instruments. This effect is linked to the application of interest rate hedge accounting. The negative effect is offset by a positive revaluation of interest rate derivatives.

Thanks to good equity markets performance booked impairments were lower compared to 2016.

Gains and losses recognized directly in equity

	2017	2016
Balance as at 1 January	**5,874,979**	**5,072,156**
Gross revaluation as at the beginning of the year	**7,247,509**	**6,256,135**
Tax on revaluation as at the beginning of the year	**(1,372,529)**	**(1,183,979)**
Revaluation gain/loss in equity – gross	(2,391,000)	1,664,748
Revaluation gain/loss on realisation in income statement – gross	(460,000)	(1,003,868)
Impairment losses – gross	30,000	330,494
Tax on revaluation	536,000	(188,550)
Gross revaluation as at the end of the year	**4,426,509**	**7,247,509**
Tax on revaluation as at the end of the year	**(837,000)**	**(1,372,529)**
Balance as at 31 December	**3,589,509**	**5,874,979**

The gross revaluation of gain/loss in equity is most significantly affected by interest rate movements. These were still falling in 2016, whereas since 2017 gradual growth has been observed.

Realisations caused the move from other comprehensive income to the profit and loss statement, lowering the gross revaluation.

Impairments in 2017 were at a lower level thanks to rising equity markets.

Other

	2017	2016
Gains on foreign currency	3,574,160	1,405,362
Losses on foreign currency	(3,641,519)	(1,563,776)
Total	**(67,359)**	**(158,414)**

Net gains/losses on foreign currency remain low thanks to FX hedging on investments denominated in foreign currencies.

A.4. PERFORMANCE OF OTHER ACTIVITIES

Other material income and expense are analyzed in the following tables.

Acquisition and Administrative Costs

	Non-life segment		Life Segment	
	2017	**2016**	**2017**	**2016**
Acquisition costs and other commissions	2,197,310	2,195,603	560,666	771,810
Change of deferred acquisition costs	(113,809)	(223,089)	2,741	22,379
Other administration costs	1,134,245	1,035,636	625,498	685,421
Total	**3,217,746**	**3,008,150**	**1,188,905**	**1,479,610**

Other income

	2017	2016
Reversal of other provisions	125,219	148,502
Income from services and assistance activities and recovery of charges	1,127,266	814,495
Income from sale of assets	0	316
Other technical income	115,183	119,242

Other Expenses

	2017	2016
Amortisation of intangible assets	253,822	265,456
Depreciation of tangible assets	41,292	42,399
Restructuring charges and allocation to other provisions	14,178	58,780
Expense from service and assistance activities and charges incurred on behalf of third parties	1,117,341	913,215
Other technical expenses	263,473	277,708
Other expenses	73	1,211
Staff costs	2,525,387	2,866,007

A.5. ANY OTHER INFORMATION

All the significant information about business and performance has been mentioned in the above sections.

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The System of Governance of the Company is adequate to the nature, scale and complexity of the risks inherent in its business. Details on the System of Governance are provided in the following chapters.

B.1.1. INFORMATION ON GENERAL GOVERNANCE

Board of Directors
(as at 31 December 2017)

Chairman:	Marek Jankovič, Chief Executive Officer
Vice Chairman:	Petr Bohumský, Chief Financial Officer
Member:	Karel Bláha, Chief Corporate Business Officer
Member:	Pavol Pitoňák, Chief Insurance Officer
Member:	Tomáš Vysoudil, Chief Sales Officer

Supervisory Board
(as at 31 December 2017)

Chairman:	Miroslav Singer
Member:	Luciano Cirinà
Member:	Gregor Pilgram

The Audit Committee
(as at 31 December 2017)

Chairman:	Martin Mančík
Member:	Beáta Petrušová
Member:	Roman Smetana

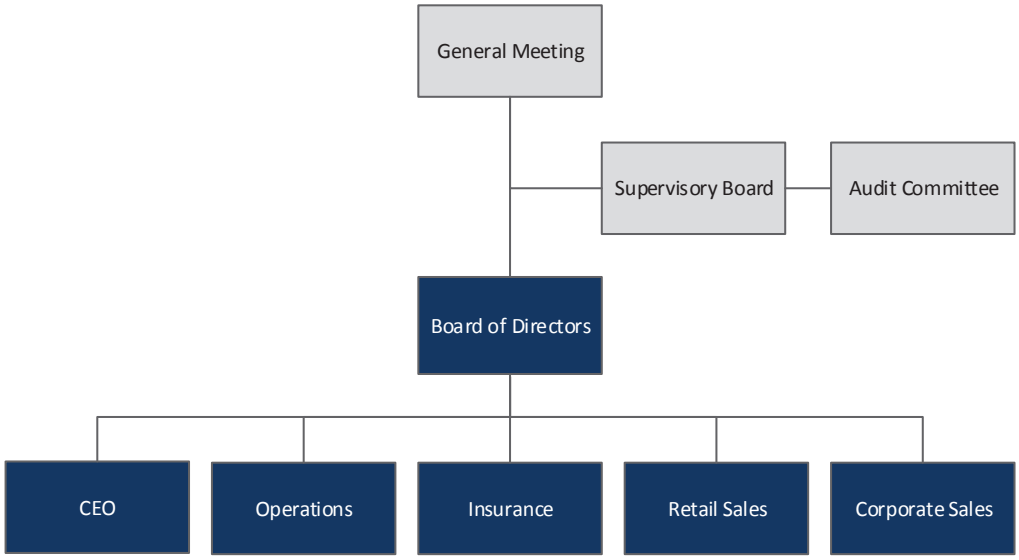
Česká pojišťovna a.s. is governed by the Board of Directors (the 'Board'). The Board is responsible for the performance and strategy of the Company. Governance requirements are largely set by regulatory and legal requirements. Members of the Board are responsible within the following field of competencies:

Field of Competencies:

CEO Organizational Units:	Chief Executive Officer
Operations & Finance:	Chief Financial Officer
Corporate Sales:	Chief Corporate Business Officer
Insurance & Claims:	Chief Insurance Officer
Retail Sales:	Chief Sales Officer

Detailed information on the segregation of responsibilities in the specific areas is provided in the dedicated paragraphs of this report. A description of the principles and functioning of the Company bodies can also be found in the annual report.

BASIC ORGANISATION CHART OF ČESKÁ POJIŠŤOVNA



Other main committees supporting the Board of Directors are the Risk Committee, Internal Model Committee, Financial Committee, and Non-life Committee.

B.1.2. CHANGES IN THE SYSTEM OF GOVERNANCE

Board of Directors
(as at 31 December 2017)

Mr. Petr Bohumský was nominated to the position of Member of the Board of Directors on 18 September 2017, and on the same day Mr. Petr Bohumský was elected Vice Chairman of the Board of Directors.

Supervisory Board
(as at 31 December 2017)

Mr. Gianluca Colocci terminated his membership in the Supervisory Board on 20 January 2017.

Mr. Miroslav Singer was nominated to the position of Member of the Supervisory Board on 1 February 2017 and with effect from 1 May 2017 Mr. Miroslav Singer was elected Chairman of the Supervisory Board.

Mr. Martin Sturzlbaum terminated his membership in the Supervisory Board on 13 September 2017.

The Audit Committee
(as at 31 December 2017)

Mrs. Beáta Petrušová became a Member of the Audit Committee on 10 February 2017.
Mr. Martin Mančík became a Chairman of the Audit Committee on 2 March 2017.

The Board of directors (the 'Board'), or the members of the Board within their field of competencies, approve any organizational changes in the Company on a monthly basis. Rules pertaining to organizational changes are set by the Company's organizational code.

B.1.3. REMUNERATION POLICY

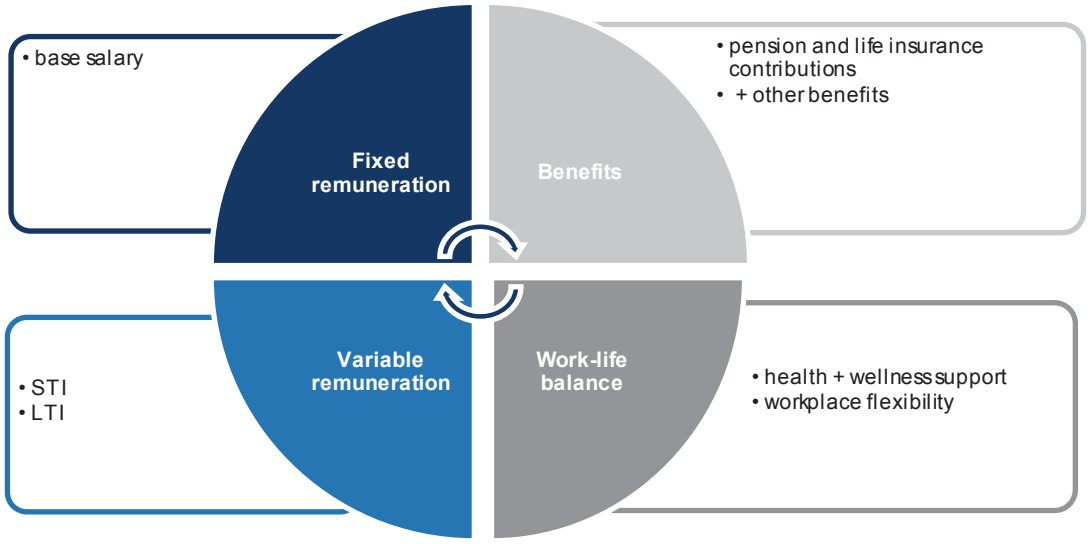
The Company's remuneration policy is intended to attract, hire and retain employees whose values are aligned to our culture and values.

We primarily focus on high performance motivation so that all employees can positively contribute to the Company's strategy and business objectives.

The Company aims to continuously improve the performance management principles based on positive motivation and identification and use of the individual employees' strengths. Our training and development strategy and remuneration systems are tightly bound to the performance management principles.

The Company´s remuneration policy is regularly revised to ensure its external competitiveness and internal fairness.

Overall Compensation Structure



Fixed remuneration

Fixed remuneration is the compensation paid to an employee for performing a specific job.

The foundation of the Company's remuneration policy is the job family structure division of all specific jobs according to their contribution, difficulty and responsibility into an internal band structure. All jobs are regularly benchmarked against market data. Each salary band has a minimum level that is defined by the Collective Agreement. The position within a salary band range takes into account the long-term performance, experience and potential of our employees.

Variable remuneration

Variable remuneration is compensation contingent on performance, discretion and the results achieved. Variable remuneration seeks to motivate employees to achieve business targets by creating a direct link between incentives and quantitative and qualitative goals set at Company, team and individual level.

Short-term variable incentives (STI)

Short-term variable incentives consist of the yearly bonuses paid to management at all levels and senior professionals. The total budget for the payment of bonuses of this group is related to the Company results and amended based on the fulfilment of Company criteria. Short-term variable opportunities depend on organizational level and the impact of the individual's role on the business.

For the remaining employees, incentives are paid in an accounting period (month or quarter) or upon an event (reaching an objective, completing a project etc.)

For the sales force, the Company has commissions in place that are paid in addition to the fixed salary.

Long-term incentive programs (LTI)

Long-term incentive programs for the executive management and key employees are in place to deliver improvements in performance and align their performance with the long-term strategic goals of the Company.

Supplementary Pensions

The Company has a defined contribution plan in place based on the length of service of employees. Supplementary pension schemes have not been introduced.

No material changes to this area have occurred since the last reporting period.

B.1.4. TRANSACTIONS WITH SHAREHOLDERS, WITH PERSONS WHO EXERCISE A SIGNIFICANT INFLUENCE ON THE UNDERTAKING, AND WITH MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY

During the reporting period, no material transactions with shareholders, with persons who exercise a significant influence on the undertaking, or with members of the administrative, management or supervisory body took place.

B.1.5. INFORMATION ON RISK MANAGEMENT, INTERNAL AUDIT, COMPLIANCE AND ACTUARIAL FUNCTIONS

The Company established key control functions as independent departments without any responsibility in the operational areas. The functions are organized as follows:

- Risk Management, Compliance and Internal Audit Functions: Report hierarchically to the Chief Executive Officer and functionally to the BoD.
- Actuarial Function: Reports hierarchically to the Chief Financial Officer and functionally to the BoD.

To ensure proper coordination and direction from Generali Head Office/Generali CEE holding, all control functions also report to the respective Group/Regional functions.

More details on organization, responsibilities and resources can be found in the dedicated sections of this report.

B.1.6. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE FUNCTIONS AND HOW THEY REPORT TO AND ADVISE THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY OF THE INSURANCE OR REINSURANCE UNDERTAKING

Details for the individual control functions can be found in the dedicated sections of this report.

B.2. FIT AND PROPER REQUIREMENTS

B.2.1. DESCRIPTION OF SKILLS, KNOWLEDGE AND EXPERTISE REQUIRED FOR PERSONS WHO EFFECTIVELY RUN THE UNDERTAKING OR HAVE OTHER KEY FUNCTIONS

Professional Adequacy of Members of the Board of Directors and Supervisory Board:

The Board of Directors and the Supervisory Board of the Company and their members shall collectively possess appropriate experience and knowledge in the fields indicated below:

- Market knowledge: this means an awareness and understanding of the wider relevant business, economic and market environment in which the Company operates, and an awareness of customers' level of knowledge and needs.
- Business strategy and business model knowledge: this refers to a thorough understanding of the Company's business strategy and model.
- Knowledge of the System of Governance refers to the awareness and understanding of the risks that the Company is facing and its ability to manage them. Furthermore, this includes the ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas.
- Actuarial and financial analysis capability concerns the ability to interpret the Company's actuarial and financial information, identify and assess the key issues, and take any necessary measures (including appropriate controls) based on this information.
- Regulatory framework and requirements: this means an awareness and understanding of the regulatory framework in which the Company operates, in terms of both the regulatory requirements and expectations, and the capacity to adapt to changes in the regulatory framework without delay.

Other Highly Responsible Persons:

Other highly responsible persons (also called relevant persons) who are assessed in relation to the jobs they perform according to internal standards. The Company primarily takes into account their job experience declared in their professional CV, their education and up-to-date performance (if this person is already working for the Company).

Personal Credibility:

The two groups of persons indicated above are also assessed from the point of view of their personal credibility. The assessment of whether the persons are credible and of upright character includes an assessment of their honesty based on relevant evidence regarding their character and personal behavior.

The personal integrity of the persons is also assessed based on evidence regarding the following:

- criminal convictions;
- serious disciplinary or administrative measures applied as a consequence of willful misconduct or gross negligence, also related to relevant breaches of the Group Code of Conduct and the implementing Group Rules.

Criminal convictions and disciplinary measures should be assessed in relation to laws governing banking, financial, securities or insurance activity, or concerning securities markets or securities or payment instruments including, but not limited to, laws on money laundering, market manipulation, and insider dealing and usury, as well as any offences of dishonesty such as fraud or financial crime. They also include any other serious criminal offences under legislation relating to companies, bankruptcy, and insolvency or consumer protection.

The situations indicated above will automatically preclude the assessed persons from being appointed or continuing in their current role.

No material changes to this area have occurred since the last reporting period.

B.2.2. PROCESS FOR ASSESSING THE FITNESS AND THE PROPRIETY OF PERSONS

The assessment of the professional fitness/adequacy and personal credibility of the persons with high responsibility in the Company (including members of the Boards) is essentially based on two internal standards:

- The Group Fit and Proper Policy implemented worldwide by Generali Group.
- This policy is complemented by the Company's interpretational standard policy respecting and implementing particular local conditions.

Assessment of the relevant persons is first performed before the persons are appointed to their positions and thereafter periodically. The Company standard includes seven assessment categories and four assessment systems:

- Members of the Boards of Directors: The Board of Directors as a group assesses the professional fitness/adequacy and personal credibility of its members.
- Members of the Supervisory Board: The Supervisory Board as a group assesses the professional fitness/adequacy and the personal credibility of its members.
- The professional fitness/adequacy and the personal credibility of the members of the Audit Committee are assessed by the Board of Directors.
- Key employees that manage control functions are assessed by the Board of Directors and the respective Group control functions in regard to their professional fitness/adequacy and personal credibility.
- The professional fitness/adequacy and personal credibility of employees with significant impact on the risk profile of the Company as defined by Company standards is assessed by the Board of Directors.
- Other highly responsible persons defined through internal standards (within the scope of the assessed group) are assessed by the Board of Directors as regards their professional fitness/adequacy and personal credibility.
- The professional fitness/adequacy and the personal credibility of employees performing their work inside departments/units focusing on Company control functions is assessed by the heads of their departments.

No material changes to this area have occurred since the last reporting period.

B.3. RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1. RISK MANAGEMENT SYSTEM

The purpose of the Risk Management System is to ensure that all risks to which the Company is exposed are properly and effectively managed through a defined risk strategy, following a set of processes and procedures, and based on clear governance provisions.

The principles defining the Risk Management System are provided in the Risk Management Policy[1], which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy covers all risks the Company is exposed to, both on a current and on a forward-looking basis.

[1] The Risk Management Policy covers all Solvency II risk categories and, to adequately deal with each specific risk category and underlying business process, is complemented by the following Risk Policies:
- Investment Governance Policy;
- P&C and Reserving Policy;
- Life and Reserving Policy;
- Operational Risk Management Policy;
- Liquidity Risk Management Policy;
- Other risk-related policies, such as the Capital Management Policy.

The risk management process is defined within the following phases:

1. Risk Identification

The purpose of the Risk Identification phase is to ensure that all material risks that the Company is exposed to are properly identified. For this purpose, the Risk Management Function interacts with the main Business Functions to identify the main risks, assess their importance, and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, Emerging Risk is also taken into consideration.

Based on Solvency II risk categories and for the purpose of the Solvency Capital Requirement (SCR) calculation, risks are categorized according to the following Risk Map:

Risk Map

Risks Covered by the Partial Internal Model				
Internal Model				Standard Formula
Financial Risk	Credit Risk	Insurance Risk Non-life	Insurance Risk Life & Health	Operational Risk
Interest Rate Yields	Spread Widening	Pricing	CAT Mortality	
Interest Rate Volatility	Credit Default	Reserving	Non-CAT Mortality	
Equity Price	Counterparty Default	CAT	Longevity	
Equity Volatility		Non-life Lapse	Morbidity/Disability	
Property			Life Lapse	
Currency			Expense	
Concentration			CAT Health	
			Health Claim	

The Company has also developed an effective Risk Management System for risks that are not included in the SCR calculation, such as Liquidity Risk and Other Risk (so-called 'non-quantifiable risks', i.e. Reputational Risk, Contagion Risk and Emerging Risk).

Please see Sections C.4 Liquidity Risk and C.6 Other Risk.

2. Risk Measurement

The risks identified during this first phase are then measured by their contributions to the SCR and eventually complemented by other modelling techniques deemed appropriate and proportionate to better reflect the Company's risk profile. Using the same metric for measuring the risks and the SCR ensures that each risk is covered by an adequate Solvency Capital amount that could absorb the loss incurred if the risk materialized.

The SCR is calculated by using the Generali Group Partial Internal Model approved by the College of Supervisors covering Financial, Credit, Life and Non-life Underwriting Risk. Operational Risk is measured by means of the EIOPA Standard Formula complemented by quantitative and qualitative risk assessments. The Generali Partial Internal Model provides an accurate representation of the main risks to which the Company is exposed to, measuring not only the impact of each risk taken individually but also their combined impact on the Own Funds of the Company.

More details on Partial Internal Model governance framework are provided in Section B.3.2., while the main differences between the Partial Internal Model assumptions and the Standard Formula are described in Section E.4.

Risks not included in the SCR calculation, such as Liquidity Risk and Other Risk, are evaluated based on quantitative and qualitative risk assessment techniques and models.

3. Risk Management and Control

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

The purpose of the RAF is to set the desired level of risk (in terms of Risk Appetite and Risk Preferences) and limit excessive risk-taking. Tolerance levels based on capital and liquidity metrics are set accordingly. Should an indicator approach or breach the defined tolerance levels, escalation mechanisms are activated.

4. Risk Reporting

Risk Monitoring and Reporting is a key Risk Management process that helps keep Business Functions, Top Management, BoD and also the Supervisory Authority aware and informed of the risk profile development, risk trends and breaches of risk tolerances.

The Own Risk and Solvency Assessment (ORSA) is the main risk reporting process, coordinated by the Risk Management Function. Its purpose is to provide the assessment of risks and of overall solvency needs on a current and forward-looking basis. The ORSA process ensures ongoing assessment of the solvency position in line with the Strategic Plan and Capital Management Plan, followed by regular communication of the ORSA results to the Supervisory Authority after BoD approval. More details are provided in Section B.3.3 .

RISK MANAGEMENT FUNCTION

The Risk Management Function ensures the Risk Management process as described in B.3. complies with Solvency II and the principles set in the Risk Policies, and supports the BoD and Top Management in ensuring the effectiveness of the Risk Management System .

The Risk Management Function coordinates the ORSA process and reports the most significant risks it identifies to the Board. The Risk Management Function is responsible for:

- assisting the Board of Directors and Supervisory Board and other functions in the effective operation of the Risk Management System;
- monitoring the Risk Management System and the implementation of the Risk Management Policy;
- monitoring the general risk profile of the Company and coordinate the risk reporting, including reporting any tolerances breaches;
- advising the Board of Directors and Supervisory Board, and supporting the main business decision-making processes, including those related to strategic affairs such as corporate strategy, mergers and acquisitions, and major projects and investments.

The Risk Management Function is an independent function within the organizational structure and is not responsible for any operational area. The head of the Risk Management Function (Chief Risk Officer - CRO) reports hierarchically to the Chief Executive Officer (CEO) and functionally to the BoD. To ensure a proper coordination and direction from Head Office, he also reports to the Group Chief Risk Officer (GCRO). In accordance with local laws and regulations, the Risk Management Function has full access to all information, systems and documentation related to activities within risk management. The function is also involved in all key committees of the Company.

The Risk Management Function also chairs the Risk Committee, where the representatives of Risk Management, key Risk Owners and Control Functions discuss current risk topics and the results of risk assessments, and advise the BoD on risk-related matters.

The Risk Management Function has financial and human resources, as well as access to external advisory services and specialized skills.

The head of the Risk Management Function shall have the necessary qualifications, knowledge, experience and professional and personal skills to carry out the function's duties effectively. The head shall have solid relevant experience in the insurance (or financial) industry, in risk management practices and risk-related regulations. He shall also have the capacity to relate to the commercial mindset of the business and develop an overall understanding of the organization from the operational and strategic points of view. The head of the Function shall follow applicable risk policies that set out the relevant responsibilities, goals, processes and reporting procedures to be applied.

All personnel carrying out risk management functions shall fulfil the above requirements and characteristics to a degree commensurate to the complexity of the activities to be carried out. These requirements must be maintained at an appropriate and adequate level at all times.

Compliance with the above requirements is assessed at least on a yearly basis and also during the year in the event of changes in the staffing of the Risk Management Function.

No material changes to this area have occurred since the last reporting period.

B.3.2. INTERNAL MODEL FRAMEWORK: GOVERNANCE, DATA AND VALIDATION

INTERNAL MODEL GOVERNANCE

Processes and Procedures

The governance of the Internal Model is aimed at guaranteeing full compliance of the Internal Model with a set of principles, while respecting Articles 120 to 126 of the Solvency II Directive.

The Company, following the Group Internal Model Governance Policy, sets the model governance to ensure that models are transparent, robust and consistent both internally and across Group companies, and that the models are of sufficient quality and reliability to meet the needs of the users that use them.

The governance requirements apply to all phases of the model lifecycle, i.e. both regular use and model change processes.

The main processes contained within each of the above phases include model definition and implementation, model run including assumption setting and calibration, model validation and model review.

Organizational Structure

The Board of Directors is responsible for implementing systems that ensure that the Group Partial Internal Model operates properly and continuously at Company level. With the support of the Local Risk Committee, the Board of Directors reviews the relevant supporting information submitted by the Company´s CRO.

The Company CRO must ensure that all models function properly at Company level and, if necessary, escalates model-related issues to the Board of Directors, supported by the Risk Committee. The Company CRO decides, on the basis of all the Internal Model Committee proposals, on the appropriate model component methodologies, and signs off on the results of calculations of Company capital requirements.

The Company Internal Model Committee is in charge of providing proposals on matters related to the Internal Model before submission to the Company CRO.

Company Model Owners are assigned to each component of the Model and are responsible for ensuring that the Group Partial Internal Model and its outputs meet local needs and conform to the Group Internal Model Governance Policy as well as to the Group Methodology Framework.

MATERIAL CHANGES TO INTERNAL MODEL GOVERNANCE

No material changes occurred in Internal Model Governance during the reporting calendar year.

INTERNAL MODEL DATA

The Company has implemented a data quality framework to ensure that the data used for the SCR calculation and the evaluation of Technical Provisions are accurate, complete and appropriate. For this purpose, all data used are recognized, data flows are tracked to the level of primary systems, any risks of potential non-quality of data are identified and evaluated. Adequate controls are implemented and their results are monitored and documented.

INTERNAL MODEL VALIDATION

The SCR calculation is subject to an annual independent validation, as required by Article 124 of the Solvency II Directive and based on the principles defined in the Group Validation Policy and the Group Validation Guidelines.

The Validation exercise is aimed at gaining independent assurance of the completeness, robustness and reliability of the processes and results which comprise the Internal Model, as well as their compliance with the Solvency II regulatory requirements. In particular, the Validation output aims to support the Senior Management and Board of Directors in understanding the Internal Model appropriateness and areas where the Internal Model has weaknesses and limitations, especially with regard to its use in day-to-day decision-making processes.

The scope of the Validation covers contains both the quantitative and qualitative aspects of the Model, including the data, methodology, assumptions and expert judgments, governance and processes, calibration of risks, model outputs and results. The scope of the Validation considers the materiality of the risk components and is subject to regular challenges from the Internal Model Committee.

Within the Validation process, both quantitative tests (including analyses of profit & loss attribution, sensitivity analyses, stress and reverse stress tests, SCR point estimates) and qualitative analyses (including reviews of documentation, walkthrough analyses and interviews) are performed.

To ensure an adequate level of independence, the resources performing the Validation activities are not involved in the development and calculation of the Internal Model.

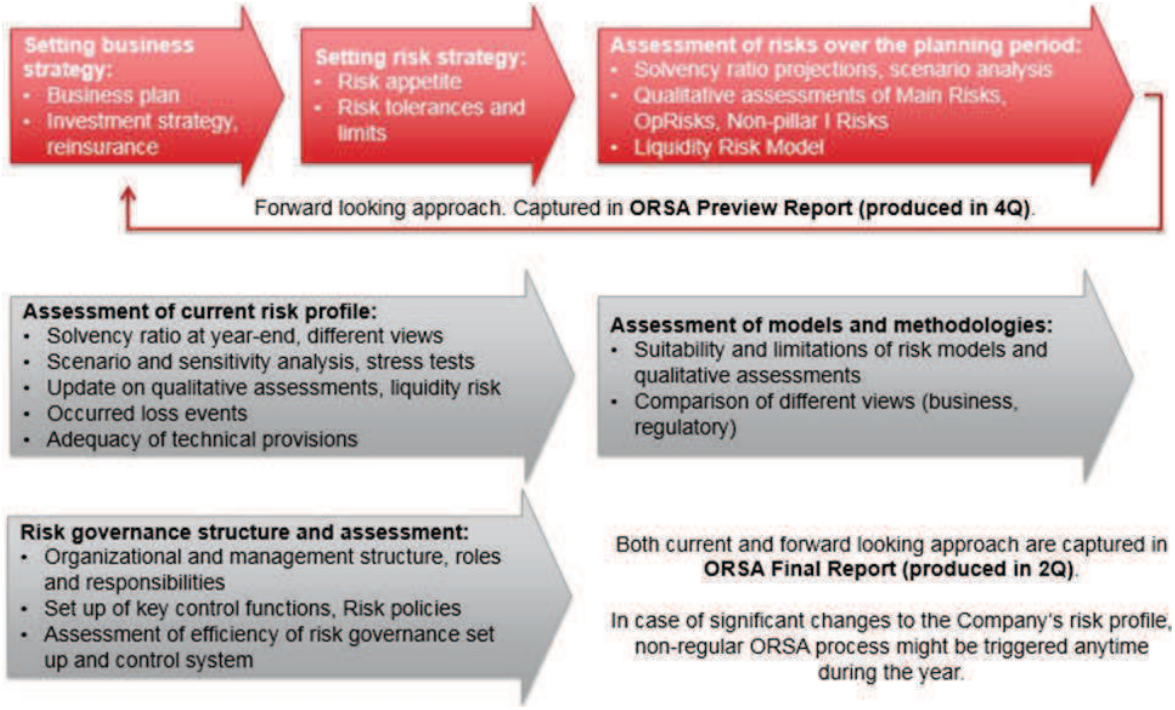
Although the Validation process is understood as a regular exercise, there are specific elements that can trigger additional Validation (e.g. requests for Major Model Changes or requests from Senior Management or regulatory bodies).

B.3.3. ORSA PROCESS

The ORSA process is a key component of the Risk Management System that aims at assessing the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The ORSA process documents and properly assesses the main risks the Company is or may be exposed in light of its Strategic Plan. It includes the assessment of the risks within scope of the SCR calculation, but also of the other risks not included in the SCR calculation. In terms of risk assessment techniques, both quantitative and qualitative assessments are performed, including stress tests and sensitivity analysis. Adverse scenarios are defined together with key Risk Owners and the Board to assess the resilience of the Company solvency position to changed market conditions or specific internal or external risk factors over the business planning period.

An ORSA Report is produced on an annual basis and split into 2 phases: In 4Q, the ORSA Preview Report is produced focusing mainly on forward-looking assessments in line with the business strategy and business planning. In 2Q of the consequent year, the ORSA Final Report is produced compiling the ORSA Preview with assessments of the current risk profile as at year-end and some more views on the risk profile and System of Governance.



In addition to the annual ORSA Report, non-regular ORSA Reports are produced if the risk profile changes significantly. Triggers for non-regular ORSA Reports are e.g. changed assumptions underlying SCR calculations, breaches of defined solvency limits, significant changes to the structure, amount or quality of Own Funds, significant changes in the business model and/or the legal environment.

All the results are properly documented in the ORSA Report and discussed during meetings of the Company Risk Committee. After discussion and approval by the Board, the report is submitted to the supervisory authority. Generally, the information included in the ORSA Report is sufficiently detailed to ensure that the relevant results can be used in the decision-making and business planning processes.

The results of the ORSA Process at Company level are also reported to the parent company as an input to the Generali Group ORSA Process. For this reason, the Company follows the principles set in the Risk Management Policy and additional operating procedures. These are issued by Generali Head Office to assure the consistency of the ORSA Process across the Generali Group companies.

No material changes to this area have occurred since the last reporting period.

B.3.4. RISK EMBEDDING IN THE CAPITAL MANAGEMENT PROCESS

Capital Management and Risk Management are strongly integrated processes. This integration is deemed essential to ensure proper alignment between the business and risk strategies.

By means of the ORSA Process, the projection of the capital position and the forward-looking risk profile assessment contribute to the Strategic Planning and capital management processes.

The ORSA Report also relies on the Capital Management Plan to verify the adequacy and the quality of the Eligible Own Funds to cover the overall solvency needs based on the plan's assumptions.

To ensure ongoing alignment of the risk and business strategies, Risk Management actively supports the Strategic Planning Process.

No material changes to this area have occurred since the last reporting period.

B.4. INTERNAL CONTROL SYSTEM

The Company fully adopted the Group Directives on the Internal Control and Risk Management system. These directives included the key elements of the Internal Control System and risk management framework, in particular, their activities, roles and responsibilities. Accordingly, the Company set up an organizational and operational structure aimed at supporting its strategic objectives, operations and internal control and Risk Management Systems.

The Internal Control Environment includes personnel development in terms of integrity, ethical values and competence, the management philosophy and operating style, the way roles and responsibilities are assigned, how the organization is set up, and governance.

The Internal Control System ensures compliance with applicable laws, regulations and administrative provisions and the effectiveness and the efficiency of the operations in light of objectives. It also ensures the availability and reliability of financial and non-financial information.

The Internal Control and Risk Management System is founded on the establishment of three lines of defense:

I. The Operating functions (the risk owners) represent the first line of defense and have ultimate responsibility for risks relating to their area of expertise;
II. The Actuarial, Compliance and Risk Management functions represent the second line of defense;
III. The Internal Audit function represents the third line of defense, and together with the Actuarial, Compliance and Risk Management functions, represents the control functions.

Monitoring and reporting mechanisms within the Internal Control System and the control functions are established to provide senior management and the Board of Directors with relevant information essential for their decision-making processes.

No material changes to this area have occurred since the last reporting period.

B.4.1. COMPLIANCE FUNCTION

INFORMATION ON THE COMPLIANCE FUNCTION: THE ORGANIZATIONAL STRUCTURE AND THE DECISION-MAKING PROCESSES OF THE UNDERTAKING. STATUS AND RESOURCES OF THE COMPLIANCE FUNCTION WITHIN THE UNDERTAKING

The Company established the Compliance function as an independent department and part of the Internal Control System and its second line of defense. The head of the Compliance department reports to the Board of Directors.

The Company fully adopted the Group Compliance policy, approved by the Board of Directors of Assicurazioni Generali S.p.A, and which is periodically reviewed. The Compliance department follows the policy, while its roles and responsibilities are specified by the Internal Compliance Statute.

The resources of the Compliance department include financial and human resources, as well as access to external advisory services and specialized skills, the organizational infrastructure, contemporary reference material on compliance management and legal obligations, professional development, and technology.

The reporting process aims to ensure that appropriate information on the performance of the Compliance function and the Compliance Management system, its continuing adequacy and all relevant instances of non-compliance, is provided to senior management and the Board of Directors as well as to the Group Compliance function.

The Compliance department submits the Annual Plan of Activities together with the Annual Budget of the Compliance function to the Board of Directors for approval. The Annual Plan is drafted taking into account the results of the risk assessment activities. At least twice a year, the Compliance department reports to the Board of Directors on the state of realization of the Annual Plan of Activities. The Compliance department also provides regular updates to the Board of Directors and senior management. It informs the Board of Directors of any material changes in the compliance risk profile of the Company without undue delay.

No material changes to this area have occurred since the last reporting period.

INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE COMPLIANCE FUNCTION

The employees of the Compliance function have the necessary qualifications, knowledge, experience and professional and personal skills to enable them to carry out their duties effectively. Such requirements are defined for each control function position. Compliance officers must understand the obligations, legislation, standards and rules that affect the business, and be familiar with the methodologies of Compliance Risk Management.

The Compliance function is independent of the functions in the organizational structure. It is not responsible for any operational areas. The head of the Compliance function reports directly to the Board of Directors, which confers the necessary authority to the function.

In accordance with local laws and regulations, the Compliance department has complete access to all information, systems and documentation related to activities within the scope of Compliance. The Compliance officer may attend relevant AMSB and committee meetings (e.g. Risk Committee) to raise compliance risk related matters, whenever appropriate. All accessed information and documents are handled in a prudent and confidential manner.

No material changes to this area have occurred since the last reporting period.

B.5. INTERNAL AUDIT FUNCTION

B.5.1. INFORMATION ON THE INTERNAL AUDIT FUNCTION: ORGANIZATIONAL STRUCTURE, THE DECISION-MAKING PROCESSES, STATUS AND RESOURCES OF THE INTERNAL AUDIT FUNCTION

The organizational structure is described in Section B.1.

As part of the internal regulations, the current Internal Audit Charter was approved and issued on 31 March 2016. It contains a definition of Internal Auditing, the mission of the Internal Audit department, its area of responsibility, duties (audit planning, execution of the audit engagement, reporting and comments processing, information flows and other tasks), powers and responsibilities, assurance and consulting engagements characteristics (assurance and audit engagements, consulting engagements, implementation assistance) and information flow management.

The head of Internal Audit creates a Strategic Plan of Internal Audit activities, which is updated at least annually and approved by the Board of Directors with positive advice from the Audit Committee. The periodic (annual) Internal Audit Function's plan of engagements must be based on a documented risk assessment. The Internal Audit Function shall remain fully independent of decisions regarding risk extent and inclusion of the given process or area in the Audit Plan. The chief audit executive considers accepting proposed consulting engagements based on the engagement's potential to improve the management of risks, add value, and improve Company operations. Accepted engagements must be included in the Annual Audit Plan. The Annual Audit Plan should clearly indicate the skills of the personnel in charge of each audit, the timing, and the time expected to be spent on the engagement. The chief audit executive must ensure that Internal Audit resources are appropriate, sufficient, and effectively deployed to achieve the approved Plan. To carry out the Internal Audit's activities as effectively and efficiently as possible, the personnel of the Internal Audit Function is to be put in close contact with the areas of the business whose processes are to be reviewed. This will avoid the Internal Audit function being entirely extraneous to the context in which it operates. Audits are hence performed onsite with more in-depth and comprehensive operational analysis.

B.5.2. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

The Company implemented the Internal Audit Policy clearly setting out the relevant responsibilities, objectives, processes and reporting procedures to be applied, in accordance with Company strategy.

As defined in the Policy, the Internal Audit Function is an independent, effective and objective function established by the AMSB (Administrative, Management or Supervisory Body) to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the Internal Control System and all other elements of the System of Governance, with a view to improving the efficacy and efficiency of the Internal Control System of the organization and of the governance processes. The Internal Audit Function supports the AMSB in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time. It provides the AMSB with analysis, appraisals, recommendations and information concerning the activities reviewed, and also carries out assurance and advisory activities for the benefit of the AMSB, the top management and other departments.

The Internal Audit Function governs itself by adherence to mandatory guidance from the Institute of Internal Auditors, including its definition of Internal Auditing, Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes the principles and fundamental requirements for the professional practice of auditing and for evaluating the effectiveness of the audit activity's performance.

The Internal Audit Function shall be provided with an appropriate budget and resources, and the Internal Audit Function staff must possess the knowledge, skills and competencies required to carry out their work with proficiency and due professional care.

The head of the Internal Audit Function is a person meeting the requirements of the local regulation authority's regime, the Solvency II regulation and Generali Group requirements. The head of the Function must have solid relevant experience in audit, control, insurance, finance, risk or in the auditing of financial statements.

The head of the Internal Audit Function shall not assume any responsibility for any other operational function and should have an open, constructive and cooperative relationship with regulators, supporting the sharing of information relevant to carrying out their respective responsibilities.

Other personnel belonging to the Internal Audit Function should also have the skills and proven records of accomplishment commensurate with the degree of complexity of the activities to be carried out. The Internal Audit Function must include employees with high professional development potential. Internal Audit staff are expected to avoid, to the maximum extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest. They must behave in an impeccable manner at all times, and information coming to their knowledge when carrying out their tasks and duties must always be kept completely confidential.

No material changes to this area have occurred since the last reporting period.

B.6. ACTUARIAL FUNCTION

The actuarial function (AF) in Česká pojišťovna is based on the Group Actuarial Function Policy and is amended to meet the supervisory requirements and specifics of the Czech insurance market:

To strengthen the independency of actuarial function in addition to the content of the Group Actuarial Function Policy:

- The calculation and validation activities are organizationally separated to ensure full independency, and the heads of these activities report directly to the CFO. The Head of validation activities is titled 'aktuárská validační funkce' (actuarial validation function), and this function is considered mainly as a validation function and consequently the validation activities and the expression of an independent opinion is the main focus of the function. In this regard, at least once a year the actuarial validation function submits an opinion on the technical provision as well as on the underwriting policy and on the reinsurance arrangements to the BoD/AMSB. To support his/her role, the actuarial validation function is granted, to the extent legally permitted, unrestricted access to the information necessary to carry out his/her responsibilities and has also access to the heads of the responsible functions and committees. The Head of validation activities is responsible for reporting all validation findings to the Head of actuarial function based on an agreed schedule to ensure full alignment with Group requirement and deadlines.
- In the event of any fundamental issues in areas of his/her interest (technical Provisions, the underwriting policy and reinsurance arrangements), the actuarial validation function shall report the finding directly to the BoD/AMSB to which he/she has independent and direct access.
- The actuarial validation function is appointed by the local BoD/AMSB.

To respect the historical set up and experience, Česká pojišťovna has separated the two functions for Life and Non-life. The key roles are detailed below:

- Head of actuarial function life,
- Head of actuarial function non-life,
- Head of actuarial validation function life,
- Head of actuarial validation function non-life.

There are regular meetings to ensure full consistency and alignment as well as the sharing of information between both life and non-life Functions and both calculation and validation activities. The amendments indicated above have been confirmed by Head of Group actuarial function.

In terms of resources, the actuarial function currently consists of 12 people (Life /Non-life; senior, standard, junior). The employees involved in the AF possess an actuarial background with a degree in actuarial sciences, statistics or mathematics, or other specific finance/insurance post degree qualifications.

The objectiveness of actuarial function is supported by the Fit & Proper requirements (Group Fit & Proper Policy) and the professional responsibility of the Heads of actuarial function and validation function (full members of the IAA professional organization). All actuaries participate in various seminars and trainings to fulfill the qualification requirements.

The actuarial function closely cooperates with other technical departments in the Company to support other control functions and business activities. It shares the outputs of actuarial valuations and provides additional ad hoc analysis and expertise. The main partners are the risk management, product management, controlling, reinsurance and ALM departments.

The main responsibilities and roles of the actuarial function, as required by Solvency II principles (Article 48 of Directive 2009/138/EC), are the following:

- all the tasks included in the calculation and validation of the technical provisions and their coordination,
- expressing an opinion on the overall underwriting policy,
- expressing an opinion on the adequacy of the reinsurance arrangements,

- contributing to the effective implementation of the risk management system,
- assessing the local technical provisions (TP) data quality process,

as well as tasks not explicitly required by the Solvency II principles:

- tasks related to the maintenance and update of the actuarial IT platform,
- calculation of IFRS technical provisions, including statutory actuarial reporting,
- carrying out the adequacy test of IFRS technical provisions, run-off analysis, and reserve adequacy movement analysis,
- contribution to the calculation of SCRs for life and non-life underwriting risks and market risks for liabilities,
- providing reinsurance efficiency analysis,
- calculating life new business value,
- profitability reviews as part of product analysis and approval,
- contributing to the business plan process.

With regard to the above tasks, the actuaries prepare the data needed for each calculation. This process is in line with the Group Data Quality Policy and reviews the appropriateness, accuracy and completeness of the data. The AF is also responsible for choosing the proper methods for calculation based on data history and the type of business.

B.7. OUTSOURCING

B.7.1. INFORMATION ON OUTSOURCING POLICY

The Company has fully adopted the **Group Outsourcing Policy**, which sets consistent minimum mandatory outsourcing standards, assigns the main outsourcing responsibilities, and ensures that appropriate controls and governance structures are established within any outsourcing initiative.

The Policy introduces a risk-based approach, distinguishing between critical and non-critical outsourcing, the materiality of each outsourcing agreement and the extent to which the Company controls the service providers.

The Company also adopted **local outsourcing rules** that specify all the rules and obligations for the proper set up and management of outsourcing relationships both within and outside the Group, the criteria for the classification of outsourcing significance, roles and responsibilities, contract content, internal processes, evidence and the monitoring of outsourcing.

An **outsourcing business officer** is appointed for each outsourcing contract. This person is responsible for the overall execution of the outsourcing lifecycle, from risk assessment to final management. The officer also monitors the service level agreements defined in the contracts as well as the quality of the provided service.

No material changes to this area have occurred since the last reporting period.

B.8. ANY OTHER INFORMATION

B.8.1. ASSESSMENT OF THE ADEQUACY OF SYSTEM OF GOVERNANCE TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS INHERENT IN THE BUSINESS

At least once a year, the Internal Audit department performs an independent overall evaluation of the Internal Control System of the Company. The evaluation reflects the main requirements of local regulations and general corporate governance principles. It is one of the inputs provided to the Supervisory Board so that it may perform its supervision of the Internal Control System. In addition, it is also an independent source of information for the Board of Directors in the ICS management process.

The Internal Control System is broadly defined as a process effected by the Company's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting;
- Compliance with laws and regulations;
- Developing and following of strategies;
- Principles for detecting and preventing conflicts of interests and internal fraud.

B.8.2. OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE

There is no other relevant information.

C. Risk Profile

Within the Company risk profile, no risk exposure arises from off-balance sheet positions and no transfer of risk to special purpose vehicles takes place.

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Life and health underwriting risks include biometric and operating risks embedded in life and health insurance policies. Biometric risks derive from uncertainty in assumptions regarding mortality, longevity, health, morbidity and disability rates taken into account in insurance liability valuations. Operating risks derive from the uncertainty regarding the amount of expenses and the behavior of policyholders in respect to their contractual options. Along with premiums payment, the option to surrender a policy is the most significant contractual option held by policyholders.

Life and health underwriting risk identified in the Company's Risk Map includes:

- *Mortality risk*, defined as the risk of loss or of an adverse change in the value of insurance liabilities resulting from changes in mortality rates, where an increase in mortality rates leads to an increase in the value of insurance liabilities. Mortality risk also includes mortality catastrophe risk as the risk of loss or an adverse change in the value of insurance liabilities resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events;
- *Longevity risk*, similar to mortality risk, defined as the risk resulting from changes in mortality rates, where a decrease in mortality rate leads to an increase in insurance liabilities;
- *Disability and morbidity risk* are defined as the risk of loss or an adverse change in insurance liabilities resulting from changes in disability, sickness, morbidity and recovery rates;
- *Lapse risk* is linked to loss or adverse change in liabilities due to a change in the expected exercise rates of policyholder options. The relevant options are all legal or contractual policyholder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. This also includes the catastrophic event on lapse;
- *Expense risk*, as the risk of loss or an adverse change in insurance liabilities resulting from changes in expenses incurred in servicing insurance or reinsurance contracts;

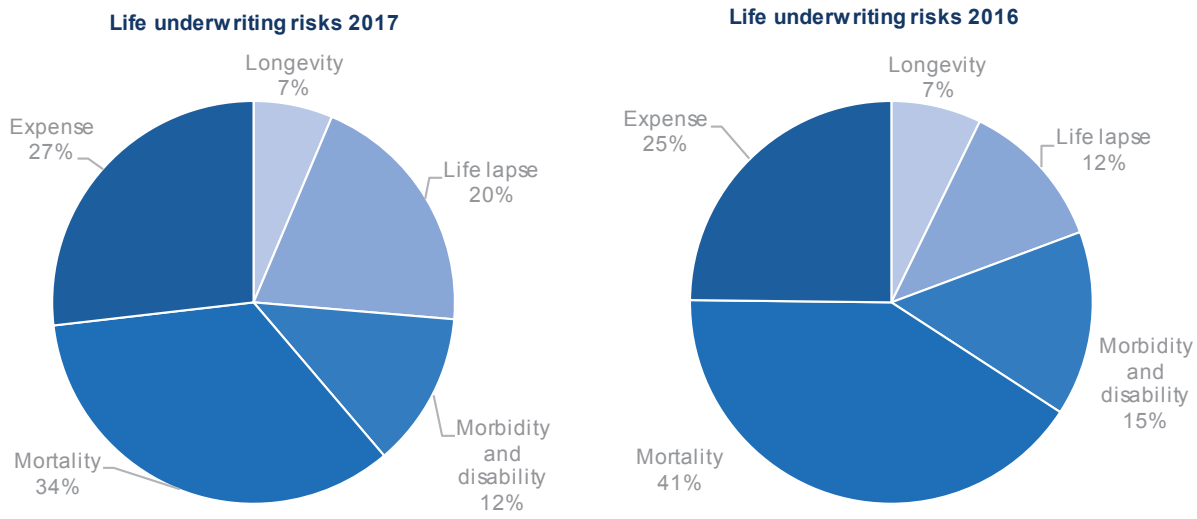
The following table briefly summarizes the interactions between products and risks:

Products	Mortality risk	Longevity risk	Morbidity/disability risk	Lapse risk	Expense risk	Health
Accident and disability	✓		✓	✓	✓	
Pure risk	✓		✓	✓	✓	
Annuity in payment		✓			✓	
Annuity in accumulation	✓	✓	✓	✓	✓	
Capitalization				✓	✓	
Endowment and others	✓		✓	✓	✓	
Non-life annuities in payment		✓			✓	

The following table shows the development of Life risks:

Life underwriting risks	Total YE17	Total YE16	delta %
Life UW risk	**1,683,687**	**1,619,560**	**4%**
Longevity	107,065	117,253	(9%)
Life lapse	336,451	195,731	72%
Morbidity and disability	209,256	240,495	(13%)
Mortality	579,162	664,083	(13%)
Expense	451,753	401,999	12%

The following charts show the share of individual risks in total life UW risk:



The main life underwriting risks in the Company's portfolio are expense, mortality, and lapse risks.

Most of the Life risks are decreased due to generally lower exposures because of the decreasing portfolio. Additionally, disability/morbidity risk dropped because of lower calibrated risk. On the other hand, lapse and expense risk increased. Lapse risk primarily increased primarily due to yield curve growth and growth in the risk, partially offset by lower best estimate rates. Expense risk increased due to the inclusion of a volatility component and growth of expense inflation.

The approach underlying the life underwriting risk measurement is based on calculation of the loss for the Company resulting from unexpected changes in biometric/operating assumptions. In particular, the capital requirements for life underwriting risks are calculated on the basis of the difference between the Solvency II technical provisions after the application of stress to the biometric/operating assumptions and the Solvency II technical provisions under best-estimate expected conditions.

The life underwriting risks are measured using a quantitative model aimed at determining the SCR, based on the Generali Group partial internal model methodology.

The risk measurement derives from a process divided into two main steps:

- Risk calibration, aiming to derive life underwriting risk factor distributions and consequently the stress to be applied to the best estimate biometric/operating assumptions with a certain probability of occurrence equal to 0.5%;
- Loss modelling, aiming to measure the loss for the Company resulting from the stress to biometric/operating assumptions.

For mortality and longevity risk, the uncertainty in insured population mortality and its impact on the Company are measured by applying stresses to the policyholders' death rates.

For the morbidity and disability risks, the uncertainty in sickness or morbidity in the insured population and its impact on the Company is measured by applying stresses to the policyholders' morbidity, disability and recovery rates.

In the case of lapse risk, risk calibration and loss modelling aims to measure the uncertainty in policyholder behavior with respect to legal or contractual options that give them the right to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. Similarly to biometric risk, the measurement is performed through the application of permanent and catastrophic stresses to the behavior of these policyholders.

Expense risk is measured through the application of stresses to the expense inflation that the Company expects to incur in the future.

The Company performs specific tests and follows Generali Group methodology, aimed at ensuring the reliability of the results obtained and their actual use in business decision-making processes, as prescribed by the Solvency II Directive.

No significant changes in risk measurement occurred over the reporting period.

RISK MANAGEMENT AND MITIGATION

The techniques for mitigating, monitoring and managing life underwriting risks are based on quantitative and qualitative assessments embedded in the processes that are carefully defined and monitored both at the Company and Generali Group level (such as the Life product approval and underwriting limits process).

Robust pricing and ex-ante selection of risks through underwriting are the two main defenses against life underwriting risks.

Product pricing

Effective product pricing consists of setting product features and assumptions regarding expenses, biometrics and policyholder behavior to allow the Company to withstand any adverse developments in the trends in these assumptions.

For saving business this is mainly achieved through profit testing, while for protection insurance portfolios involving a biometric component, this is achieved by setting reasonably prudent assumptions.

For insurance portfolios with a biometric risk component, the mortality tables used in pricing include reasonable prudential margins. For these portfolios, comprehensive reviews of mortality experience are also performed at Head Office level every year, involving a comparison with the expected portfolio mortality determined according to the most up-to-date mortality tables available in each market. This analysis allows the continuous checking of the adequacy of the mortality assumptions taken into account in the product pricing, and addressing of the risk of misestimating for future underwriting years.

Similarly as for mortality risk, an annual assessment of the adequacy of the mortality tables used in pricing is performed for longevity risk. This assessment not only considers biometric risks but also financial risks related to the minimum interest rate guarantee and any potential mismatch between liabilities and the corresponding assets. Also in this case, the analysis allows continuous checks of the adequacy of the longevity assumptions taken into account in the product pricing, and the addressing of the risk of misestimating for future underwriting years.

All operating assumptions used in the pricing phase of products or for the valuation of new business are derived from the Company's own experience in line with the underwriting policy. They are consistent with the assumptions used for technical provisions (TP) valuation. Furthermore, to ensure full alignment with the Company's strategy on product approval, the process includes on-going monitoring of the products to be launched by the Company and a biannual update of the profitability review at Parent Company level.

Underwriting process

The Company follows the underwriting guidelines of Generali Group that determine operating limits and the standard process to request exemptions to maintain risk exposure between pre-set limits and ensure a coherent use of capital.

Particular emphasis is put on the underwriting of new contracts, considering both medical and financial risks. The Company follows the clear underwriting standards issued through manuals, forms, and medical and financial underwriting requirements.

For insurance riders most exposed to moral hazard, maximum insurability levels are set by the Company. To further mitigate these risks, policy exclusions and financial underwriting rules are also defined.

The Company regularly monitors risk exposures and adherence to the operating limits, reports any abnormal situation, and follows an escalation process proportionate to the nature of the violation to ensure that remediation actions are swiftly undertaken.

Role of risk management in pricing and product approval processes

The Company´s CRO supports the pricing process as a member of the product and underwriting committees.

The product approval process includes a review by the risk management function to ensure that new products are in line with the Risk Appetite Framework (both quantitative and qualitative dimensions) and that risk capital is considered within the risk-adjusted performance management.

Underwriting risk can also be transferred through reinsurance to another (re)insurance undertaking to reduce the financial impact of these risks on the Company. This effectively reduces the SCR needed to be held to cover them.

The life reinsurance function at Group level supports, steers and coordinates the reinsurance activity of the Company by defining appropriate guidelines aimed at ensuring tight risk control, in line with the Group and the Company Risk Appetite. The guidelines are also intended to fully take advantage of all opportunities that reinsurance offers in each market.

The Group acts as the main reinsurer for the Company. Nevertheless, with the Parent Company's agreement and when justified by specific business reasons, the Company can also transact with another reinsurance company on the open reinsurance market.

In subscribing reinsurance contracts with market reinsurers, the Company agrees and relies on the above-mentioned guidelines that also indicate admissible reinsurance transactions, the relevant maximum cession allowed, and the selection of counterparties on the basis of their financial strength.

The reinsurance program is subject to the life actuarial function's (LAF) opinion regarding adequacy in accordance with the Group Actuarial Function Policy and related guidelines. The actuarial function should consider whether the reinsurance arrangements are sufficient and adequate, and ascertain that own retention limits have been adequately set. Companies to whom contracts are ceded usually belong to Generali Group; hence there is minimum risk of potential unavailability of reinsurance cover.

C.1.2. NON-LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Property and Casualty (P&C) Underwriting Risk is the risk arising from P&C insurance obligations and relates to the perils covered and the processes used in the conduct of business. It includes at least the risk of underestimating the frequency and/or severity of claims when defining pricing and provisions (respectively Pricing Risk and Reserving Risk) and the risk of losses arising from extreme or exceptional events (Catastrophe Risk).

The Company cannot avoid exposure to potential losses stemming from the risks intrinsically related to the nature of its core businesses. However, properly defining standards and recognizing, measuring and setting limits to these risks is of critical importance to ensure the Company's resilience under adverse circumstances and to align the P&C underwriting activities with the Company risk appetite.

In line with the Generali Group risk strategy, the Company underwrites and accepts risks that are known and understood, where the available information and the transparency of exposure enables the business achieve a high level of professional underwriting, with consistent development. Moreover, risks are underwritten with quality standards in the underwriting procedures to secure profitability and limit moral hazard.

The business underwritten by the Company is mix of retail, commercial and industrial risks. Motor insurance is most important, followed by property, liability and other segments.

The exposures of the Company to underwritten risks are described in corresponding Section D.2.2 of this report, related to Technical Provisions and the market value balance sheet.

The vast majority of exposure underwritten by the Company is located in the Czech Republic. This location includes NAT CAT risks exposed mainly to flood, wind, hailstorm and snow perils.

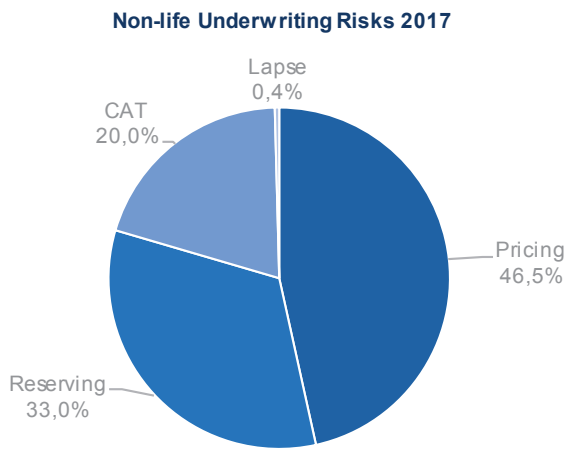
The SCR for Non-life Underwriting Risk is measured by means of the Partial Internal Model (PIM). This covers the following risks:

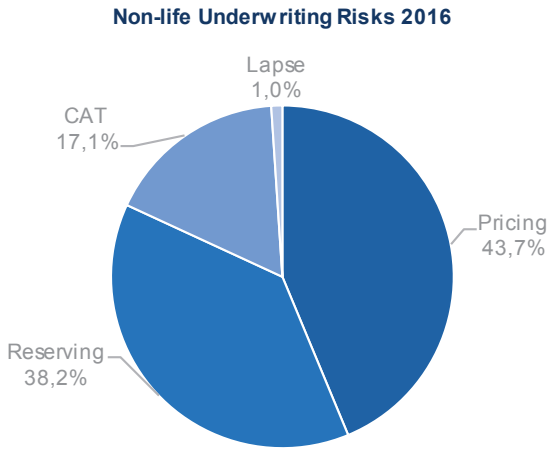
- Pricing and Catastrophe Risk: the possibility that premiums are not sufficient to cover future claims, contract expenses and extremely volatile events;
- Reserving Risk: the uncertainty of the claims reserves run-off around its expected value, in a one-year time horizon;
- Lapse Risk: related to the uncertainty that customers may cancel their existing policies in larger numbers than expected.

The following table shows the development of the Non-life Risks:

Non-life Underwriting Risks	2017	2016	change %
Non-life UW Risks	**2,526,837**	**2,486,368**	**2%**
Pricing	1,515,440	1,435,295	6%
Reserving	1,074,368	1,252,262	(14%)
CAT	652,720	560,596	16%
Lapse	13,576	34,192	(60%)

The following charts show the shares of individual risks in total Non-life UW Risk:





The most relevant movement can be seen in case of Reserving Risk. The main reason is a lower Undiscounted Best Estimate of Liabilities, as will be explained in Section D.2.2.

The increase in CAT Risk was mainly driven by a newer version of the external model for wind peril that allows for a new feature - clustering of the most severe events.

The higher Pricing Risk is caused by higher exposure in the Credit and Suretyship and Accepted Business segments. The Lapse Risk decrease is in line with the lower expected profit from future premiums due to higher expenses and costs allocated to the Non-life segments.

The Risk Management Function checks the appropriateness of the parameters used in the SCR calculation by performing a sensitivity analysis.

RISK MANAGEMENT AND MITIGATION

P&C risk selection starts with a general proposal in terms of the underwriting strategy and corresponding business selection criteria in agreement with the Group. The underwriting strategy is formulated consistently with the risk preferences defined by the Board within the Risk Appetite Framework.

During the Strategic Planning Process, targets are established and translated into underwriting limits, with the objective of ensuring that business is underwritten according to plan. Underwriting limits define the maximum size of risks and classes of business the Company shall be allowed to underwrite without seeking any additional or prior approval. The limits may be set based e.g. on value limits, risk type or product exposure. The purpose of these limits is to attain a coherent and adequately profitable book of business that is founded on the expertise of the Company.

Reinsurance is the key risk-mitigation technique for the P&C portfolio. It aims to optimize the use of risk capital by ceding part of the Underwriting Risk to selected counterparties while simultaneously minimizing the Credit Risk associated with such operations.

The Company transfers reinsurance contracts to Head Office through the Bulgaria-based company GP Reinsurance EAD, which serves as a captive reinsurer for the Generali companies from the CEE region.

The Property Catastrophe Reinsurance Program for 2018 is designed as follows:

- protection aims to cover single-occurrence losses up to a return period of at least 250 years;
- protection proved capable in all recent major catastrophic losses;
- substantial risk capital is saved through the protection;
- an additional aggregate XL program is protecting the Company's balance sheet in case of multiple events in a year.

The same level of return-period protection and risk-capital savings is guaranteed for other Non-Catastrophe protections, i.e. related to single extreme risks in the Property, Transportation and Liability Lines of Business.

The Company has historically preferred traditional reinsurance as a tool for mitigating Catastrophe Risk resulting from its P&C portfolio, and has shown no appetite for other mitigating techniques.

The Risk Management Function confirms the adequacy of the risk mitigation techniques on an annual basis. An analysis of several alternative reinsurance programs with a focus on indicators such as solvency ratio, profitability and economic value is provided to test the suitability of the current setup.

The current reinsurance program significantly improves the risk position of the Company. The mitigation effect is most significant in the case of CAT Risk, where more than 95% of the SCR is ceded out of the Company. Also, in the case of other Non-life Underwriting Risk the effect is favorable – a decrease of 79% in Lapse Risk and almost 49% in both Reserving and Pricing Risk is driven by the current reinsurance structure.

C.2. MARKET RISK

As a composite insurer, the Company collects premiums from policyholders in exchange for payment promises contingent on pre-determined events. The Company 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.

The Company might then be exposed to the following Market & Credit Risk that:

- Invested assets may not perform as expected because of falling or volatile market prices;
- Cash from maturing bonds may be reinvested at unfavorable market conditions, typically lower interest rates;
- Invested assets may not perform as expected because of perceived or actual deterioration of the creditworthiness of the issuer;
- Derivative or reinsurance contracts may not perform as expected because of a perceived or actual deterioration of the creditworthiness of the counterparty.

Regarding its invested assets, the Company is a long-term liability-driven investor, and holds assets until they are needed to redeem the promises to policyholders. It is therefore fairly immune to any short-term decrease and fluctuations in their market values.

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. For more information, please refer to Section E.2.

For this purpose, the Company manages its investments in a prudent way according to the prudent person principle, and strives to optimize the return of its assets while minimizing the negative impact of short-term market fluctuations on its solvency.

The Company invests the premiums collected in financial instruments ensuring that benefits to policyholders can be paid on time. If the value of the financial investments substantially decreases when claims to policyholders need to be paid, the Company may fail to maintain its promises to policyholders. Therefore, the Company must ensure that the value of the financial investments backing up the insurance contracts does not fall below the value of its obligations.

In the case of its unit-linked business, the Company typically invests the collected premiums in financial instruments but does not bear any market or Credit Risk. However, with respect to its earnings the Company is exposed because fees are the main source of profits for the Company and are directly linked to the performance of the underlying assets. Therefore, adverse developments in the markets could directly affect the profitability of the Company should contract fees become insufficient to cover costs.

In more detail, the Company is exposed to the following main asset classes:

Asset Allocation	Market Value 2017	Market Value 2016
Government Bonds	31,775,021	35,313,300
Corporate Bonds	45,188,652	24,054,672
Investment Funds	12,972,220	13,508,719
Equity	11,474,277	11,970,709
Structured Notes	654,969	4,247,046
Cash and Deposits	1,751,885	2,834,687
Mortgages and Loans	956,640	974,650
Property	119,546	190,325
Derivatives	(700)	(1,337,565)
Total	**104,892,511**	**91,756,544**

The total market value of assets rose by nearly 15 percent in 2017 in comparison with 2016. The main driver was extensive usage of Reverse Repo (and Repo operations), which are a classified class of corporate bonds.

C.2.1. RISK EXPOSURE AND ASSESSMENT

The Market Risk included in the Company Risk Map are the following:

- Equity Risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of equity market prices that may lead to financial losses.
- Equity Volatility Risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the volatility of equity markets.
- Interest Rate Risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of interest rates in the market. The Company is mostly exposed to upward changes in interest rates as higher interest rates can decrease the present value of the promises made to policyholders to less than the value of the assets backing those promises.
- Concentration Risk: the risk of incurring significant financial losses because the asset portfolio is concentrated on a small number of counterparties, thus increasing the possibility that a negative event hitting only a small number or even a single counterparty can produce large losses.
- Currency Risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in exchange rates.
- Interest Rate Volatility Risk: the risk of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of interest rate implied volatilities.
- Property Risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of property market prices.

The current allocation to Market Risk is as follows:

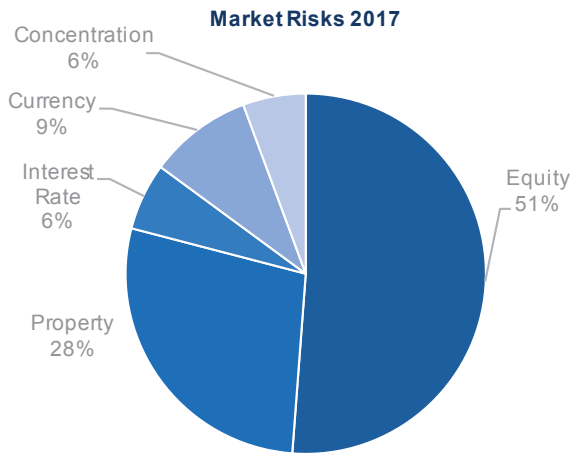
Exposure to risk type	Market Value 2017	Market Value 2016
Equity Risk	12,622,591	13,713,165
Equity Volatility Risk	0	0
Interest Rate Risk	55,049,992	58,740,267
Concentration Risk	81,122,617	84,141,052
Currency Risk	6,276,105	9,661,660
Interest Rate Volatility Risk	4,491,151	1,709,689
Property Risk	8,067,366	7,835,155

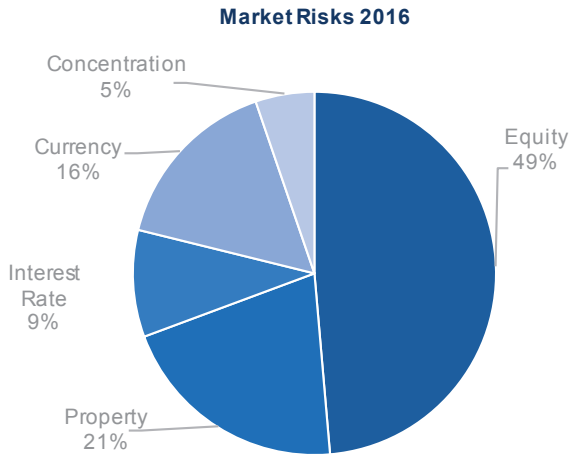
The biggest shifts in Market Risk exposures are mainly driven by a lower investment portfolio volume reflecting maturities in traditional Life (Interest Rate Risk, Concentration Risk) or by a change in risk profile (Currency Risk, Interest Rate Volatility Risk).

Common risk measurement methodologies (both qualitative and quantitative) are applied to provide an integrated measurement of the risks borne by the Company.

The Company evaluates its Market Risk using the Generali Group Internal Model used for the SCR calculation. A breakdown of the SCR according to this methodology and originating from Market Risk can be seen in the table and charts bellow and in Section E.

Market Risks	Value 2017	Value 2016
Equity	3,200,018	3,883,399
Property	1,741,858	1,654,074
Interest Rate	376,986	759,999
Currency	579,442	1,269,704
Concentration	352,441	418,834





To ensure the ongoing appropriateness of the Internal Model methodology, Market Risk calibrations are reviewed on a yearly basis. No material changes have occurred since the last reporting period.

Market Risk Concentration is explicitly modelled by the Internal Model. According to the results of the model and the composition of the balance sheet, the Company is exposed to Concentration Property Risk driven by the fact that the Company started to invest into properties only recently and thus the number of owned buildings is limited.

C.2.2. RISK MANAGEMENT AND MITIGATION

The 'Prudent Person Principle' is the main cornerstone of the Company's investment management process. To ensure the comprehensive management of the effect of Market Risk on assets and liabilities, the Company's Strategic Asset Allocation (SAA) Process needs to be liability-driven and strongly linked with insurance-specific targets and constraints. Following the Generali Group approach, the Company has integrated its strategic asset allocation (SAA) and asset liability management (ALM) within the same process.

One of the main risk-mitigation techniques used by the Company is liability-driven management of the assets, which aims at enabling the comprehensive management of assets taking into account the Company's liabilities structure.

The asset portfolio is invested and rebalanced according to asset class, and duration weightings are defined through the Investment Management Process and based on the 'Prudent Person Principle'. The aim is not just to eliminate risk but to define an optimal risk-return profile to satisfy the return target and the risk appetite of the Company over the business planning period.

The Company also uses derivatives to mitigate the risks present in the asset or/and liability portfolios. The derivatives help the Company improve the quality, liquidity and profitability of the portfolio, according to the Business Planning Targets.

ALM and SAA activities aim to ensure that the Company holds sufficient and adequate assets to reach defined targets and meet liability obligations. This implies detailed analyses of asset-liability relationships under a range of market scenarios and expected/stressed investment conditions.

The ALM and SAA Process relies on close interaction between Investment, Finance, Actuarial, Treasury and Risk Management Functions. The inputs and targets received from these functions guarantee that the ALM and SAA Process is consistent with the Risk Appetite Framework, Strategic Planning and Capital Allocation Processes.

The aim of the Strategic Asset Allocation Process is to define the most efficient combination of asset classes that, according to the 'Prudent Person Principle' and related relevant implementation measures, maximizes the investment contribution to value creation, taking into account solvency, actuarial and accounting indicators.

The annual SAA proposal:

- defines target exposure and limits, in terms of minimum and maximum exposure allowed, for each relevant asset class;
- Embeds the deliberate ALM mismatches permitted and potential mitigation actions that can be enabled on the investment side.

The Group has centralized the management and monitoring of specific asset classes (private equity, alternative fixed income, etc.). These kinds of investments are subject to accurate due diligence aiming at assessing the quality of the investment, the level of risk related to the investment, and its consistency with the approved liability-driven SAA.

In addition to risk tolerance limits set for the Company solvency position defined within the RAF, the current risk monitoring process of the Company is also integrated into the System Of Investment Risk Limits through the adoption of the Generali Group Investments Risk Guidelines (GIRG) provided by the Head Office. This includes general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

Furthermore, the Company is also actively implementing market risk mitigation strategies:

Currency Risk

The Company's functional currency is the Czech crown (CZK). However, the investment portfolios also contain instruments denominated in foreign currencies. According to the general policy, all these instruments are either dynamically hedged into CZK via FX or assigned to foreign currency technical reserves at a corresponding value. FX hedging is implemented either through FX derivatives (i.e. FX swaps, forward transactions and cross currency swaps) or through cross-currency REPO operations (used since 2016). The process in place guarantees high effectiveness of the hedging.

Interest Rate Risk

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.

The positions of individual instruments within the portfolio, whether the underlying assets or the hedging derivatives, are opened, adjusted or terminated even before the maturity date of the instrument, based on the actual state of the Company's risk capacity or risk appetite, the development of the credit quality of the instrument's issuer, or a change in the instrument's liquidity or in its relative risk/return profile. The asset manager monitors the development of the overall interest rate position on an ongoing basis.

The Company implements hedge accounting to reflect its hedging strategy within the financial statements. As part of hedge accounting activities, the effectiveness of hedging is measured as a ratio of gains/losses on hedged items to the profit or loss result of the hedging instrument. An effectiveness test is regularly performed each month, and compliance with the 80-125% rule is verified.

C.3. CREDIT RISK

For general information on the Market and Credit Risk context, see the previous section on Market Risk.

C.3.1. RISK EXPOSURE AND ASSESSMENT

The Credit Risk included in the Company Risk Map:

- Spread Widening Risk is 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.

Allocation to Credit Risk

Exposure to risk type	Market Value 2017	Market Value 2016
Spread Widening Risk	60,451,734	62,616,787
Credit Default Risk	60,451,734	62,616,787
Counterparty Default Risk	23,618,335	18,519,683

The lower investment portfolio volume, reflecting maturities in traditional Life, explains the year-on-year movement in the Spread Widening Risk and Credit Default Risk. The biggest change occurred in the Counterparty Default Risk exposure, which increased significantly in 2017 mainly due to extensive usage of Reverse Repo and Repo operations.

We do not expect any substantial changes in the relationship to risk exposure in the foreseeable future.

To ensure that the level of Credit Risk deriving from invested assets is adequate to the business run by the Company and the obligations undertaken with the policyholders, the investment activity is performed in a sound and prudent manner in accordance with the 'Prudent Person Principle' set out in Article 132 of Directive 2009/138/EC, as ruled in the Group Investment Governance Policy (GIGP) approved by Head Office and subsequently approved by the Company BoD.

The 'Prudent Person Principle' is applied independently of the fact that assets are subject to either Market Risk or Credit Risk or both.

Common risk measurement methodologies (both qualitative and quantitative) are applied to provide an integrated measurement of the risks borne by the Company.

The Company evaluates its Credit Risk using the Generali Group Internal Model used for the SCR calculation. The breakdown of the SCR originating from Credit Risk according to this methodology can be seen in Section E.

To ensure the continuous appropriateness of the Internal Model methodology, Credit Risk calibrations are reviewed on a yearly basis. No material changes have occurred since the last reporting period.

The Credit Risk concentration is explicitly modelled by the Internal Model. According to the results of the model and the composition of the balance sheet, the Company has no material risk concentrations.

C.3.2. RISK MANAGEMENT AND MITIGATION

The Credit Risk borne by the Company is managed in many concurrent ways.

One of the main risk mitigation techniques used by the Company consists in the liability-driven management of the assets. The asset portfolio is invested and rebalanced according to asset class and duration weightings defined through the Investment Management Process described above and based on the 'Prudent Person Principle'. The aim is not just to eliminate risk but to define an optimal risk-return profile satisfying the return target and the Risk Appetite of the Company over the Business Planning Period.

Moreover, the application of the Internal Model produces a set of quantitative Risk Metrics that allow the definition of risk tolerance levels and the performance of sensitivity analysis on selected risk scenarios.

In addition to the framework illustrated above, the current risk monitoring process of the Company is also integrated through the adoption of the Generali Group Investments Risk Guidelines (GIRG) provided by Group Head Office. The GIRG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

C.4. LIQUIDITY RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

Liquidity Risk is defined as the uncertainty arising from business operations, investment or financing activities over the ability of the insurer to meet its payment obligations in a full and timely manner, in the current or stressed environment. This could include meeting commitments only through credit market access under unfavorable conditions or through the sale of financial assets incurring additional costs due to the illiquidity of (or difficulties in liquidating) the assets.

The Company is exposed to Liquidity Risk because of its insurance operating activity - depending on the cash-flow profile of the expected new business - due to the potential mismatches between the cash inflows and the cash outflows deriving from the business. Additional Liquidity Risk can also stem from the Company's investing activity, due to potential liquidity gaps deriving from the management of the Company's asset portfolio as well as from a potentially insufficient level of liquidity (i.e. capacity to be sold at a fair price in adequate amounts and within a reasonable timeframe) in the case of disposal. Finally, the Company can be exposed to liquidity outflows related to issued guarantees, commitments, derivative contract margin calls, or regulatory constraints regarding capital position.

The Company's Liquidity Risk assessment relies on projecting cash obligations and available cash resources into the future to ensure that available liquid resources are always sufficient to cover cash obligations that will come due in the same period.

For this purpose, a set of Liquidity Risk metrics is defined and used to regularly monitor the liquidity situation. All such metrics are forward-looking, i.e. they are calculated at a future date based on projections of cash flows, assets and liabilities, and an estimation of the level of liquidity of the asset portfolio.

The metrics are calculated under both the base scenario, in which the values of cash flows, assets and liabilities are consistent with the Strategic Plan, and under a set of stress scenarios in which the projected cash inflows and outflows, market price of assets and amount of Technical Provisions are recalculated to take into account unlikely but plausible circumstances that would adversely impact the Company's liquidity.

Liquidity Risk limits are defined in terms of values of the above-mentioned metrics that the Company cannot exceed. The limit framework is designed to ensure that the Company holds a buffer of liquidity in excess of the amount required to withstand the adverse circumstances depicted in the stress scenarios.

In addition to regularly monitored and reported quantitative liquidity metrics, the Company is supported by qualitative liquidity indications (like setting limits on business activities, early warning indicators, stress testing) that complement the comprehensive assessment of Liquidity Risk and provide information on corrective actions when needed.

The liquidity metrics show a stable liquidity position without relevant deviations.

Material Liquidity Risk concentrations could arise from large exposures to individual counterparties or groups. In fact, in the event of default or another liquidity issue of a counterparty where there is a significant risk concentration, this may negatively affect the value or the liquidity of the Company's investment portfolio and hence its ability to promptly raise cash by selling the portfolio on the market in case of need. For this purpose, investment limits have been set to enable the Company to limit risk concentrations. These limits take a number of dimensions, including asset class, counterparty and credit rating into consideration.

C.4.2. RISK MANAGEMENT AND MITIGATION

The Company manages and mitigates Liquidity Risk in accordance with the framework set in the Group Internal Regulations. The Company also aims at ensuring the capacity to meet its commitments in the event of adverse scenarios, while achieving its profitability and growth objectives. To this end, it manages expected cash inflows and outflows to maintain a sufficient available cash level to meet short- and medium-term needs, and by investing in instruments that can be quickly and easily converted into cash with minimum capital losses. The Company considers the prospective liquidity situation in plausible market conditions as well as under stressed scenarios.

The Company has established clear governance for Liquidity Risk measurement, management, mitigation and reporting in consistency with Group regulations, including the setting of specific limits and an escalation process in the event of the breach of a limit or other liquidity issues.

The principles for Liquidity Risk management designed in the Liquidity Risk Management Policy and Risk Appetite Framework are fully embedded in the Strategic Planning as well as in business processes, including investments and product development. As far as the investment process is concerned, the Company has explicitly identified Liquidity Risk as one of the main risks connected with investments, and has stipulated that the strategic asset allocation process must rely on indicators strictly related to Liquidity Risk, including the mismatch of duration and cash flows between assets and liabilities. Investment limits have been imposed on the Company to ensure that the share of illiquid assets is kept within a level that does not impair the Company's asset liquidity. As far as product development is concerned, the Company follows the Life and P&C Underwriting Policies defining the principles to be applied to mitigate the impact on liquidity from lapses and surrenders in respect of the Life business and claims in respect of the Non-life business.

C.4.3. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

Expected profit included in future premiums (EPIFP) represents the expected present value of future cash flows that result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts. These are expected to be received in the future, but may not be received for any reason other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The EPIFP amount underwritten by the Company has been calculated in accordance with Article 260(2) of the Delegated Acts and amounts to CZK 1,884 million for the life business and CZK 1.162 billion for the P&C business at year-end 2017. In the case of non-life insurance, it is part of the premium provision discussed in Section D.2.2. The decrease in non-life profit compared to last year (CZK 1.284 billion) is mainly driven by higher expenses and costs allocated to Non-life segments. The slight increase in EPIFP for the life business compared to last year (CZK 1,794 million) is mainly driven by an increase in the discount rate.

C.5. OPERATIONAL RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Compliance and Financial Reporting Risk falls within this category.

In line with industry practices, Generali Group has adopted the following classification categories:

- Internal Fraud concerns losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Company Policy, excluding diversity/discrimination events, and which involve at least one internal party.
- External Fraud refers to losses due to acts intended to defraud, misappropriate property or circumvent the law, by a third party.
- Employment Practices and Workplace Safety, defined as losses arising from acts inconsistent with employment, health and safety laws or agreements, from the payment of personal injury claims, or from diversity/discrimination events.
- Clients, Products and Business Practices refers to losses arising from an unintentional or negligent failure to meet a professional obligation towards specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.
- Damage to Physical Assets concerns losses arising from the loss of or the damage to physical assets from natural disaster or other events.
- Business Disruption and System Failures refers to losses arising from disruption of business or system failures.
- Execution, Delivery and Process Management involves losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

Following best industry practices, the Company's framework for Operational Risk management includes its Loss Data Collection (LDC) and risk assessment and scenario analyses.

Loss Data Collection is the process of collecting losses from Operational Risk events and provides a backward-looking view on the Company's risk profile in Operational Risks.

Risk Assessment and Scenario Analysis provides a forward-looking view of the Company's risk profile in Operational Risk, and requires an analysis of the risks performed jointly with the business owners:

- Risk Assessment provides a high-level evaluation of the forward-looking inherent and residual risk exposure of the Company. The outcomes of the assessment drive the Scenario Analysis execution.
- Scenario Analysis is a recurring process that, considering the risk assessment results, provides a detailed evaluation of the Company's Operational Risk Exposure through the selection and evaluation of specific risk scenarios.

MAIN COMPANY RISKS

For the Company and the industry as a whole, one of the main Operational Risks arises from the implementation of all requirements arising from new regulations that will enter into force in 2018. The Company is therefore strictly monitoring new requirements in customer data privacy and customer protection, and is taking the necessary actions to ensure full compliance with both regulatory requirements and security standards. The Company is also fully aware of Cyber Attack Risk, the relevance of which is increasing across the industry. Furthermore, the Company is aware of the significance of Client Fraud Risk, however thanks to a highly developed and structured detection system, the risk has been efficiently mitigated.

C.5.2. RISK MANAGEMENT AND MITIGATION

To identify, measure, monitor and mitigate Operational Risk, a dedicated team within the Risk Management Function has been established with a mandate to steer the Operational Risk framework. Risks related to non-compliance are monitored by the Compliance Function.

Furthermore, specific risks such as Financial Reporting Risk, IT Risk, Tax Risk, Fraud Risk and Corporate Security are investigated and managed jointly with specialized units within the first line of defense.

Overall, the Operational Risk Management System is primarily based on the assessment of risks by experts in different fields of Company operations, and collecting information on losses that have actually occurred. The outputs of these analyses are used to support investments in new or modified controls and mitigation actions to keep the level of Operational Risk within an acceptable range and to achieve better operational efficiency.

No material changes to this area have occurred since the last reporting period.

C.6. OTHER MATERIAL RISK

As part of the Qualitative Risk Management Framework, the following risk categories are also considered:

- Reputational Risk refers to potential losses arising from deterioration in reputation or the negative perception of the Company among its customers, counterparties and supervisory authority. Processes in place to manage these risks are communication and media monitoring activities, corporate and social responsibility, customer relation and distribution management.
- Emerging Risk arises from new trends or risks difficult to perceive and quantify, although typically systemic. These usually include internal or external environment changes, social trends, regulatory developments, technological achievements, etc.
- Strategic Risk involves external changes and/or internal decisions that may influence the future risk profile of the Company.
- Contagion Risk derives from problems elsewhere within Generali Group that may affect the solvency or economic situation of the Company.

The above risks are identified and evaluated within the ORSA Process, in both current and forward-looking perspectives. These risks are not subject to the calculation of the SCR, however their impact on the financial and solvency conditions of the Company is estimated at least on a qualitative basis.

No material changes to this area have occurred since the last reporting period.

C.7. ANY OTHER INFORMATION

To test the Company's solvency position and its resilience to adverse market conditions or shocks, a set of stress test and scenario analyses are performed within the ORSA Process. These are defined considering unexpected and potentially severe but plausible events across the risk categories. Examination of the potential effect on the Company's financial and capital position serves to outline appropriate management actions to take if such events were to materialize.

The Company also performs a sensitivity analysis that considers simple changes in specific risk drivers (e.g. interest rates, equity shock, credit spreads and interest rate volatility). Their main purpose is to measure the variability of the Own Funds and Solvency Ratio to variations in specific risk factors. The set chosen aims to provide an assessment of resilience to the most significant risks.

The impacts of the sensitivities are reported in Section E.

No material risks to this area have occurred since the last reporting period.

D. Valuation for Solvency Purposes

D.1. ASSETS

D.1.1. GENERAL VALUATION FRAMEWORK

There were no material changes to the general valuation framework in comparison with the previous reporting period.

Solvency II clarifies the relationship between the SII valuation of assets and liabilities and the international accounting standards (IFRS) adopted by the European Commission. The primary objective for valuation as set out in the Solvency II regulation requires an economic, market-consistent approach to the valuation of assets and liabilities.

According to this approach, assets and liabilities are valued as follows:

i. Assets should be valued at the amount for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction.
ii. Liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction.

When valuing liabilities under point (ii), no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made.

The IFRS accounting bases, such as the definitions of assets and liabilities and the recognition and derecognition criteria, are applicable as the default accounting framework, unless otherwise stated. The IFRS also refer to some basic presumptions that are equally applicable:

- the going concern assumption;
- the separate valuation of individual assets and liabilities;
- the application of materiality, whereby omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the Solvency II balance sheet. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fair Value Measurement Approach

Items shall be valued on an economic basis having as reference IFRS.

On this basis, the following hierarchy of high-level principles for the valuation of assets and liabilities is used:

Level 1 Inputs

Level 1 inputs are quoted prices on active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted instrument is an instrument negotiated in a regulated market or a multilateral trading facility. To assess whether a market is active or not, the Company carefully determines whether the quoted price really reflects the fair value. When the price has not changed for a long period or the Company has information about an important event that did not cause the price to change accordingly, the market is considered not active.

Level 2 Inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

They include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;inputs other than quoted prices that are observable for the asset or liability, for example:
  - interest rates and yield curves observable at commonly quoted intervals;
  - implied volatilities;
  - credit spreads;
- inputs derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').

Level 3 Inputs

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or

liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

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.

Valuation Techniques

In some cases, a single valuation technique will be sufficient, whereas in others, multiple valuation techniques will be appropriate. The fair value of assets is determined using independent valuations provided by third parties. Exceptions are required or IFRS valuation methods are excluded only for some specific items.

D.1.2. SII SPECIFICITIES

In the Solvency II environment, fair valuations should generally be determined in accordance with the IFRS principles statement. Exceptions are required or IFRS valuation methods are excluded only for some specific items.

In particular, the exceptions refer to:

- goodwill and intangible assets;
- participations (or related undertakings);
- deferred taxes

GOODWILL AND INTANGIBLE ASSETS

According to Solvency II, insurance and reinsurance undertakings shall value goodwill, deferred acquisition costs and intangible assets other than goodwill at zero, unless the intangible asset can be sold separately and the insurance and reinsurance undertaking can demonstrate that there is a quoted market price for the same or similar assets. Computer software tailored to the needs of the undertaking and 'off the shelf' software licenses that cannot be sold to another user shall also be valued at zero.

All intangible assets are valued at zero in the Company's market value balance sheet.

PARTICIPATIONS (OR RELATED UNDERTAKINGS)

Participation is constituted by share ownership or by the full use of a dominant or significant influence over another undertaking. The following paragraphs describe how participations can be identified. When classifying participation based on share ownership, directly or by way of control, the participating undertaking has to identify:

i. its percentage holding of voting rights, and whether this represents at least 20% of the potential related undertaking's voting rights (paid-in ordinary share capital) and
ii. its percentage holding of all classes of share capital issued by the related undertaking and whether this represents at least 20% of the potential related undertaking's issued share capital (paid-in ordinary share capital and paid-in preference shares).

Where the participating undertaking's holding represents at least 20% in either case, its investment should be treated as a participation.

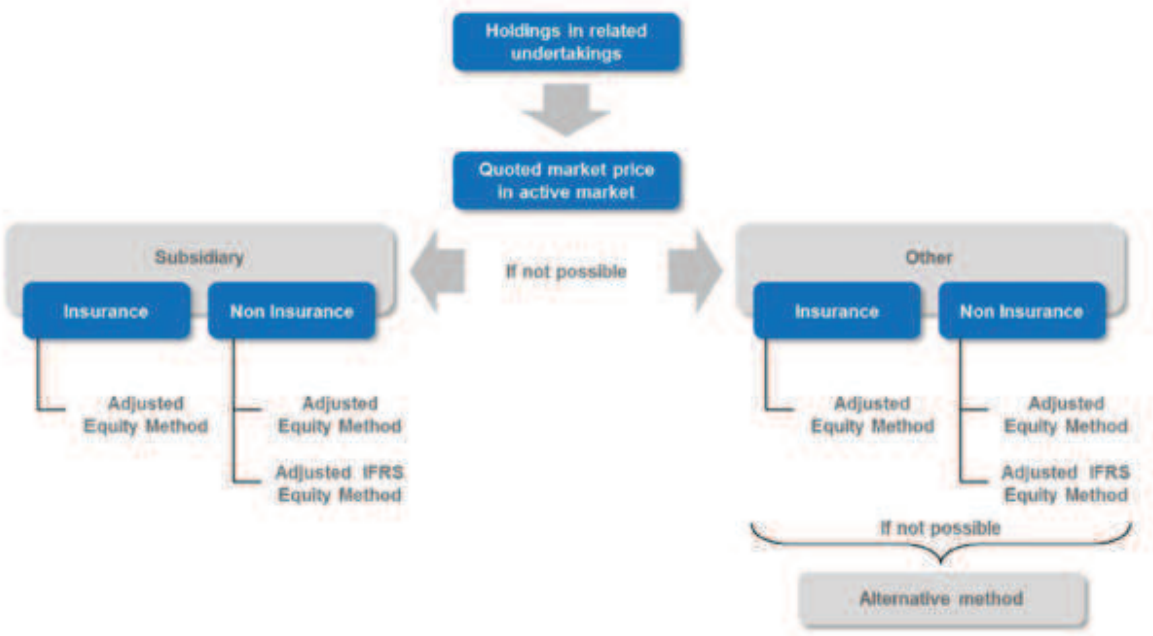
Valuation

In this respect, the IFRS concept of control and significant influence applies, and as a result holdings are not limited to equity instruments. However, the measurement principles in IAS 27, IAS 28 and IAS 31 do not apply to the Solvency balance sheet since they do not reflect the economic valuation required by the Solvency II Directive (Article 75).

Solvency II guidelines provide a hierarchy that shall be used to value holdings in related undertakings for Solvency purposes. The hierarchy consists of the following:

- quoted market price
- adjusted equity method (if no active market)
- IFRS equity method (if non-insurance)
- alternative techniques (if associates or joint-controlled entities)

The following figure shows the structure of this hierarchy.



DEFERRED TAXES

In accordance with the IAS 12 statement, deferred tax liabilities are the income tax amounts payable in future periods in respect of taxable temporary differences, while deferred tax assets are the income tax amounts recoverable in future periods in respect of:

i. deductible temporary differences;
ii. the carry-forward of unused tax losses; and
iii. the carry-forward of unused tax credits.

Valuation

The Solvency II regulatory framework states that in the SII balance sheet deferred tax assets and liabilities shall be recognized in accordance with International Accounting Standards (IAS 12).

In particular, deferred tax assets and liabilities - other than deferred tax assets (DTA) arising from the carry-forward of unused tax credits and the carry-forward of unused tax losses - should be determined on the basis of the difference between the values ascribed to assets and liabilities and the values ascribed to assets and liabilities as recognized and valued for tax purposes.

In other words, the deferred tax value has to be based on the difference in the value of the underlying assets and liabilities assumed in the valuation consistent with the Solvency II Directive and the value for tax purposes.

While a deferred tax liability (DTL) must be accounted for all temporary taxable differences, the recognition of a DTA is subject to conditions.

In particular, IAS 12 provides that the enterprise shall recognize a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

With reference to taxable temporary differences, IAS 12 provides that the entity shall recognize a deferred tax liability for all taxable temporary differences with some exceptions.

In particular, with reference to investments in subsidiaries, associated companies, joint ventures and investment vehicles, and in accordance with IAS 12, Section 39, an enterprise shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

The parent, investor or venturer is able to control the timing of the reversal of the temporary difference.

It is probable that the temporary difference will not reverse in the foreseeable future.

The table below presents the deferred tax assets and liabilities recognized by the Company.

Deferred tax	Final DTA		Final DTL	
	2017	2016	2017	2016
Intangible assets	108,009	97,277	0	0
Deferred acquisition costs	209,356	188,253	0	0
Insurance provisions and amount ceded to reinsurers from insurance provisions	0	0	1,860,230	1,480,089
Other	81,167	96,768	73,374	96,312
Total	**398,532**	**382,298**	**1,933,604**	**1,576,401**

A material deferred tax asset was recognized from intangible assets and deferred acquisition costs. Deferred tax liabilities arise mostly from the difference between the tax value of Technical Provisions and the Technical Provisions calculated according to SII.

The deferred tax liability on receivables and payables relates mainly to the difference in reinsurance payables, which are adjusted for SII purposes to be consistent with the insurance provisions calculated according to SII principles.

No deferred tax asset relates to unused losses from the current or preceding period.

The expected time horizon for the reversal of temporary differences for intangible assets is three years (for which most of the intangible assets are amortized), and one year for deferred acquisition costs. The expected time horizon for the reversal of temporary differences for insurance provision is the following:

	Life	Non-life
Less than 1 year	67,100	624,869
1-5 years	181,170	337,851
5-10 years	167,750	91,367
More than 10 years	254,979	135,144
Total	**670,999**	**1,189,231**

The probability of future taxable profits is supported by the business plans, which are prepared for a three-year horizon and approved by the parent company.

FINANCE AND OPERATING LEASING

Property and equipment holdings used by the Company under operating leases in which the risks and benefits relating to the ownership of the assets remain with the lessor are not recorded on the Company's statement of financial position. Payments made under operating leases to the lessor are charged to the income statement on a straight-line basis over the lease term.

The Company does not use finance leases.

The table below shows details of operating lease agreements in which the Company is a lessee:

Leasehold Assets Address	Start of Agreement	End of Agreement	Rent per Year 2017	Rent per Year 2016
Praha 4, Na Pankráci 1720/123	1.1.2009	31.12.2023	117,682	114,651
Praha 4, Na Pankráci 1658/121	1.12.2008	31.12.2023	28,658	27,129
Praha 4, Hráského 2231/25	21.8.2007	20.8.2019	14,394	18,631
Brno, Purkyňova 2845/101	15.8.2007	31.12.2023	18,022	17,421
Praha 4, Kaplanova 2252/8	10.8.2007	9.7.2019	10,710	15,185
České Budějovice, Pražská 1280	13.8.2007	31.12.2023	10,235	5,091

The other 221 lease agreements (2016: 216 lease agreements) have rent per year lower than CZK 10 million, with total agreed rent of CZK 137 million (2016: CZK 152 million).

The table below shows details of operating lease agreements where the Company is the lessor:

Address:	Name	Start of Agreement	End of Agreement	Rent per Year 2017	Rent per Year 2016
Praha 4, Na Pankráci 1720/123	Generali Pojišťovna a.s.	1.10.2008	31.12.2018	5,049	16,712
Praha 4, Na Pankráci 1658/121	Generali CEE Holding B.V.	18.10.2013	31.12.2018	6,394	6,393
Praha 4, Hráského 2231/25	Generali Shared Services Czech Branch	1.6.2010	20.8.2017	6,804	6,804
Praha 4, Na Pankráci 1720/123	Penzijní společnost České pojišťovny, a.s.	1.10.2012	31.12.2018	6,913	6,841

Another 310 lease agreements (2016: 213 lease agreements) have rent per year lower than CZK 6 million with total agreed rent of CZK 136 million (2016: CZK 36 million).

D.1.3. DEVIATIONS FROM IFRS

By accepting the valuation methods defined in the IFRS, Solvency II anticipates that there are cases where IFRS valuation methods are not consistent with Solvency II requirements, requiring the valuation of balance sheet items at fair value. Solvency II excludes specific valuation methods such as cost or amortized cost, and models where value is determined at the lower of the carrying amount and fair value less costs to sell.

Furthermore, other valuation methods usually applied for specific assets or liabilities are to be excluded or are to be adjusted in the SII environment. The following applies:

- Properties, investment properties, plant and equipment shall not be valued at cost less depreciation and impairment.
- The net realizable value for inventories shall be adjusted by the estimated cost of completion and the estimated costs necessary to make the sale if these costs are material.
- Non-monetary grants shall not be valued at their nominal amount.

D.1.4. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

BALANCE SHEET

Year-on-year comparison of the Solvency II value

Assets	2017	2016
Deferred acquisition costs		
Intangible assets		
Deferred tax assets		
Property, plant and equipment held for own use	113,176	183,956
Investments (other than assets held for index-linked and unit-linked contracts)	94,615,782	81,924,313
Property (other than for own use)	6,369	6,369
Holdings in related undertakings, including participations	9,993,583	10,490,854
Equities	1,480,697	1,481,932
Bonds	77,722,093	63,481,448
Government bonds	31,774,101	35,312,382
Corporate bonds	45,188,652	24,054,672
Structured notes	527,127	4,114,394
Collateralised securities	232,213	0
Collective Investments Undertakings	4,945,700	5,771,938
Derivatives	467,340	202,769
Deposits other than cash equivalents	0	489,003
Assets held for index-linked and unit-linked contracts	8,226,067	7,926,144
Loans and mortgages	956,640	974,650
Reinsurance recoverables	5,148,681	5,079,598
Deposits to cedants	1,308	1,437
Insurance and intermediaries receivables	1,102,873	1,841,603
Reinsurance receivables	202,041	2,229,356
Receivables (trade, not insurance)	1,414,581	2,157,543
Cash and cash equivalents	1,683,005	2,279,977
Any other assets, not shown elsewhere	4,382,053	407,060
Total assets	**117,846,207**	**105,005,637**

Movements in investments (other than assets held for index-linked and unit-linked contracts) reflect investment activity driven by market conditions and investment policies. There was a significant increase in repo operations (in the corporate bonds category), which were also used for foreign currency risk hedging. For details on changes in holdings in undertakings, including participations, please refer to Chapter A.1.

Since 2017, in accordance with the updated EIOPA interpretation on reporting, not past due receivables are reported in the category Any other assets, not shown elsewhere. In 2016, these were reported in the categories Insurance and intermediaries receivables and Reinsurance receivables.

Receivables (trade, not insurance) include receivables from business where both receivables and payables occur simultaneously with the same counterparty. An agreement on receivables and payables netting was concluded, and these are reported net in 2017.

Reconciliation of Solvency II value to statutory financial statements

Assets	Solvency II value	Statutory accounts value	Note	Amount per financial statements	Mapping
Deferred acquisition costs		1,101,872	Deferred acquisition cost valued at zero for SII	1,101,872	
Intangible assets		969,183	Intangible assets valued at zero for SII	969,183	
Deferred tax assets		6,733		6,733	
Property, plant and equipment held for own use	113,176	113,176		136,709	Art works shown are presented in Any other assets not elsewhere shown in SII
Investments (other than assets held for index-linked and unit-linked contracts)	94,615,782	94,396,611		70,646,369	
Property (other than for own use)	6,369	6,369		6,369	
Holdings in related undertakings, including participations	9,993,583	9,874,237	Participations are valued at fair value for SII	9,874,237	
Equities	1,480,697	1,484,444		1,484,444	
Bonds	77,722,093	77,618,521		53,868,279	
Government bonds	31,774,101	31,774,101		31,774,101	
Corporate bonds	45,188,652	45,085,080	Instruments are classified in the financial statements in Loans and receivables and valued at amortized cost, at fair value for SII.	21,334,838	In the financial statements they are classified in FVTPL, AFS and loans categories. Repo operations are classified as loans in the financial statements.
Structured notes	527,127	527,127		527,127	
Collateralised securities	232,213	232,213		232,213	
Collective Investments Undertakings	4,945,700	4,945,700		4,945,700	
Derivatives	467,340	467,340		467,340	
Assets held for index-linked and unit-linked contracts	8,226,067	8,226,067		8,226,067	
Loans and mortgages	956,640	907,240		24,658,790	See below
Other loans and mortgages	956,640	907,240		24,658,790	Repo operations are classified as loans and receivables in the financial statements. Part of the balance is reported as deposits to cedants arising out of reinsurance operations in the financial statements One instrument is presented as Loans in the financial statements

Reinsurance recoverables	5,148,681	10,016,123	Different valuation methodology	10,016,123	
Deposits to cedants	1,308	1,308		0	The balance is reported as Other loans and mortgages in SII
Insurance and intermediaries receivables	1,102,873	1,102,873		1,984,380	The balance sum represents receivables in statutory financial statements The difference in receivables (trade, not insurance) represents prepaid income taxes reported as Any other assets not elsewhere shown in SII. The difference in insurance and intermediaries and reinsurance receivables represents receivables not past due which are shown in SII reported in Any other assets not elsewhere shown.
Reinsurance receivables	202,041	202,041		2,196,126	
Receivables (trade, not insurance)	1,414,581	1,414,581		2,167,019	
Cash and cash equivalents	1,683,005	1,683,005		1,683,005	
Any other assets, not shown elsewhere	4,382,053	4,382,145		730,582	In the financial statements, receivables (trade, not insurance) from prepaid income taxes are reported under Any other assets not elsewhere shown in SII. The difference in insurance and intermediaries and reinsurance receivables represents receivables not past due which are reported in Any other assets not elsewhere shown in SII. Art works shown are presented in Any other assets not elsewhere shown in SII
Total assets	117,846,207	124,522,958		124,522,958	

D.2. TECHNICAL PROVISIONS

D.2.1. LIFE TECHNICAL PROVISIONS

OVERVIEW OF LIFE TECHNICAL PROVISIONS

The Solvency II life technical provisions at the end of 2017 were calculated according to Articles 77 to 83 of the Solvency II Directive 2009/138/EC. In line with Solvency II rules and the policy conditions, contract boundaries are applied to regularly paid accident riders. No future cash flows from this segment are projected/considered in the life TP calculation.

The following table shows the life technical provisions split into their main components: the best estimate of liabilities, reinsurance recoverables net of the counterparty default adjustment and risk margin.

	2017	2016
BEL gross of reinsurance	37,945,884	42,308,874
Recoverables from reinsurance (before CDA)	(1,115,028)	(1,216,431)
Counterparty default adjustment (CDA)	31,554	41,123
BEL net of reinsurance	36,862,410	41,133,566
Risk margin (RM)	431,091	419,671
TP Net of reinsurance regulatory view	**37,293,501**	**41,553,237**

**** positive signs represent a liability*

The main drivers of the life TP movement in 2017 were:

- the expected release of -CZK 3,356 million due to high maturities
- +CZK 469 million due to lower surrender rates and partial surrenders during 2017 than expected:
- the increase in the yield curve (discount rate), decreasing the TP by -CZK 1,712 million

The best estimate of liabilities corresponds to the average of the present values of expected future cash flows generated from contracts present in the Company portfolio, and therefore includes both a probabilistic assessment of their occurrence and an appropriate assessment of the time value of money, obtained on the basis of the risk-free interest rates as at 31 December 2017, as observed in the market and officially communicated by EIOPA. This curve (derived for the main markets and from interbank swap rates) includes both an adjustment to consider the residual default risk of these instruments (the so-called credit risk adjustment, for CZK amounting to -10bps) and an adjustment to consider the excess return achieved in a risk-free manner by the assets covering the insurance liabilities (the so-called volatility adjustment, equal to +4bps for CZK).

The method used to derive the best estimate of liabilities is based on a direct approach that involves the projection and discounting of all future expected incoming and outgoing cash flows for the duration of the policyholder's liabilities, in line with the contractual limits defined by regulations (contract boundaries). In particular, the projections consider all future premiums and all outflows associated with both the occurrence of insured events (e.g. claims and capital payable in the case of survival of the insured when the contract expires) and the possible exercise of contractual options (for example surrender).

Depending on the type of portfolio and the risk inherent in it, the expected future cash flows have been assessed in a deterministic scenario (i.e. a certainty equivalent scenario) or as the mean value of a set of stochastic scenarios, to allow the calculation of the cost of financial guarantees and contractual options. In the latter case, in the actuarial platforms specific assumptions on future management decisions were also implemented (so-called management actions, relating, e.g. to future profit sharing) and the rational behavior of the insured (the so-called dynamic policyholder's behavior, which can impact the propensity to exercise options such as the surrender option).

The best estimate of liabilities of the residual part of the portfolio (the majority are either matured and lapsed policies whose reserves are still in the books just waiting to be paid out) or RBNS/IBNR reserves currently not modelled based on the prudency approach, which were revaluated using a simplified approach and assumed equal to the IFRS reserves.

As shown in the above table, the best estimate of liabilities gross of reinsurance amounted to CZK 37.95 billion and mainly consists of insurance with profit participation, mostly including old savings products in run-off and the traditional part of hybrid products.

Only 2.9% of gross BEL is transferred via reinsurance outside the Company, and the reinsurance recoverables net of the counterparty default adjustment related to these contracts amounted to CZK 1.08 billion. The reinsurance recoverables were evaluated by means of appropriate projections of cash flows expected from reinsurance contracts and adjusted using the counterparty default adjustment to take account of the risk of default of the reinsurer.

The risk margin represents an allowance to take account of the inevitable uncertainty linked to the volatility of the operating assumptions and inherent in future cash flows. The risk margin is calculated by means of a cost of capital approach that considers the cost associated with non-hedgeable risks.

The capital requirement needed to cover non-hedgeable risk was determined using the internal model. The rate used to determine the cost of capital is 6% per annum. The cost of capital for each projection year was discounted at the valuation date using the term structure of interest rates without the volatility adjustment. In line with the regulation, the risk margin is calculated net of reinsurance. The future projection of the capital requirement needed to cover the non-hedgeable risks and its allocation by lines of business was carried out by means of suitable risk drivers applied to the capital required in respect of each risk included in the risk margin calculation.

As at 31 December 2017, the risk margin associated with Česká pojišťovna life insurance contracts was CZK 431 million.

The total value of the Solvency II Life technical provisions of Česká pojišťovna as at 31 December 2017, calculated as the sum of the best estimate of liabilities net of reinsurance and risk margin, amounted to CZK 37.29 billion.

The following tables reports the amount of the Solvency II life technical provisions split by lines of business:

- Insurance with profit participation
  - Traditional endowment products (also including some risk riders)
  - A guaranteed savings part and life risk riders unbundled from 'hybrid' products
- Unit-linked - contracts without options and guarantees
  - Pure UL products (mostly single paid)
  - UL part unbundled from 'hybrid' products
- Other - contracts without options and guarantees
  - Pure risk products
  - Accident riders (with future premiums subject to contract boundaries)
- Annuities stemming from non-life obligations
  - MTPL and TPL annuities (RBNS reserve only).

Life technical provisions YE2016 by lines of business

	2017	2016	% weight
Total	37,293,501	41,553,237	100.0%
Life	37,293,501	41,553,237	100.0%
Health	0	0	0.0%

**** positive signs represent a liability*

	2017	% weight	2016	% weight
Total	37,293,501	100.0%	41,553,237	100.0%
Insurance with profit participation	27,314,682	73.2%	31,971,172	76.5%
UL - Contracts without options and guarantees	8,012,922	21.5%	7,667,093	18.5%
UL - Contracts with options and guarantees	-	0.0%	-	0.0%
Other - Contacts without options and guarantees	1,036,254	2.8%	981,377	2.4%
Other - Contacts with options and guarantees	-	0.0%	-	0.0%
Annuities stemming from non-life obligations	929,643	2.5%	1,113,594	2.7%
Accepted reinsurance with profit participation	-	0.0%	-	0.0%
Accepted reinsurance UL contracts	-	0.0%	-	0.0%
Accepted reinsurance other contract	-	0.0%	-	0.0%
Accepted reinsurance annuities stemming from non-life obligations	-	0.0%	-	0.0%
SLT HEALTH - with options and guarantees	-	0.0%	-	0.0%
SLT HEALTH - without options and guarantees	-	0.0%	-	0.0%
SLT HEALTH - Annuities stemming from non-life obligations	-	0.0%	-	0.0%
SLT HEALTH - Accepted	-	0.0%	-	0.0%

**** positive signs represent a liability*

Česka pojištovna's Solvency II life technical provisions net of reinsurance mainly consist of insurance with profit participation, which mostly includes old products in run-off and traditional parts of hybrid products.

The following table compares the technical provisions reported in the financial statements with the Solvency II life technical provisions at the end of 2017.

	IFRS	Solvency II	Delta
Gross reserves/BEL gross	43,165,139	37,945,884	5,219,255
Ceded reserves /Reinsurance recoverables	(1,168,988)	(1,083,474)	(85,514)
Risk margin		431,091	(431,091)
Net reserves/Net TP	41,996,151	37,293,501	4,702,650

The difference between the statutory reserves and Solvency II life technical provisions is due to the substantial methodological differences between the two approaches, making a comparison between the two amounts not informative of the adequacy of the current reserving basis. The Solvency II assessment, in fact, considers the future cash flows projected taking account of best estimate assumptions, future profit sharing (financial and technical), and the financial cost of the guarantees, using the current structure of interest rates as the discount rate. Instead, the valuation of the technical liabilities in the statutory balance sheet uses the assessments of the technical provisions calculated in accordance with local accounting principles, and thus generally applies demographic pricing assumptions, discounts the contractual flows at the technical rate defined at the issue of the contract and, in general, does not consider any future financial profit share on unrealized gains/losses in force at the valuation date.

More specifically, the main differences between the two evaluations are attributable to the following items:

- Cash flows resulting from premiums, futures expenses and contractual options:
  - Premiums: statutory reserves are usually calculated using pure premiums (i.e. loadings are excluded from the calculation); conversely, in the Solvency II valuation, all premiums collected are considered;
  - Expenses: typically, future costs are excluded from the assessment of statutory reserves or, depending on the type of product, they are measured indirectly by means of the provision of loadings collected in the past (management reserves). In contrast, the Solvency II valuation includes the best estimate of the present value of the costs that will be incurred by the company to fulfil all contractual obligations.
  - Contractual options: typically, the calculation of statutory reserves does not consider the probability of the insured's exercise of contractual options such as surrenders or failure to pay premiums; conversely, these elements are appropriately considered in Solvency II.
- Operating assumptions: the reserves reported in the statutory financial statements are generally valued using conservative operating assumptions (or first order), while the technical reserves of Solvency II are valued using best estimate assumptions (or second order).
- Economic assumptions: the Solvency II technical provisions are valued using the current economic framework both in terms of interest rate curves and the market values of backing assets. In practice, this affects:
  - projected economic returns and, consequently, future policyholder bonuses included in future cash flows;
  - interest rates used for discounting.

  In contrast, financial statement reserves cash flows typically do not consider future policyholder bonuses and are discounted by means of technical interest rates defined at the inception of the contract.
- Methodology used to evaluate the business with profit sharing and guarantees: for this type of contract, Solvency II technical reserves are valued using stochastic actuarial platforms that capture a wide spectrum of possible financial scenarios and thus allow for the explicit assessment of the cost options and guarantees held by the insured. In contrast, statutory reserves do not include the assessment of that cost.
- Counterparty default adjustment: unlike statutory valuation, the amount of Solvency II reinsurance recoverables is adjusted to take into account the probability of default of the counterparty.
- Risk margin: unlike statutory reserves, Solvency II includes an explicit assessment of the amount to be held against non-hedgeable risks.

SOURCES OF UNCERTAINTY

The evaluation of the Solvency II life technical provisions depends not only on the methods, models and data used, but also on assumptions relating to a number of economic and operational factors whose future realizations might differ from the expectations at the valuation date.

The underwriting parameters affect the Česká pojišťovna portfolio only slightly. The most relevant operating factor is the expense risk that affects the whole portfolio. A variation of 10% in the expense assumptions changes the best estimate of liabilities by about 1.4%. The other operating assumptions have a relatively small effect on the TP due to the application of contract boundaries (CB) on accident and daily allowance riders. Without the application of CBs, the surrender assumptions and morbidity assumptions would generate a high materiality impact on the TP.

On the other hand, the impact on the best estimate of liabilities resulting from possible changes regarding the economic environment is reported in the dedicated Section E of this document.

LONG-TERM GUARANTEE MEASURES (VOLATILITY ADJUSTMENT, MATCHING ADJUSTMENT AND TRANSITIONAL MEASURES)

The valuation of the best estimate of liabilities has been performed using the volatility adjustment (as referred to in Article 77d of Directive 2014/51/EU) provided by EIOPA for CZK and equal to 4bps at year end 2017. A change to zero of the volatility adjustment would correspond to an increase of CZK 81 million in the life technical provisions of Česká pojišťovna.

The matching adjustment (as referred to in Article 77b of Directive 2014/51/EU) has not been applied.

The transitional measure on the risk-free interest rate term structure (as referred to in Article 308c of Directive 2014/51/EU) and the transitional measure on technical provisions (as referred to in Article 308d of Directive 2014/51/EU) have not been used.

D.2.2. P&C TECHNICAL PROVISIONS

OVERVIEW OF P&C TECHNICAL PROVISIONS

The P&C Technical Provisions related to

- outstanding claims, whether reported or not, that occurred before the evaluation date whose costs and related expenses were not completely paid by that date (Outstanding Claims Reserve)
- future claims of contracts that are either in force at the valuation date or for which a legal obligation to provide coverage exists (premiums reserve)

are calculated as the sum of the Discounted Best Estimate of Liabilities (BEL) and the Risk Margin (RM).

$$TP = BEL + RM$$

The discounted Best Estimate of Liabilities (BEL) is calculated applying the methods and assumptions that are briefly described in the following paragraphs, separately for the Outstanding Claims Reserve and the Premiums Reserve.

Outstanding Claims Reserve

The approach to derive the BEL for the Outstanding Claims Reserve depends on the possibility of applying the actuarial methods.

- The BEL of the un-modelled and semi-modelled business (the Line of Business or the part of a Line of Business that, for various reasons, e.g. lack of adequate, appropriate and complete data or inhomogeneity of the business, has not been analyzed with the actuarial methods) has been calculated using IFRS figures. Un-modelled and semi-modelled business represents approximately 10.6% of IFRS provisions (8.3% in 2016) and contains mainly provisions for bonuses and reinsurance accepted business. The amount of un-modelled reserves increased mainly due to large claims occurred in Accepted Business.
- The BEL of the modelled business (business which, thanks to the availability of adequate, appropriate and complete data, has been analyzed in detail by means of actuarial methods) has been assessed in the following steps:

Claims and Grouping

To perform an appropriate actuarial analysis of the Technical Provisions and to carry out the projections to ultimate cost, historical claims data on a paid and incurred basis (gross of contractual and facultative reinsurance) have been taken into account. Development data used for these purposes fulfil the appropriate quality attributes of proportionality, materiality and completeness.

Each portfolio is selected to identify homogeneous groups of risks, type of coverage and other specificities, such as the length and the variability of the claims run-off. The minimum level of granularity adopted considers the split between types (direct business, proportional accepted business, non-proportional accepted business) and in each category identifies twelve Lines of Business (workers' compensation; medical expenses; income protection; motor vehicle liability; other motor; marine, aviation and transport; fire and other damage to property; general liability; credit and suretyship; legal expenses; assistance; miscellaneous financial loss). Where necessary, a more granular segmentation of the portfolio is used, especially in the case of property, liability and motor insurance. Where reasonable, claims have been split depending on their size and significance into attritional, large and extremely large claims, and the analysis has been done separately for each claims type. In addition, annuity claims are treated separately as well.

Expenses

The reserve for Loss Adjustment Expenses (LAE) consists of two parts. The reserve for expenses directly arising from a particular compensation case (Allocated Loss Adjustment Expenses (ALAE)) are treated as part of claims costs. The reserve for expenses not directly arising from a particular compensation case (Unallocated Loss Adjustment Expenses (ULAE)) are related to the whole package of services offered by an insurance company and are not automatically associated with a specific claim. A simplified approach is used to derive the ULAE reserve that is assumed to be proportional to the UBEL (Undiscounted Best Estimate of Liabilities) of the Line of Business (i.e., $ULAE\ reserve = R \cdot UBEL$), where *R* is estimated based on recent experience.

Inflation

Historical data on claims paid and outstanding include the outcomes of observed inflation, in its two exogenous and endogenous components. The inflation environment in the Czech Republic is considered stable enough to project UBEL from historical data, which means that inflation is already embedded in projections.

Actuarial Methods

The actuarial methods used for projecting the experienced history of claims and provisions are the ones implemented in the Group reserving tool (ResQ) and described in the Generali Group methodology paper. In particular, the following methods have been considered for attritional and large claims:

- The Link Ratio method on paid (or Development Factor Models - DFM) is a generalization of the Chain Ladder method, based on an analysis of cumulative payments over years. This class of methods is based on the hypothesis that the settlement process is stable across origin periods;
- The Link Ratio method on incurred technically works like the previous one but is based on incurred developments, i.e. the sum of cumulative paid and outstanding amounts;
- The Bornhuetter-Ferguson method on paid or incurred combines the projected ultimate (obtained e.g. by means of a Development Factor method) with an alternative (a priori) value, using a weighted credibility approach;
- The Cape Cod method on paid or incurred which, similarly to the Bornhuetter-Fergusson method, combines already emerged claims with expected claims to be paid or reported late, is based on assumptions derived from the emerged proportion of claims;
- The Frequency Severity method combines projections of the expected number of claims and expected average claims, where ultimate claims are the product of these two items;
- The Incremental Loss Ratio method on paid or incurred, also known as the Additive method, expects stable development in the contribution to the loss ratio across the origin years.

An analysis using more than one of the methods listed above was performed to confirm the results.

The best estimate assessment for annuities stemming from P&C contracts is performed separately for annuities in payment (i.e. RBNS – reported but not settled - annuities), treated with life techniques, and for annuities that could emerge in the future from non-annuity claims (i.e. IBNR – incurred but not reported – annuities). The BEL for the IBNR Annuities is assessed using the frequency/severity approach.

To obtain the final gross UBEL, all excluded or separately evaluated items (e.g. extremely large claims, un-/semi-modelled parts, expenses) are added to the ultimate claims cost.

Net Evaluation

In general, less risky portfolios are covered by a 40% and more risky portfolios are covered by a 70% quota share. In addition to this, Lines of Business exposed to the risk of large single claims, such as MTPL or large risk portfolios in property and liability insurance, are covered by XL treaties. Finally, property and Casco insurance is covered by CAT XL to protect the Company from severe losses caused by natural events. The reinsurance share on IFRS claims provisions is mostly represented by a quota share, hence a feasible simplification is used for the net evaluation of UBEL. For each homogeneous group of risks, UBEL net of reinsurance is calculated adopting the following simplified approach:

$$UBEL_{net}^{OC} = UBEL_{gross}^{OC} \cdot \%NG$$

where %NG indicates the percentage of the IFRS net Outstanding Claims Reserve on the IFRS gross Outstanding Claims Reserve.

The valuation of the best estimate net of reinsurance is performed taking into account an adjustment for the expected losses due to default of the reinsurance counterparties (counterparty default risk adjustment).

Premiums Reserve

For contracts with premiums already written, the UBEL of the premium provisions is defined as the sum of the following two components (considering gross and net inputs to obtain gross and net results):

- a claims related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the current year loss ratio, aiming to take out the effect of the adequacy of the estimated UBEL of the Outstanding Claims Reserve (OCR);
- an administration-expenses related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the administration expense ratio to represent the expected part due to expenses stemming from existing contracts.

For un-incepted (instalments included) and multi-year contracts, the UBEL of the premium reserve is defined as the sum of the following cash flows:

- cash inflows arising from future premiums;

- cash outflows arising from future claims, net of salvage and subrogation, including allocated and unallocated claims adjustment expenses;
- cash outflows arising from administration expenses in respect of claims occurring after the valuation date as well as costs arising from ongoing administration of in-force policies and acquisition costs, insofar as they are related to the considered portfolio.

Similarly to the Outstanding Claims Reserve, the net premiums reserve is also adjusted to take into account the default risk of the counterparties.

Discounting

The discounted Best Estimate of Liabilities (BEL), both related to the Outstanding Claims Reserve and premiums reserve, is derived by discounting the expected future payments of the UBEL by the reference basic risk free rate curve.

Risk Margin

The Risk Margin is added to the BEL to derive a market-consistent value of liabilities. This captures the economic value of non-hedgeable risks (reserving, pricing, catastrophe, counterparty default and operational) to ensure that the value of Technical Provisions is equivalent to the amount that an insurance company would be expected to require to take over and meet the insurance obligations. The risk margin is calculated with a Cost of Capital (CoC) approach at the Line of Business level taking the diversification benefits between risk types and Lines of Businesses into account.

Fair Value of Outstanding Claim Reserve - Total

	2017	2016	change %
Gross IFRS Reserve	**14,909,907**	**14,513,659**	**3%**
Best Estimate of Liabilities gross of reinsurance	**7,927,843**	**7,547,975**	**5%**
Recoverables from reinsurance after CDA	(3,776,836)	(3,564,582)	6%
Best Estimate of Liabilities net of reinsurance	4,151,007	3,983,394	4%
Risk Margin	301,564	327,669	(8%)
Technical Provisions net of reinsurance	4,452,572	4,311,063	3%

IFRS claim reserves in major Lines of Business are without big year-on-year movements. The property increase is mainly driven by a single large claim and medium natural catastrophe event (Cyclone Herwart), but both 2016 and 2017 could be considered as years 'without major events'. Higher reserves in Other Motor are driven by newly acquired business.

The Best Estimate increased mainly in line with the movement of IFRS reserves, only in the case of Other Motor has BEL risen more significantly due to less favorable development in subrogations. On the other hand, the decrease in accounting reserves in MTPL was not followed by BEL due to the planned decrease of the prudency set according to the volatility of Technical Provisions.

The Risk Margin is lower in 2017 compared to 2016 mainly due to the lower Reserving Risk of Motor Vehicle Liability.

Fair Value of Outstanding Premium Reserve – Total

	2017	2016	change %
Gross IFRS Reserve	**5,088,622**	**4,827,240**	**5%**
Best Estimate of Liabilities gross of reinsurance	**1,764,807**	**1,629,596**	**8%**
Recoverables from reinsurance after CDA	(288,371)	(339,708)	(15)%
Best Estimate of Liabilities net of reinsurance	1,476,436	1,289,888	14%
Risk Margin	134,352	131,291	2%
Technical Provisions net of reinsurance	1,610,789	1,421,179	13%

IFRS Premium Reserves has increased, mainly due to increasing business in the Other Motor and Credit & Suretyship LoBs. The values of both gross and net BEL have risen more rapidly, mainly due to higher expenses allocated to Non-life Insurance.

The Risk Margin is quite stable - the increase is mainly visible due to slightly higher CAT and Pricing Risks (for more details about movements in Non-life Underwriting Risk, please refer to Section C.1.2).

Fair Value of Outstanding Claims Provisions

Line of Business	IFRS Reserves Net of Reinsurance	BEL Net of Reinsurance after CDA	Risk Margin	TP Net of Reinsurance
Total	**8,022,468**	**4,151,007**	**301,565**	**4,452,572**
Direct Insurance	**7,530,422**	**3,689,958**	**264,924**	**3,954,882**
Non-life Motor	5,113,430	2,158,011	198,933	2,356,944
Non-life Non-motor excl. AHD	2,168,222	1,359,677	61,876	1,421,553
Accident, Health and Disability	248,771	172,270	4,115	176,384
Accepted Insurance	**492,046**	**461,049**	**36,641**	**497,691**
Non-life Motor	30,659	32,298	9,800	42,098
Non-life Non-motor excl. AHD	460,915	428,289	26,829	455,119
Accident, Health and Disability	473	462	12	474

Fair Value of Premium Provisions

Line of Business	IFRS Reserves Net of Reinsurance	BEL Net of Reinsurance after CDA	Risk Margin	TP Net of Reinsurance
Total	**3,128,926**	**1,476,437**	**134,352**	1,610,789
Direct Insurance	**3,072,165**	**1,458,408**	**132,050**	**1,590,459**
Non-life Motor	1,241,633	766,986	57,094	824,080
Non-life Non-motor excl. AHD	1,794,378	671,376	74,413	745,789
Accident, Health and Disability	36,154	20,047	543	20,590
Accepted Insurance	**56,760**	**18,028**	**2,302**	**20,330**
Non-life Motor	0	0	145	145
Non-life Non-motor excl. AHD	56,698	17,912	2,143	20,056
Accident, Health and Disability	62	116	14	130

No significant changes in the methodology used for the calculation of the fair value of the Outstanding Reserve were undertaken in comparison to the previous year, with the exception of the setting of a threshold for defining large claims that are modelled separately. Instead of a predefined threshold of CZK 10 million defined historically in the Company, an analysis of the choice in each modelled segment was provided. This led to a decrease in BEL mainly in the property and liability segments.

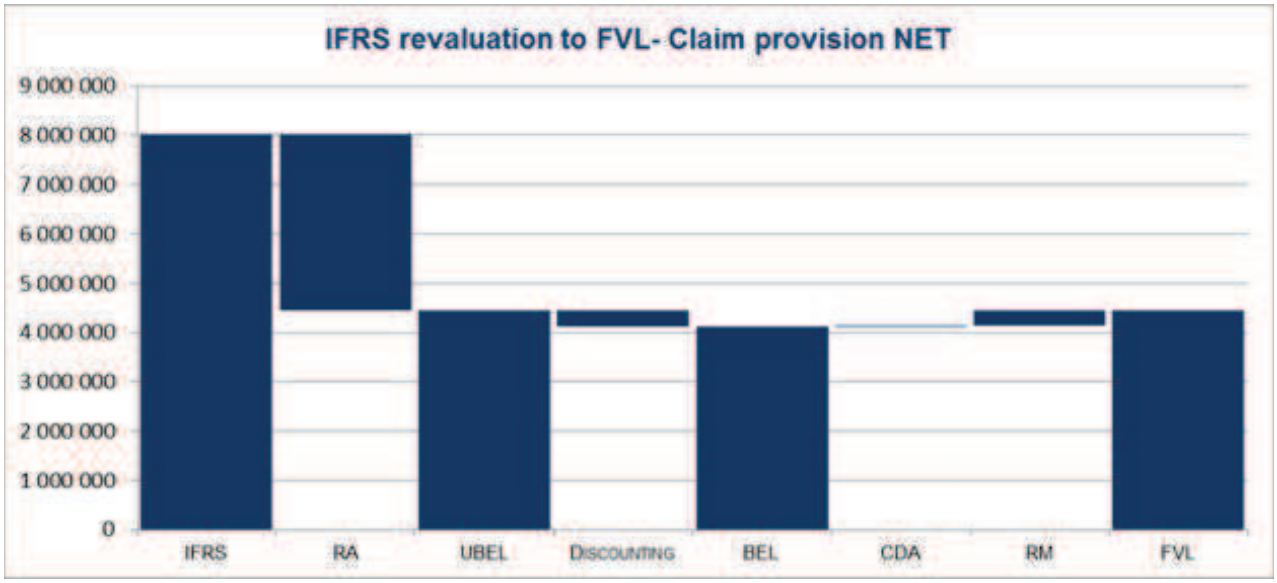
P&C TP COMPARISON WITH RESERVES

Similar actuarial methods are used for setting both IFRS IBNR and UBEL, but the parameters used for the IFRS calculation include obvious prudence. Therefore, IFRS outstanding provisions are held at a higher level than UBEL to be able not only to cover the mean expected value of unsettled claims, but also to be able to absorb possible negative deviations in claims run-off. Such deviations can be caused by higher counts of late reported claims, by higher than average severity, or by unfavorable development in already reported claims in a given calendar year. The random behavior of claims development requires the maintenance of an uncertainty margin in IFRS provisions. Consequently, this margin represents the difference between UBEL and IFRS. The size of this margin is monitored and remains within a reasonable range considering the risk appetite of the Company.

Below, you can find a decomposition of the revaluation process for Technical Provisions:

Revaluation Process: from IFRS to Fair Value - Claim Provision

(CZK thousands)	IFRS	Reserve Adequacy	UBEL	Discounting effect	BEL	Expected Default	Risk Margin	FV Liabilities
Total OC NET	8,022,468	3,570,526	4,451,942	329,341	4,122,601	28,406	301,565	4,452,572

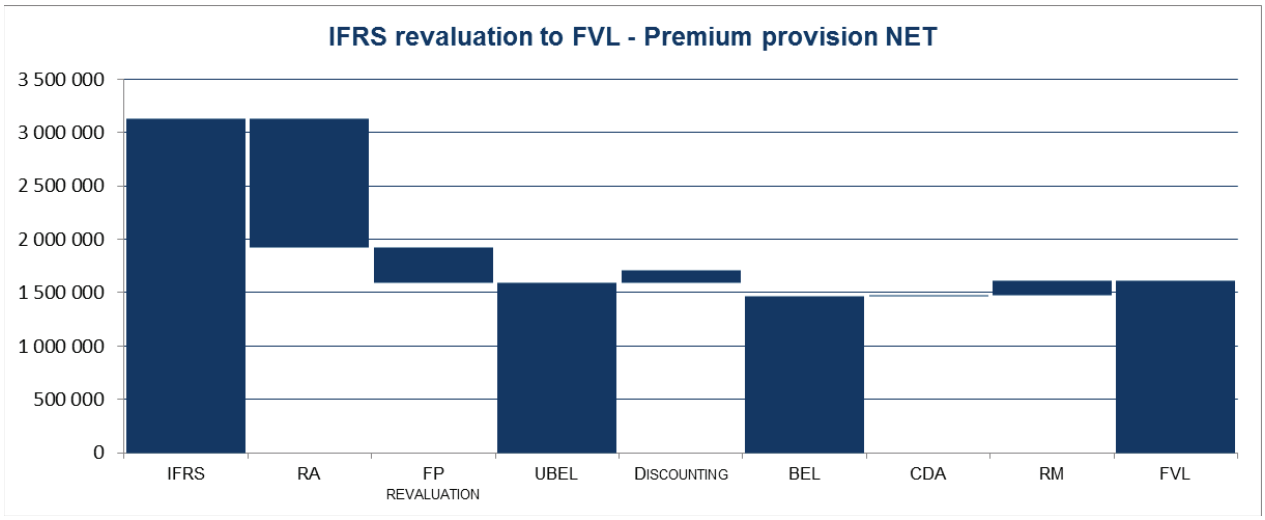


IFRS UP provisions are booked on a pro rata temporis accounting principle reflecting the unearned part of the written premium proportional to the undue part of the period for which the premium was written. This is done individually for each insurance policy. Contrary to this, Solvency II principles require the evaluation of a premium provision as the difference between future outflows (claims and expenses) and future inflows (premium). This means that the IFRS approach is not strictly dependent on the profitability of the business (only in case of premium insufficiency), whilst the evaluation according to Solvency II principles is strictly driven by loss and expense assumptions. In addition, only the written part of the premium can serve as the basis for the recognition of unearned premiums in IFRS, but Solvency II principles require the inclusion of future premiums coming from contracted business that have not yet been written. This includes future instalments of policies in force and premiums from already contracted policies with future inception.

Below, you can find a decomposition of the revaluation process for premium reserves:

Revaluation Process: from IFRS to Fair Value - Premium Provision

(CZK thousands)	IFRS	Reserve Adequacy	FP revaluation	UBEL	Discounting effect	BEL	Expected Default	Risk Margin	FV Liabilities
Total UP NET	3,128,926	1,205,433	(335,807)	1,587,686	125,213	1,462,472	13,964	134,352	1,610,789



SOURCES OF UNCERTAINTY AND SENSITIVITY ANALYSES

Two kinds of sources of uncertainty are embedded in the Technical Provisions. The first emanates from the substance of the insurance business and is represented by the randomness of the process of claims occurrence and reporting. This is monitored by actuaries through the construction of stochastic scenarios resulting in the distribution of possible claims run-off results. The highest uncertainty is experienced in the Lines of Business including large risks (mainly corporate property). IFRS reserves are currently set at a level so that the Company was able to cover deviation from undiscounted BEL with a return period higher than 1-in-20 years.

The second type of uncertainty is represented by external factors such as claims inflation, interest rates and changes in legislation. These factors are not driven by the Company, but their impact can be reduced by ongoing monitoring of the market and legal environment, and early identification or even anticipation of possible changes. Sensitivity analyses of external factors are performed by the Company. A decrease in the risk free rate of 20 basis points would result in a BEL increase of 0.66%.

The biggest uncertainty is still expected in regard to the ultimate effect of the New Civil Code (NCC). This change in legislation affects compensation in liability insurance, especially in case of bodily injuries. The NCC came into force on 1 January 2014. Although developments in this area seem to be favorable, the settlement processes and court practice have still not been stabilized. Insufficient experience with such a big change presents a significant source of uncertainty in UBEL evaluation. The process of reserving is closely monitored throughout the Company.

The Company reduces the risk of volatility through diversification and reinsurance. Providing a wide portfolio of various insurance products mitigates the relative impact of unfavorable developments from run-off in individual Lines of Business. A properly chosen reinsurance structure, including quota share and XL treaties, helps limit the absolute impact of potential negative run-off. The current reinsurance setup mitigates Reserving Risk by almost 49%.

LONG-TERM GUARANTEE MEASURES (VOLATILITY ADJUSTMENT AND TRANSITIONAL MEASURES)

Neither transitional measures nor matching adjustments were applied during the calculation of the best estimates of Technical Provisions. A volatility adjustment was applied by the Company. Swap risk free rates were used in line with EIOPA guidance. The spot curve is presented in following table.

Risk Free Rate used at 2017YE

Run-Off Period	Interest Rate wo VA	Volatility Adjustment	Interest Rate with VA	Run-Off Period	Interest Rate wo VA	Volatility Adjustment	Interest Rate with VA	Run-Off Period	Interest Rate wo VA	Volatility Adjustment	Interest Rate with VA	Run-Off Period	Interest Rate wo VA	Volatility Adjustment	Interest Rate with VA
1	1,0%	0,0%	1,0%	11	1,8%	0,0%	1,8%	21	2,3%	0,0%	2,3%	31	2,7%	0,0%	2,8%
2	1,2%	0,0%	1,3%	12	1,8%	0,0%	1,9%	22	2,3%	0,0%	2,4%	32	2,8%	0,0%	2,8%
3	1,4%	0,0%	1,4%	13	1,9%	0,0%	1,9%	23	2,4%	0,0%	2,4%	33	2,8%	0,0%	2,8%
4	1,5%	0,0%	1,5%	14	1,9%	0,0%	2,0%	24	2,4%	0,0%	2,5%	34	2,8%	0,0%	2,9%
5	1,5%	0,0%	1,6%	15	1,9%	0,0%	2,0%	25	2,5%	0,0%	2,5%	35	2,9%	0,0%	2,9%
6	1,6%	0,0%	1,6%	16	2,0%	0,0%	2,0%	26	2,5%	0,0%	2,5%	36	2,9%	0,0%	2,9%
7	1,6%	0,0%	1,7%	17	2,0%	0,0%	2,1%	27	2,6%	0,0%	2,6%	37	2,9%	0,0%	3,0%
8	1,7%	0,0%	1,7%	18	2,1%	0,0%	2,1%	28	2,6%	0,0%	2,6%	38	3,0%	0,0%	3,0%
9	1,7%	0,0%	1,8%	19	2,2%	0,0%	2,2%	29	2,7%	0,0%	2,7%	39	3,0%	0,0%	3,0%
10	1,8%	0,0%	1,8%	20	2,2%	0,0%	2,2%	30	2,7%	0,0%	2,7%	40	3,0%	0,0%	3,0%

The usage of a volatility adjustment decreased the net BEL by 0.13%, or CZK 12.6 million. The total revaluation reached by discounting the TP was CZK 767 million.

D.3. OTHER LIABILITIES

D.3.1. VALUATION OF LIABILITIES FOR THE SOLVENCY II BALANCE SHEET

There were no material changes to the general valuation framework in comparison with the previous reporting period.

EXCLUSION OF IFRS VALUATION METHODS

In this chapter, an overall description of the SII valuation methods for liabilities other than Technical Provisions is given, complementary to the general valuation for solvency purposes (Section D - Introduction).

Solvency II, in accepting the valuation methods defined in IFRS, anticipates that there are cases where IFRS valuation methods are not consistent with Solvency II requirements.

SII SPECIFICITIES

Solvency II specifies the treatment of the liabilities listed below for which a valuation different from IAS/IFRS measurement is required:

- technical liabilities;
- contingent liabilities;
- financial liabilities;
- deferred taxes.

Except for technical liabilities and deferred taxes (that have already been disclosed in D.2. Technical Provisions, and D.1. Assets), all remaining points are analyzed in the following dedicated sections.

CONTINGENT LIABILITIES

Valuation

The recognition criteria for contingent liabilities on the Solvency II balance sheet are determined by the definition in IAS 37 for contingent liabilities.

While under IAS 37 an entity should not recognize a contingent liability but only disclose it under Solvency II if these contingent liabilities are material and the possibility of an outflow of resources embodying economic benefits is not remote, they have to be recognized on the Solvency II balance sheet.

Contingent liabilities are material if information about the current or potential size or nature of that liability could influence the decision-making or judgment of the intended user of that information. An exception to the requirement to recognize material contingent liabilities in the Solvency II balance sheet exists when a contingent liability arises for accounting purposes if no reliable estimate is possible for the valuation of a liability. In such instances, since the value of the contingent liability cannot be reliably measured, only disclosure is required.

According to Solvency II principles, a contingent liability should be valued at the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the relevant risk-free interest rate term structure. Moreover, when valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made.

The estimate of future cash flows is thus based on an expected present value approach (i.e. a probability-weighted average of the present values of the outflows for the possible outcomes).

The amount and range of possible cash flows considered in the calculation of the probability-weighted cash flows shall reflect all expectations about possible cash flows and not the single most likely or the expected maximum or minimum cash flow.

Finally, an entity shall consider the risk that the actual outflows of resources might ultimately differ from those expected. Risk adjustment measures the amount, if any, that the entity would rationally pay in excess of the expected present value of the outflows for bearing this risk.

Contingent Liabilities Shown in the Financial Statements

As at 31 December 2017 and 2016, the Company recognized the following provisions for contingent liabilities

	2017	2016
Restructuring provision	36,700	44,500
Provisions for commitments	373,195	476,436
Total	**409,895**	**520,936**

Provisions for commitments consist mainly of provisions for the MTPL deficit connected with the Company´s membership in the Czech Insurers' Bureau (CZK 350 million, 2016: CZK 447 million).

Membership in the Czech Insurers' Bureau

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

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

CIB members share the risks of the CIB in proportion to their market shares in compulsory contractual MTPL insurance. In accordance with this, a single CIB member is exposed to risks arising from:

1. incurred claims to be covered by the CIB, consisting of claims from:
    a. old statutory MTPL insurance sold until 31 December 1999;
    b. new compulsory contractual MTPL insurance sold since 1 January 2000 (caused by uninsured or unknown drivers);
2. claims to be covered by the CIB from the new compulsory contractual MTPL insurance caused by uninsured or unknown drivers;
3. The potential bankruptcy of another CIB member, i.e. counterparty default risk;
4. other financial and credit Risks of the CIB.

Items under points 1b. and 2 are covered through the CIB's Guarantee Fund 1, item No 3 is covered from of the CIB's Guarantee Fund 2.

Risks associated with incurred claims

The overall liability of CIB for incurred claims is covered by the CIB members in proportion to their market shares. Part of this overall liability is not covered by investments of the CIB but by a receivable to members, which is allocated to individual members in proportion to their market shares.

To match this receivable, CIB members recognize a liability to the CIB in their balance sheets. This liability is calculated by the CIB, and its amount is periodically updated in light of new claim information and changing market shares.

Risks of the the CIB'S guarantee fund

Members of the CIB contribute to the CIB's guarantee fund established for claims against the CIB from the new compulsory contractual MTPL insurance intended to cover:

i) claims caused by uninsured or unknown drivers ('GF1'); and
ii) liabilities of a potentially bankrupt member ('GF2').

CIB members charge their contributions to the Guarantee Fund as expenses when they become due.

On the CIB side, the guarantee fund is built up from members' contributions and run off profit from incurred claims, and is used to cover claim payments and run off losses on unsettled claims. It is also intended to cover any claims against a bankrupt member.

COMMITMENTS DISCLOSED UNDER IFRS

There are no commitments as at 31 December 2017 and 31 December 2016 that are disclosed in IFRS that should be - because of its substantial scope and the possibility of a decrease in resources representing economic benefits - reported in the Solvency II balance sheet according to Solvency II.

Legal

As at 31 December 2017, a legal suit was brought consolidating several 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 pending squeeze-out. Based on legal analyses carried out by external legal counsel, the management of the Company believes that none of these cases gives rise to any contingent future liabilities for the Company.

Nuclear pool participation

Česká pojišťovna a.s. is a member of the Czech Nuclear Pool (CNP). The subscribed net retention is as follows:

	2017	2016
Liability (w/o D&O liability)	172,121	149,670
D&O liability only	21,275	18,500
FLEXA extended coverage of nuclear risks plus BI	578,000	578,000
Transportation risk	117,200	117,200
Engineering and "all risk" cover	578,000	290,000
Total	**1,466,596**	**1,153,370**

As a member of the CNP, the Company has signed pool documents like statutes, cooperation agreements, claims handling cooperation agreements and a solidarity agreement. Hence, the Company is jointly and severally liable for the obligations resulting from these pool documents. In the event that one or more of the other members are unable to meet their obligations to the CNP, the Company will be obliged to 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 CNP to be material to the financial position of the Company. The CNP has implemented adequacy rules for its members' net retentions related to their capital positions, assessed per quarter. 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).

FINANCIAL LIABILITIES

Valuation

To ensure compliance with Solvency II principles, the liabilities - including financial liabilities - should be valued at fair value without any adjustment for change in the own credit standing of the insurance/reinsurance undertaking.

The valuation methodology for the fair value of an asset or liability shall be based on the following approaches:

- mark-to-market approach (default approach): this approach is based on readily available prices in orderly transactions that are sourced independently (quoted market prices in active markets);
- mark-to-model approach: any valuation technique that has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input (maximize market inputs, minimize unobservable inputs).

According to IFRS 9 (not yet adopted by the Company), the amount of change in the fair value of the financial liability that is attributable to changes in the Credit Risk of that liability[2] should be determined either:

(a) as the amount of change in its fair value not attributable to changes in market conditions that give rise to market risk;
(b) using an alternative method the entity believes more faithfully represents the amount of change in the liability's fair value that is attributable to changes in its Credit Risk.

As with all estimates of fair value, an entity's measurement method for determining the portion of the change in the liability's fair value that is attributable to changes in its Credit Risk must make maximum use of market inputs.

Consistency with IFRS

According to IAS 39.47, all liabilities, except for the following, are required to be measured at amortized cost using the effective interest method:

(a) financial liabilities at fair value through profit or loss;

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;

(c) financial guarantee contracts;

(d) commitments to provide a loan at a below-market interest rate.

Financial liabilities valued at amortized cost according to IAS 39 shall be valued at fair value for the Solvency II balance sheet.

For purposes of financial liabilities valuation, the IAS 39 fair value definition is consistent with the Solvency II principle taking into account that:

- The fair value measurement approach in IAS 39 at recognition is a good representation of the economic value at recognition in the Solvency II balance sheet.
- The fair value measurement approach in IAS 39 for subsequent measurements is a good representation of the economic value for Solvency II purposes if, and only if, changes in the undertaking's own credit standing have not been taken into account. When changes in the undertaking's own credit standing influence the value under IAS 39, they shall be eliminated in the Solvency II valuation.

[2] In accordance with IFRS 9 paragraph B5.7.16 and subsequent

D.3.2. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

Year-on-year comparison of the Solvency II value

Liabilities	2017	2016
Technical provisions	48,505,544	52,365,076
Provisions other than technical provisions	167,514	295,318
Deposits from reinsurers	1,401,599	1,401,412
Deferred tax liabilities	1,535,072	1,194,103
Derivatives	512,273	1,531,858
Financial liabilities other than debts owed to credit institutions	24,157,355	5,694,615
Insurance and intermediaries payables	0	2,061,912
Reinsurance payables	0	4,539,784
Payables (trade, not insurance)	1,688,826	1,147,301
Any other liabilities, not elsewhere shown	8,520,116	2,054,928
Total liabilities	**86,488,299**	**72,286,307**
Excess of assets over liabilities	31,357,909	32,719,330

Movements on financial liabilities other than debts owed to credit institutions are driven by market conditions and investment policies. There is a significant increase in reverse repo operations used for FX hedging.

Since 2017, in accordance with the updated EIOPA interpretation on reporting, not past due insurance and intermediaries payables are reported in the category Any other liabilities, not shown elsewhere. In 2016, these were reported in the categories Insurance and intermediaries payables and Reinsurance receivables.

Payables (trade, not insurance) include payables from a business where both receivables and payables occur simultaneously with the same counterparty. An agreement on receivables and payables netting was concluded, and these are reported net in 2017.

Reconciliation of Solvency II value to statutory financial statements

Liabilities	Solvency II value	Statutory accounts value	Note	Amount per financial statements	Mapping
Technical provisions	48,505,544	63,163,668	Different valuation methodology	63,163,668	
Provisions other than technical provisions	167,514	409,895	The provision for the Czech Insurers' Bureau is revalued to best estimate for SII	409,895	
Deposits from reinsurers	1,401,599	1,401,599		1,401,599	
Deferred tax liabilities	1,535,072	0	Regarding the impact of different valuation methodology, the most significant items are deferred tax liability on insurance provisions, and deferred tax on intangible assets and deferred acquisition costs	0	
Derivatives	512,273	512,273		512,273	
Financial liabilities other than debts owed to credit institutions	24,157,355	24,157,355		24,157,355	
Insurance and intermediaries payables	0	0		2,215,390	The balance sum represents payables in the statutory financial statements.
Reinsurance payables	0	0		4,437,892	
Payables (trade, not insurance)	1,688,826	1,688,323		1,688,323	The difference in insurance and intermediaries and reinsurance payables represents payables not past due, which are mapped to Any other liabilities not elsewhere shown in Solvency II.
Any other liabilities, not elsewhere shown	8,520,116	8,520,116		1,866,834	The difference in insurance and intermediaries and reinsurance payables represents payables not past due, which are mapped to Any other liabilities not elsewhere shown in Solvency II.
Total liabilities	**86,488,299**	**99,853,229**		**99,853,229**	
Excess of assets over liabilities	31,357,909	24,669,729		24,669,729	

D.4. ALTERNATIVE METHODS FOR VALUATION

In respect of the official SII data valuation, no significant alternative methods except the valuation of instruments at Level 3 (see D.1) were used.

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

Equities	The fair value is mainly determined using an independent evaluation provided by a third party or is based on the amount of shareholders' equity.
Investment Funds	The fair value is mainly based on information about the value of the underlying assets. The valuation of underlying assets requires significant expert judgment or estimation.
Bonds, loans	An indicative price is provided by a third party or the discounted cash flow technique uses objectively unobservable inputs (extrapolated interest rates and volatilities, historical volatilities and correlations, significant adjustments to the quoted CDS spreads, the prices of similar assets requiring significant adjustments etc.)
Investment properties	The fair value is determined using independent valuation provided by a third party and is based on the market value of the property determined by comparing recent sales of similar properties in the surrounding or competing area to the subject property.

The table below describes unobservable inputs at Level 3:

Description	FV as at 31.12.2017	FV as at 31.12.2016	Valuation technique(s)	Non-market observable input(s)
Equities	118,350	3,500	Net asset value	n/a
Investment funds	146,917	156,707	Expert judgment	Value of underlying instruments
Bonds Government	1,717,461	1,745,456	Discounted cash flow technique	Level of credit spread
Bonds Corporate	1,136,237	515,124	Discounted cash flow technique	Level of credit spread
Investment property	6,369	6,369	External valuation expert	Similar transactions

D.5. ANY OTHER INFORMATION

All significant information on valuation has been mentioned in the above sections.

E. Capital Management

The Company has a comfortable and sound solvency position from the Solvency II perspective with a solvency ratio significantly above 100%.

The solvency ratio has increased by 29 percentage points compared to the previous year thanks to a steeper decrease in the Solvency Capital Requirement than in eligible own funds.

Solvency Position

	2017	2016	change
Own funds	27,790,909	28,965,330	(1,174,421)
Solvency Capital Requirement	8,634,618	9,879,765	(1,245,147)
Solvency ratio	322%	293%	

The following chapters provide more details on the Company's own funds and the Solvency Capital Requirement.

E.1. OWN FUNDS

E.1.1. POLICIES AND PROCESSES RELATED TO OWN FUNDS MANAGEMENT, INFORMATION ON THE TIME HORIZON USED FOR BUSINESS PLANNING AND ON ANY MATERIAL CHANGES OVER THE REPORTING PERIOD

The capital management activities are defined by the Group and local Capital Management Policy, which is subject to approval by respective Board of Directors.

Capital management activities refer to own funds management and control, and in particular procedures that are intended to:

- classify and periodically review the Company's own funds to guarantee that the own funds items meet the requirements of the Solvency II capital regime both at issuance and subsequently;
- regulate the issuance of own funds according to the medium-term Capital Management Plan and the Strategic Plan to guarantee that own funds are not encumbered, that all actions required or permitted related to the governance of own funds are completed in a timely manner, that ancillary own funds are called in a timely manner, that terms and conditions are clear and unambiguous, including instances where distributions on an own funds item are expected to be deferred or cancelled;
- ensure that any policy or statement in respect of ordinary share dividends is taken into account when analyzing the capital position;
- establish principles and standards to carry out these activities efficiently, in compliance with the relevant regulatory requirements and legislative frameworks, and in line with the risk appetite and strategy.

The Capital Management Plan represents a part of the overall three-year Strategic Plan. The Strategic Plan is primarily based on the following assumptions:

- financial scenarios;
- strategic asset allocation;
- the business mix.

The Capital Management Plan includes a detailed description of the development of own funds and the Regulatory Capital Requirement during the Strategic Planning period.

The CRO of the Company is responsible for producing the Capital Management Plan and the CEO is responsible for submitting it to the Board of Directors.

If extraordinary operations (e.g. mergers and acquisitions, issuance of own funds) are expected in the plan period, their impact is explicitly included in the own funds and regulatory capital requirement development and further details are included in the relevant documentation. Issuances of own funds are explicitly included in the Capital Management Plan with a detailed description of the rationale.

The description of the development of the Company's own funds explicitly includes the issuance, redemption or repayment (earlier or at maturity) of own funds items and their impacts on the tier limits. Any variation in the valuation of own funds items is also indicated, with additional qualitative details in terms of tier limits when needed.

The Capital Management Plan is defined taking into account limits and tolerances set out in the Risk Appetite Framework.

E.1.2. AMOUNT AND QUALITY OF ELIGIBLE OWN FUNDS

The Company regularly evaluates its own funds and analyses their value and composition. The own funds of the Company consist of its share capital, the reconciliation reserve and the foreseeable dividend. All mentioned components are part of Tier 1, which represents the highest quality capital.

The difference between the Company's IFRS equity and Solvency II own funds is based on the revaluation of technical provisions, intangible assets, participations and other items.

Reconciliation between IFRS Equity and own funds for Solvency Purposes

	2017
IFRS Equity	24,669,730
Revaluation of intangible assets	(2,071,055)
Revaluation of investments	219,171
Revaluation of net technical provisions	9,790,682
Revaluation of other Items	291,186
Revaluation of deferred taxes	(1,541,806)
Excess of assets over liabilities in Solvency II	31,357,909
Foreseeable dividend	(3,567,000)
Eligible own funds	27,790,909

Revaluations in the table above represent differences between the valuation according to IFRS accounting standards and a valuation in accordance with the Solvency II Directive.

Intangible assets are revalued to zero for Solvency II purposes. The valuation of investments (including participations) is based on the market value of the instrument/undertaking.

Technical Provisions valued for solvency purposes are equal to the sum of the best estimate, risk margin and counterparty default adjustment. The best estimate corresponds to the probability-weighted average of future cash flows, taking into account the time value of money and using the relevant risk-free interest rate term structure. The risk margin is based mainly on the assumption that the whole portfolio of insurance and reinsurance obligations is taken over by another insurance or reinsurance undertaking. The counterparty default adjustment takes into account the expected losses due to the default of a reinsurance counterparty.

The remaining part of the difference consists of deferred taxes related to the revaluations mentioned above and other minor differences between the valuation for accounting and solvency purposes.

More details about valuation methods under Solvency II are provided in Section D.

The Company has no restrictions in terms of the transferability of own funds.

Eligible own funds to meet SCR equal the total amount of available own funds that are eligible to cover the SCR. The development of eligible own funds to meet the SCR, split according to tiers, is shown in the following table.

Eligible Own Funds by Tiering

	2017	2016	change
Total eligible own funds to meet the SCR	27,790,909	28,965,330	(1,174,421)
Tier 1 – unrestricted	27,790,909	28,965,330	(1,174,421)
Tier 1 - restricted	0	0	0
Tier 2	0	0	0
Tier 3	0	0	0

Eligible own funds fell comparing to the previous year. The year-on-year change was mainly driven by an increase in financial liabilities, partially compensated by increasing investments (including participations) and a reduction of technical provisions.

The tables below contain a comparison of the basic own funds in the current and previous year, together with a split of basic own funds by tiers.

Basic Own Funds – Comparison with Previous Year

	2017	2016	change
Ordinary share capital (gross of own shares)	4,000,000	4,000,000	0
Share premium account related to ordinary share capital	0	0	0
Surplus funds	0	0	0
Preference shares	0	0	0
Share premium account related to preference shares	0	0	0
Reconciliation reserve (see below table)	23,790,909	24,965,330	(1,174,421)
Subordinated liabilities	0	0	0
An amount equal to the value of net deferred tax assets	0	0	0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0
Deductions for participations in financial and credit institutions	0	0	0
Total basic own funds after deductions	27,790,909	28,965,330	(1,174,421)

Basic Own Funds by Tiers

	Total	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	4,000,000	4,000,000	0	0	0
Share premium account related to ordinary share capital	0	0	0	0	0
Surplus funds	0	0	0	0	0
Preference shares	0	0	0	0	0
Share premium account related to preference shares	0	0	0	0	0
Reconciliation reserve (see table below)	23,790,909	23,790,909	0	0	0
Subordinated liabilities	0	0	0	0	0
Amount equal to the value of net deferred tax assets	0	0	0	0	0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0	0	0
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	27,790,909	27,790,909	0	0	0

The reconciliation reserve is equal to the total excess of assets over liabilities reduced by the amount of own shares, foreseeable dividends and distributions and other items listed in the following table.

The year-on-year change in the reconciliation reserve is mainly driven by the decreasing AFS reserve, lower revaluation of participations and higher revaluation of technical reserves caused by the shift in the interest rate curve.

Reconciliation Reserve

	2017	2016	change
Assets – Liabilities	31,357,909	32,719,330	(1,361,421)
Own shares	0	0	0
Foreseeable dividends and distributions	3,567,000	3,754,000	(187,000)
Other basic own fund items	4,000,000	4,000,000	0
Restricted own fund items due to ring fencing	0	0	0
Reconciliation Reserve	23,790,909	24,965,330	(1,174,421)

None of the basic own fund item is subject to the transitional arrangements.

The Company does not have any ancillary own funds.

E.1.3. OWN FUNDS ELIGIBLE TO MEET THE MINIMUM CAPITAL REQUIREMENT

The Company's own funds eligible to meet the MCR equal the total amount of own funds eligible to cover the MCR. In the case of the Company, they equal the eligible own funds to meet the SCR because the whole capital amount is classified as Tier 1.

Eligible Own Funds by Tiers

	2017	2016	change
Total eligible own funds to meet the MCR	27,790,909	28,965,330	(1,174,421)
Tier 1 – unrestricted	27,790,909	28,965,330	(1,174,421)
Tier 1 - restricted	0	0	0
Tier 2	0	0	0
Tier 3	0	0	0

The year-on-year difference in eligible own funds is consistent with that provided in the section devoted to eligible own funds to meet the SCR.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

The Solvency Capital Requirement is calculated based on the Partial Internal Model approved in March 2016 by the College of Supervisors (including the Czech National Bank).

The Minimum Capital Requirement is calculated according to the relevant legislation, and its value is significantly lower than the Solvency Capital Requirement. The detailed inputs for the MCR calculation are part of the annex to this report (QRT S.28.01).

SCR and MCR

	2017	2016	change
Solvency Capital Requirement	8,634,618	9,879,765	(1,245,147)
Minimum Capital Requirement	2,640,537	2,779,244	(138,708)

The Solvency Capital Requirement is lower mainly as a consequence of lower Equity and Credit risks (driven by a drop in market value of participations and continuous maturities on the traditional life portfolio), higher tax absorption (caused by increased DTL which serves as a cap) and lower model adjustments. The Minimum Capital Requirement, being a volume based indicator, drops due to a diminishing Life portfolio.

E.2.2. SCR BREAKDOWN

The YE17 SCR amounts to CZK 8,635 million. The Partial Internal Model splits the total SCR into the following modules: Financial Risks, Credit Risks, Life Underwriting Risks, Non-life Underwriting Risks and Operational Risk. In addition to these risk modules, the total SCR is increased by the amount of Model Adjustment which reflects risks that are not taken into account properly in the

Partial Internal Model. The Tax Cap item reflects change in taxes within the SCR scenario which cannot be used to absorb losses, as there is a cap of initial net deferred tax liability.

SCR breakdown

	2017	weight	2016	weight
SCR before diversification	10,400,404	100%	11,992,485	100%
Financial Risks	3,479,587	33%	4,047,175	34%
Credit Risks	3,423,215	33%	3,868,594	32%
Life Underwriting Risks	584,568	6%	537,899	4%
Non-life Underwriting Risks	2,046,738	20%	2,013,958	17%
Operational Risk	724,255	7%	719,300	6%
Tax Cap	116,503	1%	503,571	4%
Model Adjustment	25,538	0%	301,988	3%
Diversification benefit	(1,765,786)		(2,112,720)	
Total SCR	8,634,618		9,879,765	

The SCR breakdown shows that the risk profile of the Company is stable as for the structure, with significantly higher risks related to the assets' portfolio than to the liabilities arising from underwritten policies. The Nonlife underwriting risks are also significant, while Life underwriting risks are relatively minor. This is partially due to application of contract boundaries which results in cutting off most of the cash flows related to the life riders, which carry significant morbidity and lapse risk.

The figures presented in the table above are consistent with the Quantitative Reporting Template (QRT) reported to the Czech National Bank, and hence present the risk capitals net of tax.

E.3. USE OF THE DDURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Company does not use the duration-based equity risk sub-module in the calculation of the SCR.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND THE INTERNAL MODEL USED

This section provides an overview of the Internal Model used to calculate the SCR, reported in Section E.2. Before focusing on the main differences between the Standard Formula and the Internal Model for the main risk categories, a brief introduction is provided to highlight the main purpose and scope of the Internal Model and to illustrate the methods used.

E.4.1. PURPOSE OF THE INTERNAL MODEL

The Company deems that the Internal Model is the most appropriate way of assessing the SCR as it represents the best way of capturing the risk profile in terms of granularity, calibration and correlation of various risk factors.

The Group's Internal Model is structured around a specific risk map, which contains all the risks that Generali Group and the Company have identified as relevant to their business, allowing for the calculation of the Solvency Capital Requirement at single risk level for each node of the hierarchy.

In implementing the Model, the Group has employed a Monte Carlo approach with 'proxy functions' to determine the full probability distribution of the change in the basic own funds over a one-year horizon and to calculate the SCR at any percentile for in-scope companies and risks (Monte Carlo methods are used in the industry to obtain precise numerical results using the embedded characteristics of repeated random sampling to simulate more complex real world events. Proxy functions are mathematical functions that mimic the interaction between risk drivers and insurance portfolios to obtain the most reliable results). The aggregation process consists of the use of advanced aggregation techniques (market best-practice techniques), and the calibration procedure involves quantitative and qualitative aspects.

E.4.2. SCOPE OF THE INTERNAL MODEL

From a Company point of view, the Internal Model covers all the risk categories reported in the Group Risk Map in Section B.3.1. The Internal Model covers all Life Underwriting Risks, Non-life Underwriting Risks, Financial Risks and Credit Risks. Only

Operational Risk is modelled using the Standard Formula approach. The Internal Model's purpose is to capture the behavior of individual risks and their impact on the balance sheet, taking into account the diversification between portfolios, risks and locations.

To calculate the Company's capital requirement, the Operational Risk capital charge is added.

E.4.3. METHODS USED IN THE INTERNAL MODEL

The Group Partial Internal Model allows for the determination of a full Probability Distribution Forecast (PDF) of the change in basic own funds (BOF) over a one-year time horizon. From the resulting PDF, the SCR can be calculated at a given confidence level (such a level where the outcome is deemed to correctly represent events with a low probability of occurrence) by reading the corresponding percentile. Generali uses a Monte Carlo approach with proxy functions that allows for the simulation of each balance sheet item through the calculation of the full distribution of gains/losses. Other capital metrics that are required for internal purposes, such as single risk capital charges (e.g. a change in BOF after a 1-in-10 drop in the level of equity prices) can also be derived from the single risk PDF.

The risk measure used is the Value at Risk (VaR) at a 99.5% quantile of the probability distribution function (corresponding to a 1-in-200 years event), the underlying variable is represented by the change in the basic own funds, and the time horizon is one year according to the calibration principles of the Solvency II Directive.

The main risks of the Company are described in the following paragraphs.

Life Underwriting Risk

- The Internal Model stress calibration for Life Underwriting Risk is based on Company-specific historical portfolio data, unlike the standard stress levels provided by the Standard Formula approach. In particular, the Company calculates the potential deviations from the best estimate due to adverse events through:
    - a combination of market data with local exposures for Catastrophe Risk calibration (Mortality);
    - and single company historical portfolio data for all other risks.
- The methodology underlying the Life Underwriting Risk calibration is given by the Group and its adequacy assessed at local level and also applied at local level.

Non-life Underwriting Risk

The main differences between the Standard Formula and the Internal Model for the Solvency Capital Requirement calculation concerning Non-life Underwriting Risks are:

- As regards the Pricing and Reserving Risks, the difference refers to the calibration approach, where the Standard Formula uses a standard deviation defined by EIOPA, whilst for the Internal Model a bottom-up calculation of the business underwritten is performed and own data are used;
- For CAT Risk, the difference lies in the calibration approach, where the Standard Formula is based on exposures to CAT risks in which geographic risk coefficients are determined by EIOPA. The Internal Model uses advanced models based on market best practice instead;
- As regards reinsurance, the Standard Formula uses a series of simplified approaches, whilst the Internal Model performs precise modelling of the reinsurance programs (proportional and non-proportional, including facultative).

Financial and Credit Risk

- The Standard Formula approach for Market Risks is based either on the application of standardized stress factors directly to assets' exposures or, in case of Interest Rate Risk, in the application of a standardized and simplified stress level to the curves used to discount future cash flows;
- The Internal Model adopts much more sophisticated state-of-the-art modelling techniques, based on a more granular risk map. Interest rate volatility and equity volatility risk are, for example, modelled within the Internal Model while they are not modelled within the Standard Formula;
- Furthermore, also within the same risk module, the Internal Model is capable of producing a much more accurate representation of the risk profile. This is because the higher granularity of the Internal Model risk map allows better reflection of the true diversification benefit of individual portfolios as well as peculiarities of individual financial instruments.

For a description of the nature and appropriateness of the data used in the Internal Model, please refer to Section B.3.2.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

The Company has a sound solvency position and no issues have arisen in relation to compliance with either the Minimum Capital Requirements or the Solvency Capital Requirement.

E.6. OTHER INFORMATION

SENSITIVITIES

As anticipated in Section C.7, sensitivity testing analyses the impact of simple changes in specific risk drivers (e.g. interest rates, equity shock, credit spreads and interest rate volatility) on the level own funds, the Solvency Capital Requirement as well as solvency ratio.

The level of eligible own funds and the SCR were recalculated for each sensitivity. Their joint impact on the solvency ratio is presented in the following table.

Sensitivities

	solvency ratio
Base scenario	322%
Yield curve +50 bps	319%
Yield curve -50 bps	316%
Equity +25%	301%
Equity -25%	324%
Corporate spread +50 bps	305%
No volatility adjustment	306%
Ultimate forward rate -15 bps	317%

None of the sensitivities represent a significant threat to the solvency position of the Company. The increase in the equity price has the highest impact; but even in that case solvency ratio does not fall under 300%.

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Basic Information

Undertaking name	Česká pojišťovna a.s.
Undertaking identification code	31570010000000054609
Type of code of undertaking	1 - LEI
Type of undertaking	1 - Undertakings pursuing both life and non-life insurance activity
Language of reporting	EN
Currency used for reporting	CZK
Figures reported in	thousands
Accounting standards	1 - The undertaking is using IFRS
Method of Calculation of the SCR	2 - Partial internal model

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Česká pojišťovna a.s.

S.02.01.02

Balance Sheet

	Solvency II value
Assets	
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant & equipment held for own use	113 176
Investments (other than assets held for index-linked and unit-linked contracts)	**94 615 783**
Property (other than for own use)	6 369
Holdings in related undertakings, including participations	9 993 583
Equities	*1 480 697*
Equities - listed	1 365 918
Equities - unlisted	114 778
Bonds	*77 722 094*
Government Bonds	31 774 101
Corporate Bonds	45 188 652
Structured notes	527 127
Collateralised securities	232 213
Collective Investments Undertakings	4 945 700
Derivatives	467 340
Deposits other than cash equivalents	0
Other investments	0
Assets held for index-linked and unit-linked contracts	8 226 067
Loans and mortgages	**956 640**
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	956 640
Reinsurance recoverables from:	**5 148 681**
Non-life and health similar to non-life	4 065 207
Non-life excluding health	3 951 025
Health similar to non-life	114 182
Life and health similar to life, excluding health and index-linked and unit-linked	1 083 474
Health similar to life	0
Life excluding health and index-linked and unit-linked	1 083 474
Life index-linked and unit-linked	0
Deposits to cedants	1 308
Insurance and intermediaries receivables	1 102 873
Reinsurance receivables	202 041
Receivables (trade, not insurance)	1 414 581
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	1 683 005
Any other assets, not elsewhere shown	4 382 052
Total assets	**117 846 208**

Liabilities	
Technical provisions - non-life	**10 128 568**
Technical provisions - non-life (excluding health)	**9 816 809**
TP calculated as a whole	0
Best estimate	9 385 575
Risk margin	431 234
Technical provisions - health (similar to non-life)	**311 760**
TP calculated as a whole	0
Best estimate	307 076
Risk margin	4 683
Technical provisions - life (excluding index-linked and unit-linked)	**30 364 053**
Technical provisions - health (similar to life)	**0**
TP calculated as a whole	0
Best estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**30 364 053**
TP calculated as a whole	0
Best estimate	29 969 401
Risk margin	394 652
Technical provisions – index-linked and unit-linked	**8 012 922**
TP calculated as a whole	0
Best estimate	7 976 483
Risk margin	36 439
Other technical provisions	0
Contingent liabilities	0
Provisions other than technical provisions	167 514
Pension benefit obligations	0
Deposits from reinsurers	1 401 599
Deferred tax liabilities	1 535 072
Derivatives	512 273
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	24 157 355
Insurance & intermediaries payables	0
Reinsurance payables	0
Payables (trade, not insurance)	1 688 826
Subordinated liabilities	0
Subordinated liabilities not in BOF	0
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	8 520 117
Total liabilities	**86 488 299**
Excess of assets over liabilities	**31 357 909**

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Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of Business for: accepted non-proportional reinsurance				Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
Premiums written																	
Gross - Direct Business	123 755	502 090	0	4 858 379	3 934 042	258 829	6 776 427	2 085 804	227 746	0	0	0					**18 767 072**
Gross - Proportional reinsurance accepted	0	293	0	0	36 211	38 259	711 666	164 983	4 717	0	0	0					**956 129**
Gross - Non-proportional reinsurance accepted													3 262	25 714	432	103 059	**132 467**
Reinsurers' share	50 073	200 836	0	1 906 930	1 646 013	227 524	3 722 639	1 161 779	10 842	0	0	0	3 262	25 714	432	103 033	**9 059 077**
Net	**73 683**	**301 547**	**0**	**2 951 448**	**2 324 241**	**69 564**	**3 765 454**	**1 089 008**	**221 621**	**0**	**0**	**0**	**0**	**0**	**0**	**26**	**10 796 591**
Premiums earned																	
Gross - Direct Business	123 679	503 320	0	4 827 022	3 857 163	257 193	6 763 300	2 058 989	104 936	0	0	0					**18 495 604**
Gross - Proportional reinsurance accepted	0	305	0	0	36 211	38 245	719 481	167 184	4 849	0	0	0					**966 275**
Gross - Non-proportional reinsurance accepted													3 262	25 654	432	103 059	**132 406**
Reinsurers' share	50 042	201 328	0	1 894 388	1 615 380	231 263	3 713 688	1 153 204	12 880	0	0	0	3 262	25 654	432	103 033	**9 004 554**
Net	**73 637**	**302 297**	**0**	**2 932 634**	**2 277 994**	**64 176**	**3 769 093**	**1 072 970**	**96 905**	**0**	**0**	**0**	**0**	**0**	**0**	**26**	**10 589 732**
Claims incurred																	
Gross - Direct Business	54 327	161 433	0	2 275 404	2 693 402	118 894	2 979 283	814 868	12 079	0	0	-3 144					**9 106 247**
Gross - Proportional reinsurance accepted	0	120	0	0	70 241	11 351	468 895	77 374	-0	0	0	0					**627 981**
Gross - Non-proportional reinsurance accepted													0	-10 608	635	48 347	**38 374**
Reinsurers' share	21 815	64 023	0	891 446	1 070 139	115 946	1 604 469	466 720	2 390	0	0	0	0	-10 606	635	48 348	**4 275 323**
Net	**32 513**	**97 529**	**0**	**1 383 959**	**1 693 504**	**14 300**	**1 843 710**	**425 221**	**9 689**	**0**	**0**	**-3 144**	**0**	**-2**	**0**	**-1**	**5 497 276**
Changes in other technical provisions																	
Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					**0**
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					**0**
Gross - Non- proportional reinsurance accepted													0	0	0	0	**0**
Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	91 514	72 167	0	1 155 104	777 391	19 851	1 273 258	456 805	73 230	0	0	218	-2	-98	0	-458	**3 918 981**
Other expenses																	**150 357**
Total expenses																	**4 069 338**

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Premiums written									
Gross	0	3 714 340	1 593 867	3 099 365	0	0	0	679	**8 408 252**
Reinsurers' share	0	0	0	1 196 578	0	0	0	679	**1 197 257**
Net	**0**	**3 714 340**	**1 593 867**	**1 902 787**	**0**	**0**	**0**	**0**	**7 210 995**
Premiums earned									
Gross	0	3 714 340	1 593 867	3 099 365	0	0	0	679	**8 408 252**
Reinsurers' share	0	0	0	1 196 578	0	0	0	679	**1 197 257**
Net	**0**	**3 714 340**	**1 593 867**	**1 902 787**	**0**	**0**	**0**	**0**	**7 210 995**
Claims incurred									
Gross	0	4 923 721	1 766 114	1 105 483	0	-193 228	0	-213	**7 601 878**
Reinsurers' share	0	0	0	424 092	0	-65 961	0	-213	**357 919**
Net	**0**	**4 923 721**	**1 766 114**	**681 391**	**0**	**-127 267**	**0**	**-0**	**7 243 959**
Changes in other technical provisions									
Gross	0	2 463 613	-369 924	11 907	0	0	0	0	**2 105 597**
Reinsurers' share	0	0	0	2 844	0	0	0	0	**2 844**
Net	**0**	**2 463 613**	**-369 924**	**9 063**	**0**	**0**	**0**	**0**	**2 102 752**
Expenses incurred	0	871 004	24	435 608	0	0	0	-0	**1 306 637**
Other expenses									**113 115**
Total expenses									**1 419 752**

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Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		BG	TH	SK	HU	PL	
Premiums written							
Gross - Direct Business	18 741 969	1 001	0	14 973	520	4 205	**18 762 667**
Gross - Proportional reinsurance accepted	604 412	137 622	187 922	13 209	8 653	3 590	**955 408**
Gross - Non-proportional reinsurance accepted	26	124 664	0	0	0	0	**124 690**
Reinsurers' share	8 778 275	262 286	0	0	7 019	0	**9 047 581**
Net	**10 568 131**	**1 001**	**187 922**	**28 182**	**2 153**	**7 795**	**10 795 184**
Premiums earned							
Gross - Direct Business	18 470 501	1 001	0	14 973	520	4 205	**18 491 199**
Gross - Proportional reinsurance accepted	606 740	137 525	187 922	13 585	8 653	11 130	**965 554**
Gross - Non-proportional reinsurance accepted	26	124 664	0	0	0	0	**124 690**
Reinsurers' share	8 723 859	262 189	0	0	7 019	0	**8 993 067**
Net	**10 353 408**	**1 001**	**187 922**	**28 557**	**2 153**	**15 335**	**10 588 376**
Claims incurred							
Gross - Direct Business	9 428 930	0	0	0	0	0	**9 428 930**
Gross - Proportional reinsurance accepted	308 129	186 942	137 850	-1 103	-54	-6 246	**625 518**
Gross - Non-proportional reinsurance accepted	0	37 993	0	-2	0	0	**37 991**
Reinsurers' share	4 167 962	224 935	0	-1 492	3 872	0	**4 395 277**
Net	**5 569 098**	**0**	**137 850**	**386**	**-3 926**	**-6 246**	**5 697 162**
Changes in other technical provisions							
Gross - Direct Business	0	0	0	0	0	0	**0**
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	**0**
Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	**0**
Reinsurers'share	0	0	0	0	0	0	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	3 778 195	-1 004	0	5 771	2 080	1 629	**3 786 671**
Other expenses							**150 266**
Total expenses							**3 936 937**

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		AT	BG	DE	HU	IT	
Premiums written							
Gross	8 408 252	0	0	0	0	0	**8 408 252**
Reinsurers' share	1 197 257	0	0	0	0	0	**1 197 257**
Net	**7 210 995**	**0**	**0**	**0**	**0**	**0**	**7 210 995**
Premiums earned							**0**
Gross	8 408 252	0	0	0	0	0	**8 408 252**
Reinsurers' share	1 197 257	0	0	0	0	0	**1 197 257**
Net	**7 210 995**	**0**	**0**	**0**	**0**	**0**	**7 210 995**
Claims incurred							**0**
Gross	7 601 878	0	0	0	0	0	**7 601 878**
Reinsurers' share	357 919	0	0	0	0	0	**357 919**
Net	**7 243 959**	**0**	**0**	**0**	**0**	**0**	**7 243 959**
Changes in other technical provisions							**0**
Gross	2 105 597	0	0	0	0	0	**2 105 597**
Reinsurers' share	2 844	0	0	0	0	0	**2 844**
Net	**2 102 752**	**0**	**0**	**0**	**0**	**0**	**2 102 752**
Expenses incurred	1 306 637	0	0	0	0	0	**1 306 637**
Other expenses							**113 115**
Total expenses							**1 419 752**

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Life and Health SLT Technical Provisions

		Index-linked and unit-linked insurance		Other life insurance					Health insurance (direct business)				
	Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
Technical provisions calculated as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions calculated as a sum of BE and RM													
Best Estimate													
Gross Best Estimate	27 021 341	7 976 483	0	1 702 869	0	1 245 190	0	**37 945 884**	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	729 549	0	353 925	0	**1 083 474**	0	0	0	0	**0**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	27 021 341	7 976 483	0	973 320	0	891 265	0	**36 862 410**	0	0	0	0	**0**
Risk Margin	293 340	36 439		62 934		38 378	0	**431 091**	0		0	0	**0**
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Best estimate	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**
Risk margin	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions - total	**27 314 682**	**8 012 922**		**1 765 803**		**1 283 568**	**0**	38 376 975	**0**		**0**	**0**	0

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Non - life Technical Provisions

	Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligations
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
Technical provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross	9 687	19 916	0	410 981	553 665	1 588	370 939	288 440	109 593	0	0	0	0	0	0	0	**1 764 808**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	2 000	7 440	0	62 617	135 043	7 952	-5 101	65 343	13 077	0	0	0	0	0	0	-0	**288 371**
Net Best Estimate of Premium Provisions	7 687	12 476	0	348 364	418 622	-6 364	376 040	223 097	96 515	0	0	0	0	0	0	0	**1 476 437**
Claims provisions																	
Gross	40 160	237 314	0	2 738 999	622 118	210 498	2 417 309	1 409 510	58 524	0	0	0	0	114 766	301	78 344	**7 927 843**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	15 216	89 527	0	974 006	199 198	184 112	1 318 481	804 261	1 826	0	0	0	0	112 347	298	77 564	**3 776 836**
Net Best Estimate of Claims Provisions	24 945	147 787	0	1 764 994	422 920	26 386	1 098 828	605 249	56 698	0	0	0	0	2 419	3	780	**4 151 007**
Total Best estimate - gross	49 847	257 229	0	3 149 980	1 175 783	212 086	2 788 248	1 697 950	168 117	0	0	0	0	114 766	301	78 344	**9 692 651**
Total Best estimate - net	32 631	160 263	0	2 113 358	841 542	20 022	1 474 868	828 345	153 214	0	0	0	0	2 419	3	780	**5 627 444**
Risk margin	715	3 948	0	237 639	18 653	4 443	93 818	43 231	21 770	0	0	0	20	9 597	9	2 074	**435 917**
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions - total																	
Technical provisions - total	50 562	261 177	0	3 387 619	1 194 436	216 529	2 882 065	1 741 181	189 886	0	0	0	20	124 363	310	80 418	**10 128 568**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	17 215	96 966	0	1 036 623	334 241	192 064	1 313 380	869 605	14 903	0	0	0	0	112 347	298	77 564	**4 065 207**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**33 346**	**164 211**	**0**	**2 350 996**	**860 195**	**24 465**	**1 568 686**	**871 577**	**174 983**	**0**	**0**	**0**	**20**	**12 016**	**12**	**2 854**	**6 063 361**

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Non-life Insurance Claims Information

Accident Year/Underwriting year	1 - Accident year

Gross Claims Paid (non-cumulative)

	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											53 676	53 676	
N-9	7 124 665	2 318 702	507 323	178 682	92 297	57 468	58 933	26 660	21 430	4 498		4 498	10 390 658
N-8	7 896 460	2 364 610	422 454	199 201	69 544	33 153	42 300	18 537	10 731			10 731	11 056 991
N-7	8 424 410	3 347 604	442 093	205 696	93 217	22 633	39 292	28 478				28 478	12 603 423
N-6	5 963 909	2 055 956	360 094	122 274	86 684	55 138	-16 782					-16 782	8 627 274
N-5	6 105 629	2 225 972	394 713	135 224	63 575	35 502						35 502	8 960 616
N-4	6 415 718	2 209 704	526 841	131 233	115 181							115 181	9 398 676
N-3	5 176 571	2 235 208	529 059	174 480								174 480	8 115 317
N-2	4 859 542	1 972 427	441 797									441 797	7 273 765
N-1	5 394 506	2 143 020										2 143 020	7 537 525
N	5 523 655											5 523 655	5 523 655
Total												**8 514 237**	**89 487 899**

Gross undiscounted Best Estimate Claims Provisions

	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											241 458	217 263
N-9	0	0	0	0	0	0	0	0	119 503	93 104		84 968
N-8	0	0	0	0	0	0	0	99 721	68 843			61 383
N-7	0	0	0	0	0	0	134 216	98 177				88 639
N-6	0	0	0	0	0	196 322	168 393					155 733
N-5	0	0	0	0	213 531	127 514						115 097
N-4	0	0	0	401 970	193 617							177 908
N-3	0	0	553 931	315 210								284 602
N-2	0	1 068 213	477 175									432 813
N-1	3 295 324	1 165 694										1 085 171
N	3 551 363											3 348 554
Total												**6 052 131**

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Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	48 505 544	0	0	95 683	0
Basic own funds	27 790 909	0	0	-71 532	0
Eligible own funds to meet Solvency Capital Requirement	27 790 909	0	0	-71 532	0
Solvency Capital Requirement	8 634 618	0	0	415 854	0
Eligible own funds to meet Minimum Capital Requirement	27 790 909	0	0	-71 532	0
Minimum Capital Requirement	2 640 537	0	0	269	0

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Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	4 000 000	4 000 000		0	
Share premium account related to ordinary share capital	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	23 790 909	23 790 909			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	**27 790 909**	**27 790 909**	**0**	**0**	**0**
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	**0**			**0**	**0**
Available and eligible own funds					
Total available own funds to meet the SCR	**27 790 909**	**27 790 909**	**0**	**0**	**0**
Total available own funds to meet the MCR	**27 790 909**	**27 790 909**	**0**	**0**	
Total eligible own funds to meet the SCR	**27 790 909**	**27 790 909**	**0**	**0**	**0**
Total eligible own funds to meet the MCR	**27 790 909**	**27 790 909**	**0**	**0**	
SCR	**8 634 618**				
MCR	**2 640 537**				
Ratio of Eligible own funds to SCR	**321,9%**				
Ratio of Eligible own funds to MCR	**1052,5%**				

Reconciliation reserve	
Excess of assets over liabilities	31 357 909
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	3 567 000
Other basic own fund items	4 000 000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	**23 790 909**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	1 883 972
Expected profits included in future premiums (EPIFP) - Non- life business	1 162 420
Total Expected profits included in future premiums (EPIFP)	**3 046 392**

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Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
FIN01	Financial Risk	3 479 587	3 479 587		
CRD01	Credit Risk	3 423 215	3 423 215		
LUW01	Life underwriting risk	584 568	584 568		
HLT01	Health underwriting risk	0	0		
NUW01	Non-life underwriting risk	2 046 738	2 046 738		
OPE01	Operational risk	724 277	0		
TAX01	Tax Cap	109 392	109 392		
MOD01	Model Adjustment	25 538	25 538		
INT01	Intangible risk	0	0		

Calculation of Solvency Capital Requirement	
Total undiversified components	10 393 315
Diversification	-1 758 697
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	8 634 618
Capital add-ons already set	0
Solvency capital requirement	**8 634 618**
Other information on SCR	
Amount/estimate of the overall loss-absorbing capacity of technical provisions	0
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	0
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

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Minimum capital Requirement - Both life and non-life insurance activity

	Non-life activities	Life activities
	$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
Linear formula component for non-life insurance and reinsurance obligations	1 459 717	

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	32 631	73 683		
Income protection insurance and proportional reinsurance	160 263	301 547		
Workers' compensation insurance and proportional reinsurance	0	0		
Motor vehicle liability insurance and proportional reinsurance	2 113 358	2 951 448		
Other motor insurance and proportional reinsurance	841 542	2 324 241		
Marine, aviation and transport insurance and proportional reinsurance	20 022	69 564		
Fire and other damage to property insurance and proportional reinsurance	1 474 868	3 765 454		
General liability insurance and proportional reinsurance	828 345	1 089 008		
Credit and suretyship insurance and proportional reinsurance	153 214	221 621		
Legal expenses insurance and proportional reinsurance	0	0		
Assistance and proportional reinsurance	0	0		
Miscellaneous financial loss insurance and proportional reinsurance	0	0		
Non-proportional health reinsurance	0	0		
Non-proportional casualty reinsurance	2 419	0		
Non-proportional marine, aviation and transport reinsurance	3	0		
Non-proportional property reinsurance	780	26		

	Non-life activities	Life activities
	$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
Linear formula component for life insurance and reinsurance obligations		1 180 820

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits			26 700 864	
Obligations with profit participation - future discretionary benefits			320 477	
Index-linked and unit-linked insurance obligations			7 976 483	
Other life (re)insurance and health (re)insurance obligations			1 864 586	
Total capital at risk for all life (re)insurance obligations				163 658 493

Overall MCR calculation	
Linear MCR	2 640 537
SCR	8 634 618
MCR cap	3 885 578
MCR floor	2 158 654
Combined MCR	2 640 537
Absolute floor of the MCR	189 888
Minimum Capital Requirement	**2 640 537**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR	1 459 717	1 180 820
Notional SCR excluding add-on (annual or latest calculation)	4 773 309	3 861 309
Notional MCR cap	2 147 989	1 737 589
Notional MCR floor	1 193 327	965 327
Notional Combined MCR	1 459 717	1 180 820
Absolute floor of the notional MCR	94 944	94 944
Notional MCR	1 459 717	1 180 820