Annual Report 2008

keby niečo

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The Company's profile

Business name:	**Generali Slovensko poisťovňa, a. s.**
Legal form:	**joint-stock company**
Seat:	**Plynárenská 7/C, 824 79 Bratislava**
Corporate ID:	**35 709 332**
Trade register:	**District Court Bratislava I, Part Sa, Insert 1325/B**
Date of incorporation:	**12.02.1997**
Share capital:	**SKK 750,137,400 (EUR 24,900,000)**
Shareholders:	**Generali PPF Holding, B.V. (56.62%)** **ČP Strategic Investments, B.V. (43.38%)**

Generali Slovensko has been present in the market since 1 October 2008, established based on a merger of Česká poisťovňa – Slovensko, a.s., and Generali Poisťovňa, a.s. Sound know-how, together with experience in the local market and a global brand, have been concentrated under the common name of the new company, which ranks among the top three Slovak insurance companies.

Generali Slovensko is part of Generali PPF Holding, a major group of insurance companies in Central and Eastern Europe that manages assets amounting to almost EUR 12 billion and provides services to over 10 million clients in 13 countries within the region. As a result, clients may draw on benefits resulting from the global network.

Generali Slovensko, with almost 700,000 clients, builds on quality, practicality and a fair approach to clients. The firm focuses on the sale of comprehensive life and non-life insurance through all distribution channels – its own network of 155 sales points, 222 branches of VÚB Bank, and all external distribution channels as well as sales over the telephone and Internet. It offers the largest choice of insurance products – life, injury, medical or risk insurance, travel insurance, money evaluation insurance, house and household insurance, motor vehicle insurance, pet insurance, insurance for entrepreneurs, agricultural insurance and many others, as well as a large portfolio of support services. Generali Slovensko is a leader in using latest digital technologies and innovations. The use of electronic data processing in concluding and administering insurance contracts, as well as in settling insurance events, makes it an extremely practical and flexible insurance company.

Profile of Česká poisťovňa – Slovensko, akciová spoločnosť

At the time of the merger, Česká poisťovňa – Slovensko was the third strongest insurance company in the Slovak insurance market. It was one of the founders of the Slovak Association of Insurance Companies and was a member of the Slovak Insurers's Bureau (Slovenská kancelária poisťovateľov). It was known for its use of modern technology in insurance administration, as well as in concluding insurance contracts. It used to offer new, non-traditional life and non-life insurance products in the market, and was awarded the Zlatá minca award in 2007 for the life insurance products Dynamik and Slniečko, household insurance and accident insurance for older motor vehicles and ranked second in the SIBAF Award 2007 - Insurance Company of the Year Survey - in the category "Vehicle Insurance".

Česká poisťovňa – Slovensko was established in 1993 as a subsidiary of Česká pojišťovna which celebrated 180 years of existence in 2007. The year 2000 was an important one for Česká poisťovňa – Slovensko, as digitalization was launched within the firm. It made administration of insurance events a fully digitalized process. The overall processing time, from presenting the last document, was five days. In 2005, the company acquired that part of QBE that related to the life insurance business. These subsidiaries and their life insurance client portfolio were also transferred to Česká poisťovňa – Slovensko. As the first company in Slovakia, Česká poisťovňa – Slovensko introduced insurance over the telephone in the Slovak market and subsequently further extended its non-life insurance product portfolio and became a leader in this area. Again, it was Česká poisťovňa – Slovensko who first introduced motor vehicle third-party liability insurance in 2004.

Profile of Generali Poisťovňa, a. s.

From its establishment until 12 December 2007, Generali Poisťovňa, a.s. was a subsidiary of Generali Holding Vienna AG. With effect from 13 December 2007, Assicurazioni Generali S.p.A., seated at Piazza Duca degli Abruzzi 2, 34132 Trieste, Italy, incorporated in the Commercial Register under No. 00079760328, became the sole shareholder of Generali Poisťovňa, a.s.

Upon receipt of the necessary regulative permits, the joint-venture contract between Assicurazioni Generali and PPF Group B.V became effective in January 2008. With effect from 17 January 2008, Generali PPF Holding B.V., having its seat at Diemerhof 42, 1112 XN Diemen, The Netherlands, incorporated in the Commercial Register of the Chamber of Commerce in Amsterdam under No. 34275688, became the sole shareholder of Generali Poisťovňa, a.s.

Generali Poisťovňa, a.s. was involved in the life and non-life insurance business, and was also providing intermediation services for banks from 2005. In 2004, Generali Poisťovňa, a.s. together with Všeobecná úverová banka, a.s. established a joint-stock company VÚB Generali dôchodková správcovská spoločnosť, a.s. to focus on establishing and administering pension funds for the purpose of old age pension saving.

History

Generali Slovensko started to write its history on 1 October 2008, when Česká poisťovňa – Slovensko, akciová spoločnosť and Generali Poisťovňa, a.s. merged into Generali Slovensko poisťovňa, a.s. However, the history of its predecessors goes further into the past...

History of Česká poisťovňa – Slovensko

1827 Establishment of První česká vzájemní pojišťovna in Prague, which started the tradition of Česká pojišťovna and the Czech and Czechoslovak insurance business.

1969 Establishment of two independent institutions, Česká státní pojišťovna and Slovenská štátna poisťovňa, with independent powers in each republic.

1992 Privatization – Česká pojišťovna, akciová společnost was established.

1993 Split of ČSFR – decision of Česká pojišťovna to establish a subsidiary in Slovakia under the name: Česká poisťovňa – Slovensko.

1996 PPF financial Group entered the market.

2000 Implementation of project for data administration digitalization.

2002 Česká poisťovňa – Slovensko entered the Slovak de-monopolized motor third-party liability insurance market.

2003 Česká poisťovňa – Slovensko ranked third in the market as a universal insurance company.

2004 Launch of online MTPLI.

2005 Launch of insurance over the telephone in the Slovak market and acquisition of a part of QBE relating to the life insurance business.

2006 Award for the best product in investment life insurance.

2007 Awarded Zlatá minca for the life insurance products Dynamik and Slniečko, that ranked first in the categories of Capital and Children life insurance respectively. Launch of a unique pet insurance.

2008 Česká poisťovňa – Slovensko became part of Generali PPF Holding.

History of Generali Poisťovňa

1831 Establishment of Assicurazioni Generali in Terst.

1833 Establishment of six branches of Assicurazioni Generali in Slovakia.

1914 Generali has branches in 14 Slovak cities .

1945 The business of Generali in the former Czechoslovakia terminated as a result of post-World War II political development and the nationalization of private insurance companies .

1996 Establishment of Generali Poisťovňa, a. s.

2002 Cooperation with VÚB, a. s. started

2004 Establishment of VÚB Generali dôchodková správcovská spoločnosť,, a. s.

2005 Establishment of Generali Consulting, s.r.o., its core business activity was intermediation of insurance.

2008 Generali Poisťovňa a. s. became part of Generali PPF Holding.

Generali Slovensko in 2008

The year 2008 was the first year of Generali Slovensko's existence and was marked by the merger of the predecessor companies: Česká poisťovňa - Slovensko and Generali Poisťovňa. The written premium amounted to SKK 3.55 billion. Just for comparison, I would like to mention that the total merged written premium of Česká poisťovňa – Slovensko and Generali Poisťovňa amounted to SKK 6.47 billion, which is a 10.2 % share in the Slovak insurance market.

During the first nine months of 2008, along with activities related to the merger, each of the companies performed its regular business activities. In the last three months, the new company pursued insurance activities.

Immediately after its incorporation on 1 October 2008, Generali Slovensko poisťovňa, a. s., ranked third among all insurance companies in the Slovak market. In 2008, the written premium in the non-life and life insurance business amounted to SKK 1.79 billion and SKK 1.76 billion respectively. The number of Generali Slovensko's clients was almost 700,000, and at 31 December more than 1.4 million insurance contracts were recorded: of these, 700,000 related to the non-life insurance business and as many as 725,000 related to the life insurance business.

The result of operations before tax was SKK -171 million. However, the result was affected adversely by the costs related to the integration process and transformation to the new currency. Despite all these negative impacts, Generali Slovensko managed to retain a stable position in the Slovak insurance market.

Financial information

The values shown in the financial statements for 2008 are the values of the former Česká poisťovňa – Slovensko, a. s. for the fourth quarter of 2008 and of the successor company for the entire calendar year 2008. The comparative period of 2007 is the accounting period of the successor company, which is Generali Poisťovňa, a.s. from 2007.

Major financial information

Major financial information	Currency	2008	2007	Absolute difference	index
Written premium	In SKK thousands	3 550 530	2 173 726	1 376 804	1,633
– Non-life insurance	In SKK thousands	1 791 801	1 056 446	735 355	1,696
– Life insurance	In SKK thousands	1 758 729	1 117 280	641 449	1,574
Paid benefits	In SKK thousands	1 307 843	1 080 805	227 038	1,210
Profit/loss before tax	In SKK thousands	-171 028	140 742	-311 770	N/A
Profit/loss after tax	In SKK thousands	-213 441	116 986	-330 427	N/A
Total assets	In SKK thousands	14 647 252	7 027 784	7 619 468	2,084
Equity	In SKK thousands	2 865 437	1 173 548	1 691 889	2,441
Gross reserves (at 31. 12.)	In SKK thousands	9 574 676	3 548 289	6 026 387	2,698
Market share	percentage	10,21	3,77	6,44	2,708
Average number of staff	individuals	719	279	440	2,577
Average number of staff (at 31. 12.)	individuals	724	288	436	2,514

Integration

On 17 January 2008, PPF Group and Generali Group formally joined together their insurance activities in the Central and Eastern Europe and formed Generali PPf Holding. Subsequently, it was decided to merge Česká poisťovňa – Slovensko and Generali Poisťovňa. This decision was formally communicated on 29 May 2008.

The entire merger process was carried out within projects Synergia I and Synergia II, and was performed on all process and operating levels.

On 1 June, the process of integration started under the management of Ing. Antonín Nekvinda and a new team, from which later on, the Board of Directors and management of the future insurance company was created; on 15 July, the corporate structure of the new company was presented; on 16 July, re-branding officially started. On 21 August, the National Bank of Slovakia issued a formal permit for the merger of Generali and Česká poisťovňa – Slovensko.

The merger was completed on 1 October, when the successor entity Generali Slovensko poisťovňa, a. s. was incorporated and introduced to the public.

Generali Slovensko was awarded the "Company of 2008" award in a Hermes survey for the project of insurance company mergers. An independent jury consisting of experts in networking, the insurance business, finance and investing, members of professional institutions and associations, and representatives of major businesses awarded the first place to Generali Slovensko in the category "Project of the year" for the merger and establishment of Generali Slovensko.

The integration was not the only change that affected the company in 2008. Another one, and not less important, was the transition to the Euro.

Both processes had a significant impact on all activities of the company.

Client services and informatics

In regard to client services and informatics, the merger has brought along an integration on the HR and technical levels, and has been visibly reflected in the activities of the Contact Centre (“CC”). Thanks to the rapid implementation and technical interconnection of both Contact Centres, the joint CC was operating efficiently from the very first days of the new company. This fact can be supported by an extremely high average of calls, which was as many as 1,250 a day in 2008.

Of no less importance was the integration on the level of the insurance event settlement business. Its purpose was to unify administration and handling of insurance events of both merged companies, and optimally set up the processes related to announcing and processing insurance events through technological and information centre systems. The integration of processes involved the simplification of initial actions relating to settling insurance events, and split of these activities into inspection and settlement. This approach allows an immediate overview to be obtained and reduces the time required to process insurance events. Not even a month after the merger, a joint operating system (workflow - a central control programme software) was put into use for the settlement of insurance events, which enables unified processing, checking deadlines, early inspection, and handling of the insurance event.

In 2008, significant changes were implemented in contractual arrangements with motor vehicle service places: the number of inspection points was increased, and we got closer to our clients in all regions of Slovakia. The contracted service points are connected directly to the Company’s information systems. This supports communication between the service points and the Company. The interconnection of the information systems provides for immediate support in taking all initial settlement actions relating to motor vehicles insurance events. Communication between the service point and the Company is electronic: from registering the insurance event to the inspection and gathering initial documentation. This results in providing quick service to the clients, supporting sales activities of contracted service points – dealers, and reducing insurance event handling time.

In regard to the insurance operation, the process of integration was partially limited by the fact that the basic applications were operating without changes; just as before the merger. Instructions and signing rules were unified immediately after the merger. However, the basic workflow and access to the system were still working under the original set-up. Despite the EURO project and an increased number of contracts resulting from the promotion of MTPLI, we managed to retain stability also in the area of insurance operations.

All client services were very closely connected to IT activities. This was one of the most demanding periods for the IT function: the interconnection of two completely different information infrastructures had to be implemented so that it would not disturb the company’s smooth operation, but would also allow the earliest possible use of synergy effects defined by the management. Thanks to the mentioned technical solution, the users work in the same conditions just as if it was a single environment, even though there are two different IT infrastructures.

Final integration of the IT infrastructures and SW applications will be solved in projects to be launched in 2009, after the successful completion of the conversion of IT systems to the Euro.

Sales

The year 2008 was also very demanding for the sales department. All of its processes were focused on implementing best practices from both companies into the business strategy of the new brand.

The sales business has passed through all the changes successfully. Our Head Office staff, as well as staff in regional offices, had been preparing for the change before it officially started, in order to be able to eliminate any negative effects on the sales results of the company. The integration process was extremely difficult, particularly for the internal dealers. The staff has undergone a training cycle to be able to offer all products from the merged product portfolio after the merger.

The existence of three strong insurance companies in the market was also accepted positively by external distribution companies. They have highly evaluated the excellent service of Generali Slovensko towards both internal and external dealers, which can be proved by an increasing number of cooperating companies.

The 2008 results, as well as the increased amount of the written premium, show that, despite demanding changes, including the transition to the Euro and the change in the operating system, the activities of the sales department were planned and implemented effectively.

The dealers of internal sales department, as well as the external firms, have passed smoothly and continuously through the merger and other changes. The promotional campaign relating to motor vehicle third-party liability insurance was held in the spirit of the new brand. Its ambition is to be even more successful than the previous two brands.

The sales department plans to extend its services, which can be proved by opening new sales points in order to strengthen its presence throughout Slovakia.

High-quality products for clients, high-quality services for clients and dealers, and a continual search for possibilities for improvement are the targets of sales department activities for future periods.

Products and achieved awards

As a result of the merger, Generali Slovensko poisťovňa, a.s., acquired a wide portfolio of high-quality products in the insurance business, in the life insurance, injury, health and travel insurance, and non-life insurance.

For further sale, the life insurance products were selected from both former companies, that are attractive for clients or are focused on specific target groups (such as children and women). In 2008, the most preferred were new products of Česká poisťovňa – Slovensko from the previous year - Dynamik Plus, Stratégia, Garant Plus and Slnečnica, a product designated for women. These products achieved leading positions in competitions of Slovak insurance products in the Slovak market: the third place in the category of the life insurance product competition "Zlatá minca" – it was Dynamik Plus; the first and second place in Symsite Research: products Dynamik Plus and Stratégia in the category of investment life insurance.

A new product that the Company introduced in the market in 2008 was Eurovýnos. It includes capital life insurance with a one-off insurance premium. This product offers clients exceptional evaluation of their finance, up to 4.1% p.a.

In injury insurance, the range of products was extended by FIT, a flexible and variable product that can be adjusted to the client's needs and financial possibilities not only when concluding a contract, but also at any later time. This product also includes additional insurance for daily compensation during hospitalization or inability to work.

Changes were also implemented in travel insurance. Already before the summer holiday season, we offered clients extended insurance protection (an increased limit for spa insurance of up to EUR 200,000) and a wide range of riders doplnkových poistení, such as luggage and personal document insurance, injury insurance, spoilt holiday insurance, and many others.

The synergetic process of consolidation of existing products of both merged companies also affected the non-life insurance business during the first months of the new company's existence.

In regard to motor vehicle third-party liability insurance, Generali Slovensko poisťovňa continued applying a segmentation policy while considering the client's individual profile, and tailored prices to it. The clients that were offered more favourable prices include drivers driving only in the Slovak and Czech Republics, pregnant drivers, future fathers and grandparents, and owners of cars that are older than 15 years. Clients were offered an option to conclude the contract over the telephone or the Internet.

In regard to accident insurance, we continued offering not only new car insurance (Autožolík), but also old car insurance (Autosekáč). Both products include optional insurance coverage according to client's needs, with an optional amount of co-payment. The products can be combined with a wide range of riders, and thus address all categories of potential clients. Another advantage that the clients automatically receive upon concluding accident insurance contract is the free insurance of a child car seat.

In 2008, Autožolík ranked second in the prestigious competition Zlatá minca, in the category of accident insurance.

The support services relating to accident insurance and motor vehicle third-party liability insurance have also been adjusted and changed. Clients are offered a new and much wider scope of services, and higher insurance benefit limits.

As a result of the merger, the position in the market of the new company strengthened: it ranks third in the area of accident insurance and motor vehicle third-party liability insurance among all providers of this type of insurance in the Slovak market.

As a result of the merger, in 2008, significant changes were introduced in the product portfolio of personal property insurance.

At present, personal property insurance includes products where insurance of a single object can be agreed on separately, such as Moja domácnosť, Môj dom, Môj byt, Moja chata, and the insurance package Moje bývanie. This product portfolio is supplemented by insurance of a newly started building construction. In this way, insurance of any type of immovable property can be agreed on.

Moje bývanie is a unique product due to its variability: it allows negotiating separately up to seven different types of insurance, or to combine them.

This product ranked third in the product competition Zlatá minca 2008

A very special insurance product within personal property insurance is animal insurance – particularly dog insurance. Generali Slovensko is the only insurance company in the Slovak market that offers this type of insurance. The policy not only protects the dog against sickness or injury, but it also covers damage that the dog may cause to the property or health of other people.

The third-party liability insurance designated for small and mid-sized entrepreneurs includes the best products of the former Česká poisťovňa - Slovensko and Generali Poisťovňa. We offer our clients a wide portfolio of insurance products, including insurance of movable and immovable property, insurance for a breakdown of operations, machines, technology and electronics insurance, and insurance for construction and assembling works. Our offer includes professional liability insurance, transportation and financial risk insurance. This mosaic also includes plant and livestock insurance designated for agricultural companies.

List of available products

Life insurance

Insurance FIT (introduced 19. 3. 2008)

Insurance EURO ViNOS (introduced 1. 5. 2008)

Variable life insurance DYNAMIK Plus

Variable life insurance SLNEČNICA (from 13. 5. 2007)

Variable capital life insurance DYNAMIK

Variable capital life insurance DYNAMIK Junior

Variable life insurance DYNAMIK Plus Junior

Variable investment life insurance, Global investment programme, Konto Bonus Plus (sale finished on

31. 12. 2007)

Variable investment life insurance JUNIOR, Global investment programme Junior, Konto Bonus Junior, Konto Bonus Plus Junior (sale finished on 31. 12. 2007)

Capital life insurance SLNIEČKO

Combined deposit insurance KOMBI

Serious disease insurance

Pension insurance - Renta Plus

Management capital insurance

Collective insurance of persons

Injury insurance

Accident insurance and motor vehicle third party liability insurance

Accident insurance AUTOŽOLÍK

Accident insurance AUTOSEKÁČ

Motor vehicle third-party liability insurance AUTOMATIK štandard and AUTOMATIK plus

Property and third party liability insurance

House insurance - “Môj dom“

Apartment insurance - “Môj byt“

Household equipment insurance - “Moja domácnosť“

Insurance of equipment of recreational household - “Moja chata“

Citizens’ third-party liability insurance

Insurance of pets- “Poistenie psa“

Household insurance package - “Moje bývanie“

Insurance of entrepreneurs’ property:

– Insurance against natural disaster

– Insurance against a breakdown in operations due to fire

– Insurance against breaking and entering and mugging

– Insurance of machines and equipment

– Insurance of electronic appliances

– Insurance of building equipment and machinery against all risks

– Construction and assembling insurance

– Shipment insurance

– Luggage insurance

– Insurance of receivables from supplier loans

Entrepreneurs’ third party liability insurance:

– General liability insurance

– Road haulier insurance

– Professional liability insurance

Agricultural risk insurance:

– Insurance of property of agricultural companies

– Insurance of agricultural plants

– Insurance of livestock

Foreword of the Chairman of the Board of Directors

Dear shareholders, clients and business partners

I am pleased to present to you the Company's 2008 annual report. The year 2008 was a significant milestone for Generali Slovensko: on 1 October 2008, its presence in the Slovak insurance market started after the merger of Česká poisťovňa Slovensko and Generali poisťovňa. As a result, a third strong company appeared in the insurance market having the profile of a local and practical insurance company that understands the needs of people in Slovakia. The client services are built on values such as transparency, a fair approach, availability, and quality.

From the perspective of 2009, the incorporation of a new company was a very good strategic decision of the shareholder: the merger process has not yet been affected by the financial and economic crisis, and we stepped into 2009 as a strong company under a common brand, with a single management and clear business, service, and communication strategy for our clients and business partners. These starting conditions for the immensely difficult year 2009 make us believe that we will be able to manage the forthcoming period with good results.

In fact, what did we face in 2008? – It was a year when all staff exerted all their efforts in their working activities. We managed to prepare everything that was required for the merger of the two insurance companies, and receive the NBS permit for this major step. Moreover, we managed to prepare all documents, business material, operating systems, overall service and communication for the new company. Within a few days, we were able to re-brand all our sales points and inform clients and business partners about the establishment of the new company. Also during this period, we managed to continue selling our services and providing high-quality service to our clients. The hard work and activity of all our people resulted in a very good response from our clients and business partners, and we only recorded an insignificant number of insurance contract cancellations due to the merger – which is the best evaluation of the work of all people involved in the process.

In general, 2008 was characterized particularly by the transition to the Euro. This major project itself and all related issues would require extraordinary input from almost all the staff. We managed to accomplish this project with excellent results. This was confirmed during the first months of 2009, as the rate of errors in the materials we provided to our clients and business partners was minimal.

If we add to all that, the preparation of extraordinary financial statements, an audit of the company, the development of new business and service strategies due to the financial crisis and the day-to-day sales, settlement and service activities – then in fact much has been done!

It should be noted that, despite all those events, we recorded a year-to-year increase of written premium of 64%, and operating profit amounted to SKK 450.8 million.

I am very pleased that I can work in a company where the management and staff complete such demanding projects and tasks in such a short time. In 2008, we proved that we understand the insurance business and we know how to do this business - not only in the Slovak insurance market, but thanks to the holding also in other European countries. All of our staff can be proud of this.

Generali Slovensko is a company with strong financial capital to settle liabilities towards clients, with an international background and extensive knowledge and experience in doing business in Slovakia. Professional, skilled and motivated staff are a promise for the appropriate use of all opportunities that our company offers its clients, business partners, and shareholders.

I would like to extend my thanks to all who in any way contributed to the successful year 2008.

The future will offer new challenges and opportunities, and I believe that Generali Slovensko will use them in a way that its clients, business partners, and shareholders will be happy with its activities.

Ing. Antonín Nekvinda
CEO and Chairman of the Board of Directors

The Company's Bodies

Board of Directors

Ing. Antonín Nekvinda, Chairman

RNDr. Milan Fleischhacker, Member

Mgr. Monika Grellová, Member

Ing. Stanislav Polešovský, Member

Ing. Tibor Zalabai, Member

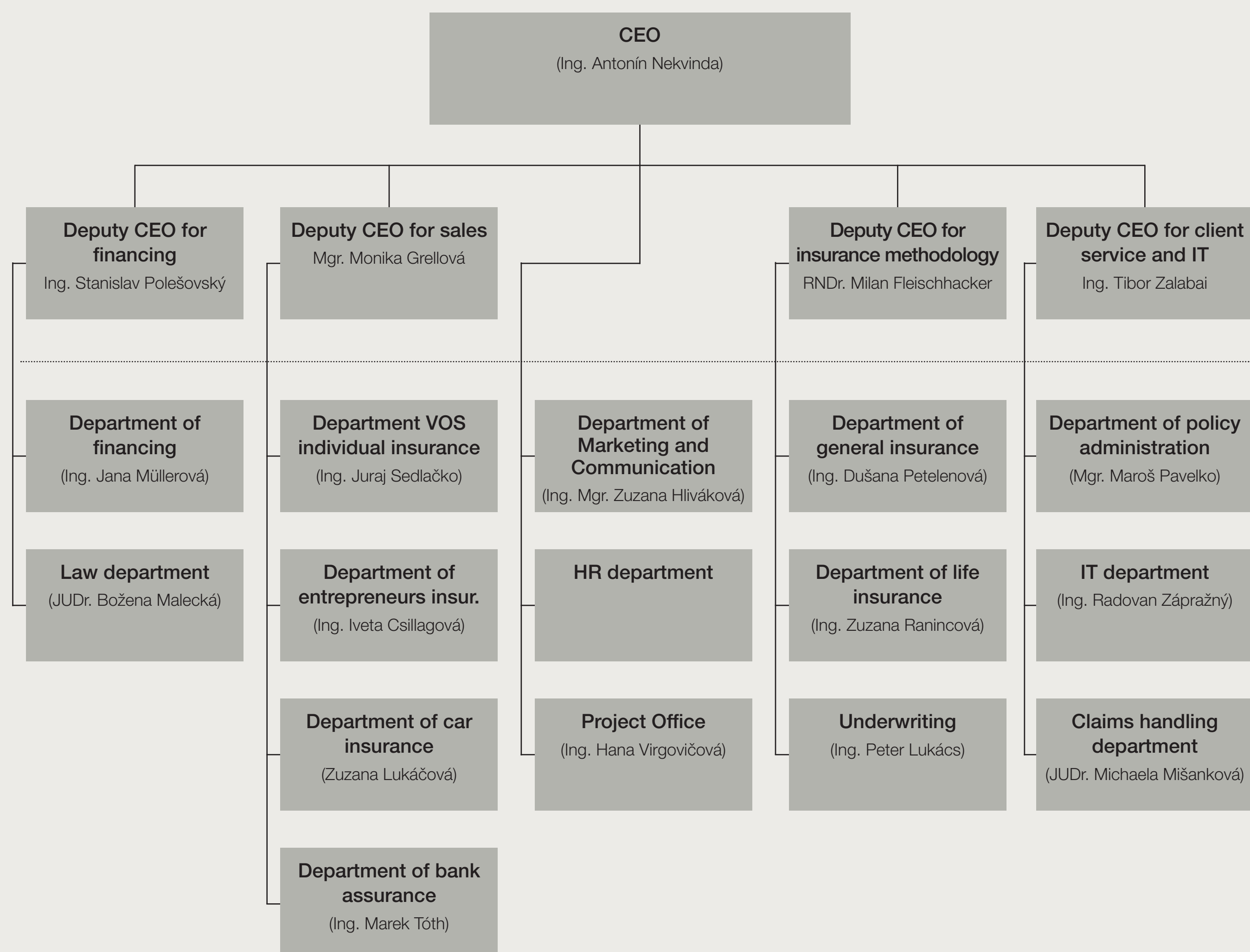
Supervisory Board

Vít Sedláček

Oľga Brnková (from 1.12. Mgr. Jana Šedíková)

Dr. Lorenzo Kravina

Corporate structure at 1 October 2008



Shareholders

Since its establishment, Generali Slovensko has been a member of Generali PPF Holding, B.V., which is present in 14 countries – Belarus, Bulgaria, Czech Republic, Croatia, Kazakhstan, Hungary, Poland, Romania, Russia, the Slovak Republic, Slovenia, Serbia, Monte Negro and the Ukraine. Through its subsidiaries, it manages assets amounting to almost EUR 12 billion and provides services to more than 10 million clients, which makes it a leader in the insurance business in the Central and Eastern European region.

The final contract on Generali PPF Holding between Assicurazioni Generali and PPF Group N.V. was signed on 10 July 2007. The establishment of the holding was the most significant step in the expansive strategy of both groups in a region with the largest potential in the insurance business. The most significant asset of Generali PPF Holding is cultural diversification in a multinational environment. Growth, innovation, and client satisfaction is the Group's vision for the future. Generali PPF Holding is a group of individuals that act as one when implementing their vision..

Generali PPF Holding is a majority shareholder in Generali Slovensko, having a 56.62% share.

The second major shareholder in Generali Slovensko is ČP Strategic Investments, B.V., with a 43.38% share, and is involved in the foreign activities of the Česká pojišťovna a.s. Group.

Marketing communication

In regard to marketing and communication, the year 2008 was the most important one for the brand Generali Slovensko. This year will be known in marketing history as a year of re-branding.

The brand Generali Slovensko was introduced on 1 October 2008. This date is also the day that the former successful brands: Česká poisťovňa – Slovensko and Generali Poisťovňa,a.s. ceased to exist.

Based on analyses done and the decision to do business in the Slovak market under a common brand, on 16 July 2008 a formal re-branding project was launched that started the process of changes in both companies and the introduction of the new brand and its new position.

Generali Slovensko has been developing as a local and practical insurance company that understands the needs of all people in Slovakia. The values the company builds its business on include transparency, fairness, availability, and high-quality service. In order to underline the positioning of the brand, a unique 3D logo was developed in the Slovak insurance market, the "Apple type logo". This is the most modern logo trend in marketing. The new logo reflects the modern and innovative views of the company and differentiates it from competitors. At the same time, it incorporates the change, merger, and re-branding of the former brands.

keby niečo

When developing the new brand, Generali Slovensko, and its new profile, the new slogan "Just in Case" was also developed. It is a local expression that Slovaks often use colloquially as a synonym for "I have the support of someone who is strong that can I rely on:. Therefore, "Just in Case" also fits the insurance business.

The entire re-branding process took only two and a half months. During that time, the marketing strategy for the new brand was prepared, over 120 types of printed material were re-worked, and over 740,000 leaflets, contracts, and other material were printed. During five days, 145 sales points were re-designated. All existing clients, business partners, and suppliers of both former insurance companies, journalists, dealers, and staff were informed about the merger and re-branding through direct communication. People in Slovakia were informed through a major campaign that, as a survey showed, was prominent in the market. The survey also showed that it was attractive, relevant, appealing, and remained the best known promotional event in the insurance business category (source: survey of TNS AISA, November 2008). These achievements made the event the most successful marketing activity in the history of both companies.

Positioning of the brand Generali Slovensko:

- practicability
- quality
- availability
- a fair approach to clients

Report of the Company's Board of Directors

Annual report of the board of directors on the company's business activities and its net asset position for 2008

The year 2008 was extremely important for Generali Slovensko poisťovňa, a. s., as the Company started writing its new history, which also meant a change in the history of the former Generali Poisťovňa, a.s., a member of the Generali Group, and the former Česká poisťovňa – Slovensko, a. s. from the financial PPF Group.

The whole process started on 17 January 2008, when PPF and Generali Groups definitively merged their insurance activities in Central and Eastern Europe, and created the Generali PPF Holding. Nowadays, the holding operates in 13 countries.

On 1 October 2008, Generali Poisťovňa, a. s. merged legally with Česká poisťovňa – Slovensko, a. s., which stopped its business activities at that date, and at the same time changed its business name and seat to: Generali Slovensko poisťovňa, a.s., Plynárenská 7/c, Bratislava ("Generali Slovakia" or "the Company"). When merging both companies, Generali Poisťovňa, a.s. decided to use the 'predecessor prospective value method'.

The values shown in the financial statements for 2008 are the values of the former Česká poisťovňa – Slovensko, a. s. for the fourth quarter of 2008 and of the successor company for the entire calendar year 2008. The comparative period of 2007 is the accounting period of the successor company, which is Generali Poisťovňa, a.s. from 2007.

For 2008, the Company reported a loss after taxes of SKK 213.4 million. This negative result was caused mainly by one-off operations, such as the revaluation of securities (including impairment) amounting to SKK 493.6 million, rebranding costs (SKK 89 million), and costs of the Euro conversion (SKK 31 million).

Even in tougher conditions on the Slovak insurance market, with only a slight increase of the written premium in non-life insurance (affected adversely by a further decrease in the written premium on the market for the MTPL insurance product), and the ongoing financial crisis, the Company strengthened its position on the Slovak insurance market, and ended the year 2008 with a success.

With a share of 10.2% in the written premium, the Company has entrenched its position among the three biggest insurance companies on the Slovak insurance market, being seen as a local and practical insurance company understanding the needs of people in Slovakia. The virtues the Company's services are based on include transparency, fairness, availability, and high-quality service. Generali Slovakia is a company with strong financial capital, able to settle liabilities for its clients, with an international background, and extensive business experience from the Slovak insurance market. The Company uses the latest digital technology and innovations, ensuring quick policy processing and the settlement of insurance claims.

Since October 2008, the Company offers a complete product portfolio from life and non-life insurance to its clients. With 155 branch offices, the Company has the largest premium collection by telephone and insurance offered by banks. Generali Slovakia intends to develop activities not only in the insurance business, but also in the financial sector as such, specifically in insurance offered by banks and pension services.

According to the financial statements, the written premium amounted to SKK 3,551 million, and the sum of written premiums of both merged companies totalled SKK 6,467 million, with a year-to-year increase of 8.5%. The Company's total assets amounted to SKK 14,647 million and its gross reserves totalled SKK 9,575 million.

The Company's main strategic goals include mainly the following:

- achieving permanent and growing profitability;
- achieving more dynamic growth compared to the total growth in the Slovak insurance market;
- strengthening its position among the three largest insurance companies in Slovakia;
- ensuring effective development of the distribution network and its growing performance; and
- satisfying customers' needs by offering a wide scale of products and services.

All the details about the Company's results and its net asset position are summarized in the Auditor's Report about the audit of the Company's financial statements at 31 December 2008, consisting of the balance sheet, the income statement, and the notes.

Proposal for settling the company’s loss for 2008

- The Company’s net loss for 2008 amounted to SKK 213,441 thousand.
- The Company’s net loss will be rebooked to the account ‘Profit/(loss) from previous accounting periods’.

In Bratislava, on 24 March 2009

Submitted by:

Ing. Antonín Nekvinda
Chairman of the Board of Directors

Ing. Stanislav Polešovský
Member of the Board of Directors

Report of the Supervisory Board

In 2008, the Supervisory Board executes its rights and duties in line with the law and the Company's statutes. The Board of Directors regularly informed the Supervisory Board about the Company's business activities and its net asset position, and the Supervisory Board supervised the activities of the Board of Directors. The Super-visory Board hereby declares that the Company's business activities were carried out in line with the law, the Company's statutes, and the General Meeting resolution.

The separate financial statements for the year 2008 have been audited by the audit company Pricewaterhouse-Coopers Slovensko, s.r.o.

The Supervisory Board has read the Auditor's Report and approved it without any objections.

The Supervisory Board has assessed and discussed the separate financial statements prepared and submitted by the Board of Directors, has approved the Board of Director's proposal to rebook the net loss for 2008 to the account 'Profit/(loss) from previous accounting periods', and has reviewed the Company's Annual Report for 2008, without raising any objections to any of these documents.

The Supervisory Board recommends that the General Meeting approve the financial statements for 2008 and decide on the Company's profit/(loss) in line with the proposal submitted by the Board of Directors.

Vít Sedláček
Chairman of the Supervisory Board

Financial Section

PricewaterhouseCoopers Slovensko, s.r.o.
Námestie 1. mája 18
815 32 Bratislava
Slovak Republic
Telephone +421 (0) 2 59350 111
Facsimile +421 (0) 2 59350 222

INDEPENDENT AUDITOR'S REPORT

To the shareholders, Supervisory Board and Board of Directors of Generali Slovensko poisťovňa, a.s.:

We have audited the accompanying financial statements of Generali Slovensko poisťovňa, a.s. ("the Company"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

PRICEWATERHOUSECOOPERS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Generali Slovensko poisťovňa, a.s. as of 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161

Ing. Mária Frühwaldová
SKAU licence No.: 47

9 April 2009

Translation note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

(2)

Balance sheet as at 31. December

	Note	At 31 December 2008	At 31 December 2007
ASSETS			
Property, plant and equipment	5	128,643	34,680
Intangible assets	6	1,966,512	2,675
Investments in subsidiaries and joint ventures	7	514,886	500,000
Financial assets			
- term deposits	8	814,592	295,592
- available for sale	8	6,674,952	3,116,192
- at fair value through profit or loss	8	2,064,786	894,347
Reinsurance contracts	9	1,181,388	1,872,265
Loans and receivables	10	589,283	220,394
Deferred acquisition costs	11	504,004	26,679
Deferred tax assets	12	-	29,260
Other non-financial assets		102,132	7,116
Cash and cash equivalents	13	106,074	28,584
TOTAL ASSETS		**14,647,252**	**7,027,784**
EQUITY			
Share capital		750,000	566,000
Share premium		-	624,250
Legal reserve fund		48,338	34,096
Valuation variances from securities available for sale		(112,482)	(70,988)
Retained earnings		2,179,581	20,190
TOTAL EQUITY	**14**	**2,865,437**	**1,173,548**
LIABILITIES			
Insurance contracts	15	9,574,676	3,548,289
Deposits from reinsurers	16	193,685	1,751,271
Trade and other liabilities	17	1,729,621	522,168
Deferred tax liabilities	12	252,950	-
Corporate income tax charge		30,883	32,508
TOTAL LIABILITIES		**11,731,971**	**5,854,236**
TOTAL EQUITY AND LIABILITIES		**14,647,252**	**7,027,784**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

The Board of Directors approved these financial statements for publishing on 30 March 2009.

Ing. Antonín Nekvinda
Chairman of the Board of Directors

Ing. Stanislav Polešovský
Member of the Board of Directors

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Separate Income Statement as at 31. December

	Note	At 31 December 2008	At 31 December 2007
Gross earned premium		3,540,599	2,188,947
Earned premium ceded to reinsurers		(446,890)	(1,202,794)
NET EARNED PREMIUM	18	3,093,709	986,153
Net losses from financial assets stated at fair value through profit or loss	19	(835,104)	(3,881)
Financial investment income	20	211,250	148,947
Other income from investments		-	4,867
Commission from reinsureres		67,832	394,186
Other income		4,325	26,005
NET INCOME		**2,542,012**	**1,556,277**
Insurance benefits		691,975	684,058
Insurance benefits ceded to reinsurers		366,681	(349,382)
Insurance claims and loss adjustment expenses		760,742	426,413
Insurance claims and loss adjustment expenses ceded to reinsurers		(458,940)	(219,513)
NET INSURANCE BENEFITS AND CLAIMS	21	1,360,458	541,576
Commissions and other acquisition costs	22, 23	898,998	640,372
Investment management expenses	22, 23	12,725	2,557
Administration costs	23	440,859	231,030
EXPENSES		**1,352,582**	**873,959**
PROFIT BEFORE TAXES		**(171,028)**	**140,742**
Corporate income tax	23	(42,413)	(23,756)
(LOSS)/PROFIT AFTER TAXES		**(213,441)**	**116,986**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Separate Statement of Changes in Equity

	Note	Share capital	Legal reserve fund	Share premium	Revaluation of assets available for sale	Retained earnings	Total
EQUITY AT 1 JANUARY 2007		**566,000**	**29,000**	**624,250**	**5,721**	**(94,207)**	**1,130,764**
Loss from the revaluation of financial assets available for sale	14	-	-	-	(89,998)	-	(89,998)
Net change in liabilities from insurance contracts with DPF from the revaluation of assets available for sale, before taxes	14	-	-	-	13,289	-	13,289
TOTAL COSTS POSTED TO EQUITY FOR 2007		**-**	**-**	**-**	**(76,709)**	**-**	**(76,709)**
Profit after taxes		-	-	-	-	116,986	116,986
TOTAL RECOGNIZED INCOME FOR 2007		**-**		**-**	**(76,709)**	**116,986**	**40,277**
Appropriation to the legal reserve fund	14	-	5,096	-	-	(5,096)	-
Employee shares	14	-	-	-	-	2,507	2,507
		-	5,096	-	-	(2,589)	2,507
EQUITY AT 31 DECEMBER 2007		**566,000**	**34,096**	**624,250**	**(70,988)**	**20,190**	**1,173,548**
Loss from the revaluation of financial assets available for sale	14	-	-	-	(42,867)	-	(42,867)
TOTAL COSTS POSTED TO EQUITY FOR 2008		**-**	**-**	**-**	**(42,867)**	**-**	**(42,867)**
Loss after taxes	14	-	-	-	-	(213,441)	(213,441)
Total recognized costs for 2008		-	-	-	(42,867)	213,441	(256,308)
Appropriation to the legal reserve fund	14	-	14,242	-	-	(14,242)	-
Merger of companies under common control – influence of Generali		-	-	(624,250)	-	624,250	-
Merger of companies under common control – influence of ČPS	14	184,000	-	-	1,373	1,762,824	1,948,197
		184,000	14,242	(624,250)	1,373	2,372,832	1,948,197
EQUITY AT 31 DECEMBER 2008		**750,000**	**48,338**	**-**	**(112,482)**	**2,179,581**	**2,865,437**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Separate Cash Flow Statement

	Note	Year ended 31 December	
		2008	2007
Premium income		3,717,703	2,180,345
Claims and benefits paid		(1,238,942)	(453,561)
Net cash flow from the acquisition and redemption of securities		(334,093)	(878,289)
Net cash flow from the acquisition and sale of shares		(338,887)	-
Transfers to term deposits		(519,000)	451,793
Acquisition of investment funds		(589,285)	(290,823)
Interest income		187,696	107,517
Dividends received		5,032	-
Personnel costs		(235,719)	(160,361)
Expenses for commissions		(572,691)	(394,681)
Other technical expenses		(474,939)	(288,652)
Cash flow from reinsurance		117,978	(242,526)
Other non-technical cash flow		4,019	9,544
Cash flows from operating activities		(271,128)	40,306
Corporate income tax charge		(54,758)	-
NET CASH FRO OPERATING ACTIVITIES		**(325,886)**	**40,306**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	5, 6	(27,367)	(34,744)
Repayment of loans		788	1,206
Loans to subsidiaries		(2,150)	(5,000)
NET CASH USED IN INVESTING ACTIVITIES		**(28,729)**	**(38,538)**
Cash flows from financing activities			
Acquisition of cash and bank accounts	14	431,752	-
NET CASH USED IN FINANCING ACTIVITIES		**431,752**	**-**
Increase cash and cash equivalents		77,137	1,769
Cash and cash equivalents at the beginning of the year		28,584	26,815
Exchange gains on cash and cash equivalents		353	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**13**	**106,074**	**28,584**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Notes to the financial statements

1. General information

Generali Slovensko poisťovňa, a. s., named Generali Poisťovňa, a.s. until 30 September 2008 ("the Com-pany") is a composite insurance company seated and operating in Slovakia. It provides both life and non-life insurance, such as insurance related to death, disability, health, property, and liability for damages. In 2008, the Company employed 724 employees on average (2007: more than 280).

The Company was established on 18 October 1996 and incorporated in the Commercial Register of the Bra-tislava I District Court on 12 February 1997. It is an unlisted joint-stock company; its current registered office is at Plynárenská 7/C, 824 79 Bratislava, Slovakia. The Company's corporate ID (IČO): 35 709 332; its tax ID No. is 2021000487.

On 1 October 2008, Generali Poisťovňa, a.s. merged with Česká poisťovňa – Slovensko, a.s. ("ČPS"), which stopped its business activities. The impact of this transaction on these financial statements is described in Notes 2.1, 2.22, and 14.

Members of the Company's statutory and supervisory bodies according to the Commercial Register for the 2008 and 2007

Board of Directors

Title, name, and surname	Function	Period
Ing. Roman Juráš	Chairman	until 14 July 2008
RNDr. Milan Fleischhacker	Member	until 29 December 2008
Ing. Jaroslav Mlynář	Member	until 1 October 2008
Kurt Pap	Member	until 1 April 2008
Ing. Tibor Zalabai	Member	since 15 July 2008
Ing. Antonín Nekvinda	Chairman	since 1 October 2008
Ing. Stanislav Polešovský	Member	since 1 October 2008
Mgr. Monika Grellová	Member	since 1 October 2008

Supervisory Board

Dkfm. Werner Moertel	Chairman	until 17 March 2008
Dr. Francesco Bosatra	Member	until 17 March 2008
Dipl. Bw. Walter Steidl	Member	until 17 March 2008
Eilard Friese	Member	from 17 March 2008 to 31 July 2008
Lusia Coloni	Member	until 30 September 2008
PhDr. Věnceslava Srnánková	Member	until 17 March 2008
Mgr. Oľga Brnková	Member	until 30 November 2008
Vít Sedláček	Chairman	since 1 August 2008
Dr. Lorenzo Kravina	Member	since 1 October 2008
Mgr. Jana Šedíková	Member	since 1 December 2008

The Company's sole shareholder and the ultimate parent company is Assicurazioni Generali S.p.A., Piazza Duca degli Abruzii 2, Trieste, Italy. Assicurazioni Generali S.p.A., Trieste, Italy is listed on the Italian Stock Exchange in Milan. The Company, together with its subsidiaries and joint ventures, is included in the consolidated financial statements prepared by the ultimate parent company. The General Meeting approved the Company's financial statements for the previous accounting period on 17 March 2008.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Company's financial statements at 31 December 2008 have been prepared in accordance with Interna-tional Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

These financial statements have been prepared under the historical cost convention, except for financial assets available for sale and financial assets and liabilities at fair value through profit and loss.

These financial statements have been prepared as separate financial statements in accordance with § 17a), Section 1 of Act No. 431/2002 on Accounting, as amended. Significant investments in subsidiaries and joint ventures are set out in Note 7. The method of accounting for investments is described in Note 2.2.

The Company has applied the exception set out in IAS 27, paragraph 10, and has not prepared the consoli-dated financial statements at 31 December 2008. The ultimate parent company Assicurazioni Generali S.p.A., Piazza Duca degli Abruzii 2, Trieste, Italy has prepared the consolidated financial statements under IFRS, as adopted by the EU, for the whole group.

The preparation of financial statements in accordance with IFRS requires the use of certain critical account-ing estimates. It also requires management to exercise its judgment in the process of applying the Com-pany's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

All amounts in the Notes are shown in thousands of Slovak crowns ("SKK"), unless stated otherwise.

The Board of Directors may propose to the Company's shareholders that the financial statements be amended, even after their approval by the General Meeting. However, according to § 16, Sections 9 to 11 of the Accounting Act, an entity's accounting records cannot be reopened after the financial statements have been prepared and approved. If, after the financial statements have been approved, management find that the comparative information would not be consistent with the current period's information, the Accounting Act allows entities to restate comparative information in the accounting period in which the relevant facts are identified.

Significant accounting methods and principles used in preparing these financial statements are set out below. These principles have been applied for all presented years, except for a voluntary change in accounting poli-cies due to the merger, where the ČPS accounting policy has been adopted:

Provision for bonuses and discounts	31 December 2007	Adjustment	Adjusted at 31 December 2007
Insurance provisions	(3,573,339)	25,050	(3,548,289)
Insurance claims and loss adjustment expenses	396,747	29,666	426,413
PROFIT/(LOSS) FROM PREVIOUS YEARS	**7,010**	**(27,358)**	**(47,706)**

Note: ČPS did not set up a provision for bonuses and discounts in motor third party liability insurance and car accident insurance; this accounting procedure has been accepted by the successor company

Deferred acquisition costs	31 December 2007	Adjustment	Adjusted at 31 December 2007
Deferred acquisition costs	32,049	(5,370)	26,679
PROFIT/(LOSS) FROM PREVIOUS YEARS	**7,010**	**5,370**	**12,380**

Note: ČPS did not defer acquisition costs for unit-linked insurance contracts; this accounting procedure has been accepted by the successor company

Receivables from recourse claims	31 December 2007	Adjustment	Adjusted at 31 December 2007
Loans and receivables	178,778	41,616	220,394
Other income	(21,773)	(4,232)	(26,005)
PROFIT/(LOSS) FROM PREVIOUS YEARS	**7,010**	**(37,384)**	**(30,374)**

Note: ČPS accounted for written recourse claims; this accounting procedure has been accepted by the successor company.

Note: Assets and costs have positive balances, liabilities and income have negative balances. The impact of changes shown above on the Company's cash flow is insignificant.

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Interpretations and amendments to published standards effective in 2008 which the Company has applied

IFRIC 11 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The interpretation contains guidelines on the following issues: an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obliga-tions towards the employees; or an entity or its owner grants the entity's employees rights to the entity's eq-uity instruments. This interpretation which has been adopted by the EU has no impact on the Company's financial statements.

IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). The Company does not provide services to the public sector based on concession arrangements. Therefore, this interpretation which has not yet been adopted by the EU has no impact on the Company's financial statements.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (effective for annual periods beginning on or after 1 January 2008). The Company's pension plans are not subject to any legal or other minimum funding requirements. Therefore, this interpretation which has been adopted by the EU has no impact on the Company's financial statements.

Reclassification of Financial Assets – Amendment to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures. The amendments allow entities the op-tions (a) to reclassify a financial asset out of the held for trading category if, in rare circumstances, the asset is no longer held for the purpose of selling or repurchasing it in the near term; and (b) to reclassify an avail-able-for-sale asset or an asset held for trading to the loans and receivables category, if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity (subject to the asset otherwise meeting the definition of loans and receivables). The amendments are applicable with retrospective effect from 1 July 2008 for any reclassifications made before 1 November 2008; the reclassifications allowed by the amendments may not be applied before 1 July 2008. Any reclassification of a financial asset made in periods beginning on or after 1 November 2008 takes effect only from the date when the reclassification is made. The Company has not elected to make any of the optional reclassifications of financial assets during the current accounting period.

New or revised standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2009 and which the Company has not early adopted

IAS 1, Presentation of Financial Statements (revised in September 2007; effective for annual periods be-ginning on or after 1 January 2009).

The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two state-ments: a separate income statement and a statement of comprehensive income. The revised IAS 1 also in-troduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Company expects the revised IAS 1 to affect the presenta-tion of its separate financial statements but to have no impact on the recognition or measurement of specific transactions and balances. This amendment has been adopted by the EU.

IAS 23, Borrowing Costs (revised in March 2007; effective for annual periods beginning on or after 1 Janu-ary 2009).

The main change to IAS 23 is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Company will be required to capitalize such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. The Company does not expect the amendment to the standard to have a material effect on its separate financial statements. This amendment has been adopted by the EU.

IAS 27, Consolidated and Separate Financial Statements (revised in January 2008; effective for annual periods beginning on or after 1 July 2009).

The revised IAS 27 will require an entity to attribute total compre-hensive income to the owners of the parent company and to the non-controlling interests (previously 'minority interests') even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Company is currently assessing the impact of the revised standard on its separate financial statements. The amendment has not yet been adopted by the EU.

Puttable Financial Instruments and Obligations Arising on Liquidation – Amendment to IAS 32, Fi-nancial Instruments: Disclosure and Presentation, and to IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009).

The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The Company is currently assessing the impact of this amendment on its separate financial statements. The amendment has been adopted by the EU.

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009; early application permitted).

The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment which has not yet been adopted by the EU will have no impact on the Company's separate financial statements.

IFRS 1, First-time Adoption of International Financial Reporting Standards (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009).

The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The revised standard will have no impact on the Company's separate financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards, and to IAS 27, Consolidated Fi-nancial Statements (revised in May 2008; effective for annual periods beginning on or after 1 January 2009).

The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the sepa-rate financial statements. The amendment also requires distributions from pre-acquisition net assets of in-vestees to be recognized in profit or loss rather than as a recovery of the investment. The amendment which has been adopted by the EU will have no impact on the Company's separate financial statements.

Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2009).

The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment which has been adopted by the EU will have no impact on the Company's separate financial statements.

IFRS 3, Business Combinations (revised in January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combi-nations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be rec-ognized in accordance with other applicable IFRS, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business com-binations achieved by contract alone. The Company is currently assessing the impact of the revised standard on its separate financial statements. The amendment has not yet been adopted by the EU.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).

The stan-dard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive informa-tion about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The Company does not expect the revised IFRS 8 to affect its separate financial statements. The amendment has been adopted by the EU.

Amendment to IFRIC 9, Reassessment of Embedded Derivatives, and to IAS 39, Financial Instru-ments: Recognition and Measurement (effective with retrospective application for annual periods ending on or after 30 June 2009).

The amendment clarifies that on reclassification of a financial asset out of the ‚fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, sepa-rately accounted for in financial statements. The amendment has not yet been adopted by the EU.

IFRIC 13, Customer Loyalty Programmes (issued in June 2007; effective for annual periods beginning on or after 1 July 2008).

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 which has been adopted by the EU is not relevant to the Company's operations because the Company does not operate any loyalty programme.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009).

The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guid-ance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognize revenue on such transactions. IFRIC 15 which has not yet been adopted by the EU has no impact on the Company's separate financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).

The interpretation explains which currency risk exposures are eligible for hedge ac-counting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. This interpretation which has not yet been adopted by the EU does not have any impact on these separate financial statements as the Company does not apply hedge accounting.

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; early adoption permitted).

The interpretation clarifies when and how distribution of non-cash as-sets as dividends to the owners should be recognized. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on dis-posal of the distributed non-cash assets will be recognized in profit or loss when the entity settles the divi-dend payable. IFRIC 17 which has not yet been adopted by the EU is not relevant to the Company's oper-ations because the Company does not distribute non-cash assets to its shareholders.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009).

The interpretation clarifies the accounting for transfers of assets from customers, namely, the circum-stances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The Company is currently assessing the impact of this interpretation on its separate financial statements. IFRIC 18 has not yet been adopted by the EU.

Improvements to International Financial Reporting Standards (issued in May 2008).

In 2007, the Interna-tional Accounting Standards Board ("IASB") decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of sub-stantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over man-ner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Company does not expect the amendments to have any ma-terial effect on its separate financial statements. The improvement project has been adopted by the EU.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures (revised in March 2009; effective for annual periods beginning on or after 1 January 2009).

The Company will be required to disclose an analysis of financial instruments using a three-level fair value meas-urement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount

of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial deriva-tives if the contractual maturities are essential for an understanding of the timing of the cash flows. The Com-pany will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The amendment has not yet been adopted by the EU.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Company's separate financial statements.

2.2 Investments in subsidiaries and joint ventures

a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assess-ing whether the Company controls another entity. Investments in subsidiaries are carried at cost in these financial statements according to IAS 27. The Company obtains objective evidence about the impairment of subsidiaries in the same way as described in Note 2.17 for non-monetary assets.

b) Joint ventures

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assess-ing whether the Company controls another entity. Investments in subsidiaries are carried at cost in these financial statements according to IAS 27. The Company obtains objective evidence about the impairment of subsidiaries in the same way as described in Note 2.17 for non-monetary assets.

2.3 Foreign currency translation

a) Functional and presentation currency

Items included in the Company's financial statements are stated in Slovak crowns, which is the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in thousands of Slovak crowns, which is the Company's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transac-tions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary items, such as investment funds held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity securities classified as financial assets available for sale, are included in the fair value reserve in equity.

2.4 Intangible assets

a) Value of business acquired (VOBA)

Insurance liabilities assumed and insurance assets acquired in a business combination are measured at fair value at the date of acquisition. The fair value of assumed liabilities from insurance contracts at the date of acquisition was measured for individually acquired product groups and is recognized as a separate intangible asset called VOBA (value of business acquired).

At 1 January 2008, the VOBA of the life portfolio of the original ČPS, a.s. was determined on the basis of the embedded value calculation principles, using best estimate assumptions.

At 1 January 2008, VOBA of the non-life portfolio of the original ČPS, a.s. was determined on the basis of best estimates of the future development of the non-life portfolio (persistency, claims development, costs, ...).

VOBA is an intangible asset with a finite useful life. It is gradually amortized through the income statement over the period for which profits from the acquired insurance contracts are expected. Its recoverable amount is tested for impairment at each balance sheet date.

b) Software

Costs incurred for licences and for putting computer software into use are capitalized. These costs are amor-tized on the basis of the respective software's expected useful life (up to four years).

Costs that are directly associated with the development or maintenance of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overhead expenses.

All other costs associated with developing or maintaining computer software programmes are recognized as an expense when incurred.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of three years.

2.5 Property, plant and equipment (Non-current tangible assets)

a) Acquisition costs

Non-current tangible assets comprise mainly equipment. They are stated at historical cost less accumulated depreciation and impairment losses. Historical costs include expenses that are directly attributable to the acquisition of the property items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are in-curred.

b) Depreciation

Depreciation charges on non-current tangible assets are calculated using the straight-line method over their estimated useful lives as follows:

Buildings	15 – 40 years
Furniture, fittings and equipment	3 – 15 years
Vehicles	3 – 4 years
Office equipment	10 years
Low-value tangible assets	2 years

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appro-priate.

Gains and losses on disposals are determined as the difference between the proceeds and the carrying amount and are recognized in the income statement.

An asset's carrying amount is written down immediately to its recoverable amount if being greater than its estimated recoverable amount (Note 2.17).

2.6 Assets from reinsurance contracts

Contracts entered into with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.18 are classified as reinsurance contracts held. Contracts that do not meet these classification re-quirements are classified as financial assets.

Benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified as loans and receiv-ables), as well as longer term receivables from reinsurance (classified as reinsurance assets) that depend on the expected insurance claims and benefits arising under the related reinsured insurance contracts. Reinsur-ance assets are measured on the same basis as provisions set up for the respective reinsured insurance contracts and in accordance with the terms and conditions of each reinsurance contract. Reinsurance liabili-ties are primarily premiums payable for reinsurance contracts and are recognized as an expense on the same basis as premiums for the respective insurance contracts.

The Company assesses its reinsurance assets for impairment at each balance sheet date. If there is objec-tive evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the re-insurance asset to its recoverable amount and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process ad-opted for financial assets held at amortized cost. The impairment loss on reinsurance assets is calculated following the same method used for these financial assets. This process is described in Note 2.17.

2.7 Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and financial assets available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its invest-ments at initial recognition and re-evaluates this at every balance sheet date.

Regular purchases and sales of financial assets are recognized at the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recog-nized at fair value, and transaction costs are expensed in the income statement.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. In the case of financial assets traded in an active and liquid market, the fair value is their quoted market price. If the market for a financial asset is not active or the mar-ket price not available, the Company establishes fair value by using valuation techniques. These include the use of current zero-bond yield curve, appropriate risk spreads, the current market value of other financial instruments that are substantially the same, or the application of appropriate financial techniques (DCF – discounted cash flows analysis). When the fair value of equity instruments cannot be reliably determined, the financial assets are measured at cost.

Financial assets are derecognized from the balance sheet when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred sub-stantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled, or expires.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, if it is part of the financial assets portfolio where there is evidence of short–term profit-taking or if so designated by the Company's management. They also include assets that are managed and the performance of which is evaluated on a fair value basis in line with the Company's investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management.

Financial asset and financial liabilities stated at fair value through profit or loss at inception are those that are held in internal funds to match insurance contract liabilities where the risk of fair value changes is borne by the insured. The measurement of these assets at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Company does not recognize day-one profit in this respect.

b) Loans and receivables

This category comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. It does not include financial assets held for trading and those designated as at fair value through profit or loss or those available for sale upon initial recognition. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method, less valuation allowances. A valuation allowance for loans and receivables is established when there is objective evidence that the Company will not be able to collect all amount due to their original terms (Note 2.17). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

c) Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated in this cate-gory by the Company's management or not classified in any of the other categories.

Financial assets available for sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealized gains and losses on financial assets available for sale are recognized in eq-uity as part of a valuation variance from the revaluation of securities available for sale, until they are sold or determined to be impaired.

At this time, cumulative gains and losses previously recognized in equity are recognized in the income statement.

This category includes listed securities, investment fund units neither held for trading nor designated as financial assets at fair value through profit or loss, and listed securities designated as available for sale.

Interest on securities available for sale calculated using the effective interest method is recognized in the income statement. Dividends on equity instruments available for sale are recognized in the income statement when the Company's right to receive payments is established.

d) Derivative financial instruments

Derivative financial instruments are classified as financial assets and financial liabilities stated at fair value through profit or loss. Initially and also subsequently, they are measured at fair value, and fair value changes are recognized in the income statement. Transaction costs related to the purchase and sale of derivative financial instruments are recognized in the income statement when incurred.

The Company does not recognize day-one profit in this respect.

Financial derivatives include currency and interest swaps and forwards concluded with counterparties on the exchange of future cash flows based on nominal values outside a stock exchange (OTC).

The fair value of financial derivatives not traded in an active market is determined based on the value which the Company would receive or pay, after considering the current market conditions and the current credit-worthiness of participants to the transaction, if the contract was terminated at the balance sheet date.

Financial derivatives may be recognized as financial assets if their fair value is positive. If negative, they are recognized as financial liabilities.

The Company does not use hedge accounting.

2.8 Deferred acquisition costs (DAC)

This item includes commissions and other expenses directly or indirectly attributable to the acquisition or renewal of insurance contracts and deferrable over the term of the contracts.

- For non-life insurance contracts, DAC are amortized over the terms of the insurance policies as premium earned.
- For life insurance with premiums paid regularly, DAC are amortized over the contractual period, in which acquisition costs are amortized in the calculation of the mathematical provision. DAC include only commissions.
- For variable life insurance, total costs for commissions are deferred over the average discounted terms of the insurance policies (five years).
- For life insurance with one-off premium, acquisition costs are accounted for as an expense immediately at the beginning of the contract.

2.9 Deferred income tax

Deferred income tax is recognized in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. How-ever, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related de-ferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is shown on the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net ba-sis, or to realize the asset and settle the liability simultaneously..

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities up to three months.

2.12 Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incre-mental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2.13 Liabilities from insurance contracts

This item comprises amounts of gross liabilities, net of reinsurance, related to insurance contracts and in-vestment contracts with discretionary participation features that fall under IFRS 4 scope.

a) Life insurance provisions

Unearned premium reserve

The unearned premium reserve is set up for all valid contracts except for contracts with a one-off premium, variable life insurance contracts, and unit-linked contracts. It includes the unearned part of the written pre-mium that relates to subsequent accounting periods. The unearned premium reserve is calculated using the pro-rata temporis method.

Provision for insurance benefits

The provision for insurance benefits represents an estimate of total expenses for insurance benefits that re-sult from insured events incurred by the end of the accounting period. It relates only to those insured events the settlement of which has not been completed by the balance sheet date, regardless of whether or not they have been reported. The estimate is reduced by amounts already paid that relate to damages stated above, and applies for insurance benefits from contracts that have been classified as insurance contracts in life in-surance, and for insurance benefits related to riders agreed on in these contracts. The estimate of an insur-ance benefit is increased by the related internal a external costs based on the historical damage rate, and it also includes an adequate prudence premium.

The provision for insurance benefits covers insured events that have been reported but not yet settled by the balance sheet date (RBNS), insured events incurred but not reported (IBNR), and includes a consideration of foreseeable events. The provision will be set up based on estimating individual insurance benefits for RBNS. In the case of IBNR events, provisions are set up using actuarial methods. The IBNR provision for riders is calculated from triangular schemes of insurance benefits paid so far, using the Chain–Ladder method. There-fore, is also includes the provision for insured events that have been:

a) already settled but are about to be reopened;

b) reported but the information available is not sufficient enough to determine the adequate amount of pro-vision – this provision is called IBNER (eng. Incurred But Not Enough Reported) and is included in RBNS.

Provisions for insurance benefits paid in the form of rent are discounted.

Technical provision for life insurance

The technical provision for traditional life insurance is made up of the sum of provisions calculated from indi-vidual life insurance contracts using the prospective mathematical method. The Zillmer adjustment up to the amount of acquisition costs charged in the premium was used. The Zillmer method for calculating life insur-ance provisions amortizes acquisition costs over the term of the insurance contract. Amortization is carried out up to the amount of expenses calculated. Negative values are zeroed. The Company used the same mortality tables, incident rates, guarantees, and expenses which were used by pricing the premium at incep-tion of the contract. The provision is increased by distributed and declared profits.

The provision for administrative costs is assessed for each insurance contract separately using the prospec-tive method, taking into account future expenses and future income for covering administrative costs. When calculating the provision, the same assumptions are used as those for determining insurance rates.

The technical provision for the variable capital life insurance is determined for each insurance contract sepa-rately as the total capital value (premium paid, net of all related deductions, increased by the technical inter-est rate) of this contract at the balance sheet date.

The provision includes deferred liabilities from insurance contracts with discretionary participation features (DPF) in accordance with the so-called shadow accounting.

Provision for covering the risk in the name of the insured (unit linked)

The provision has been set up for insurance contracts linked to investment funds. It is increased by the pre-mium subsequently paid, net of acquisition costs, and reduced by administrative charges, the risk premium, and any withdrawals. The provision is recalculated based on changes in unit prices.

Amounts ceded to reinsurers from insurance provisions are determined in accordance with the criteria ap-plied for direct insurance.

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

b) Non-life insurance provisions

Unearned premium reserve

The unearned premium reserve is set up for all valid contracts and is calculated, using the pro-rata temporis method, as the total sum of that part of the gross written premium that relates to the unexpired risk at the balance sheet date.

Provision for insurance claims

The provision for insurance claims represents an estimate of total expenses for insurance claims that result from insured events incurred by the end of the accounting period. It relates only to those insured events the settlement of which has not been completed by the balance sheet date, regardless of whether or not they have been reported. The estimate is reduced by amounts already paid that relate to damages stated above. The estimate of an insurance claim is increased by the related internal a external loss adjustment expenses.

The provision for insurance claims covers insured events that have been reported but not yet settled by the balance sheet date (RBNS), insured events incurred but not reported (IBNR), and includes a consideration of foreseeable events. The provision will be set up based on estimating individual insurance claims for RBNS. In the case of IBNR events, provisions are set up using actuarial methods. The IBNR provision for riders is cal-culated from triangular schemes of insurance benefits paid so far, using the Chain–Ladder method. There-fore, is also includes the provision for insured events that have been:

a) already settled but are about to be reopened;

b) reported but the information available is not sufficient enough to determine the adequate amount of provision – this provision is called IBNER (eng. Incurred But Not Enough Reported) and is included in RBNS.

Provisions for insurance benefits paid in the form of rents are discounted.

Provision for settling liabilities to the Slovak Insurers' Bureau

The Company has set up a provision for settling liabilities to the Slovak Insurers' Bureau due to claims from insured events incurred within the compulsory motor third-party liability insurance. Details are set out in Note 3.1.

2.14 Receivables and payables resulting from insurance contracts

Receivables and payables resulting from insurance contracts include amounts due from and due to policy holders, agents, and brokers. If objective indicators exist that the receivables arising from insurance contracts are impaired, the Company adequately reduces their carrying amount and recognizes the impairment loss in the income statement. (Note 2.17). These processes are described in Note 2.17.

2.15 Deposits from reinsurers

This item includes deposits received from reinsurers from the ceded direct insurance business, mainly due to the reinsurer's share on the Company's technical provisions. Reinsurers provide deposits to meet their con-tractual obligations and to participate in cases of major claims or in reinsurance of large insurance portfolios. These deposits are primarily recognized according to contractual conditions reflecting the reinsurer's share in the business ceded. Interest on these deposits is recognized in the income statement as interest expense on the amortized cost basis, using the effective interest method.

2.16 Revenue recognition

a) Income from fees and commissions

Reinsurance commissions and profit shares from reinsurers include commissions received from reinsurers, receivables from reinsurarers resulting from reinsurance commissions, and the share in profit resulting from reinsurance contracts. Reinsurance commissions from non-life insurance are accrued in the same way as the unearned premium ceded to reinsurers.

A reinsurance commission is recognized in the same way as costs incurred for the acquisition of the respec-tive reinsurance contracts in accordance with the reinsurance terms and conditions effective for the respec-tive year (see Note 2.3.4). The profit commission related to reinsurance contracts is accrued.

b) Interest income and interest expenses

Interest income and interest expenses for all interest-bearing financial instruments, including those stated at fair value through profit or loss, are recognized within income from financial investments, using the effective interest method.

c) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.17 Impairment of assets

a) Financial assets carried at amortized cost

At each balance sheet date, the Company assesses whether there is any objective indication that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is recognized only if there is an objective indication of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or those lost events) has (have) an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. An objective indication that a financial asset or a group of financial assets is impaired includes the following:

- significant financial problems of the debtor or issuer;
- a breach of contractual conditions, such as a default or delinquency in payments;
- a creditor, due to legal or economic reasons related to the debtor's financial problems, gives the debtor a discount which was originally not meant to be provided;
- it becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganization;
- termination of the active market for the given financial asset due to financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be matched to individual financial assets in the group, including:
  - adverse changes in the solvency of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective indications of impairment exist individually for financial assets that are significant. If the Company concludes that no objective indications of impairment exist for an indi-vidually assessed financial asset, whether significant or not, it includes the asset in a group of financial as-sets with similar credit risk characteristics (categorized by asset type, industrial sector, territory, maturity, and similar relevant factors) and collectively assesses them for impairment. Assets that were individually as-sessed for impairment and for which an impairment was identified are not included in a collective assessment of impairment.

Future cash flows in a group of financial assets that are collectively assessed for impairment are estimated on the basis of contractual cash flows from the Company's assets and historical loss experience for the Company's assets with similar credit risk characteristics. Historical loss experience is adjusted based on cur-rent observable data to reflect the effects of current conditions that did not affect the period the historical loss experience is based on and to remove the effects of conditions in the historical period that do not exist any more.

If there is an objective indication that an impairment loss has been incurred on loans and receivables or in-vestments held to maturity, the amount of the loss is measured as the difference between the asset's carry-ing amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by using a valuation allowance account, and the loss is recognized in the income statement. If an investment held to maturity or a receivable or a loan has a

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floating interest rate, then the discount rate for measuring any impairment loss is determined as the current contractual interest rate. The Company may also determine the amount of the impairment loss as the difference between the financial asset's fair value set on the basis of its market price and financial asset's carrying amount.

If, in a subsequent period, the amount of the impairment loss decreases and this decrease is objectively re-lated to an event that had occurred after the impairment was recognized (such as improved credit rating of the debtor or issuer), the reported impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

b) Financial assets carried at fair value

The Company assesses at each balance sheet date whether there is an objective indication that a financial asset is impaired. In the case of equity securities classified as available for sale, a prolonged or significant diminution in the fair value of the security below its cost is taken into account. If any such evidence exists for financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in profit or loss – is removed from valuation variances in equity and recognized in the income statement. Impairment losses on equity instruments that are recognized in the income statement are not reversed to the income statement. The impairment loss on debt securities is reversed through the income statement if, in a subse-quent period, the fair value of a debt instrument increases and this increase objectively relates to an event that had occurred after the impairment loss was recognized in profit or loss.

c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not amortized; however, they are tested for impairment every year. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing im-pairment, assets are grouped at the lowest levels for which separately identifiable cash flows (cash-generating units) exist. Impaired non-monetary assets other than goodwill are reviewed at each balance sheet date to establish whether or not the impairment can be reversed.

2.18 Insurance and investment contracts – classification and measurement

significant insurance risk. Such contracts may also transfer financial risk. The Com-pany defines as a significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Invest-ment contracts are those contracts that transfer financial risk with no significant insurance risk. Shadow ac-counting is applied to insurance contracts with DPF.

Life insurance contracts with fixed and guaranteed terms

A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

(a) that are likely to be a significant portion of the total contractual benefits;

(b) whose amount or timing is contractually at the discretion of the Company; and

(c) that are contractually based on:

- (i) the performance of a specified pool of contracts or a specified type of contract;
- (ii) realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
- (iii) the profit or loss of the Company, fund or other entity that issues the contract.

A portion of additional DPF is considered significant based on the fact that additional benefits constitute a significant portion of all contractual payments. DPF is part of insurance liabilities.

a) Recognition and measurement

Insurance contracts are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Non-life insurance contracts

These contracts include casualty, property, and personal insurance contracts, in general called non-life in-surance.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third par-ties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for individual and business customers who become liable to pay compensation to a third party for bodily harm, or property or other damage.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Personal insurance contracts protect the Company's customers from the consequences of events (such as accidental death or disability) that would affect on the ability of the customer or his/her dependants to main-tain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the pe-riod of coverage.

Claims and loss adjustment expenses are charged to the income statement when incurred, based on the estimated liability for compensation owed to contract holders or third parties damaged by contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims, except for insurance claims paid in the form of rent.

Life insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (such as death or survival) over a long period of time. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Insurance benefits are recorded as an expense when incurred.

The liability is determined as the sum of the expected discounted value of insurance benefit payments and future administrative expenses that are directly related to the contract, less the expected discounted value of theoretical premiums that would be required to meet the benefits and administrative expenses based on the valuation assumptions used (the valuation premiums). The liability is based on such assumptions as mor-tality, incident rate, administrative expenses and investment income that are established at the time the con-tract is issued. Liabilities are recalculated at each balance sheet date, using assumptions established at in-ception of the contracts.

Claims and loss adjustment expenses are charged to the income statement when incurred, based on the estimated liability to provide compensation owed to policy holders or beneficiaries. They include direct and indirect claims settlement costs, and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

Universal capital life insurance contracts contain a minimum guaranteed interest rate per annum (between 2.4% and 6%). These contracts also contain DPF, giving the policyholder the right to participate in the in-vestment income exceeding the minimum guaranteed interest rate in the form of a share in the profits. The decision about the participation rate and the share in the profits for the year lies with the Company. The Company's management decides on profit distribution for the current year based on the achieved investment income for the year, and this decision is at its full discretion. The share in the profits for the current year is announced (so far, not officially distributed) to policyholders, and an appropriate provision for the share in profits is set up at each balance sheet date. The share in the profits is credited to individual policies during the next calendar year, as long as the policy is still active at the time of crediting.

According to the decision of the Company's Board of Directors, the share in the profits will be credited to the policies of the acquired clients of ČPS at 31 December of the current year. This credited share in the profits is guaranteed to the client – it is paid out in full when the policy is terminated after the insurance term is over and is paid out at 80% when the policy is terminated before the insurance term is over. For T3 products, the share in the profits is credited in a way to keep the policyholder's percentage in the additional profit (yield from investing mathematical provisions, net of the technical interest rate as the guaranteed income and all investment-related costs) at a level of at least 85%.

Life insurance contracts linked to investment funds (unit-linked)

These contracts insure events associated with human life (such as death or survival) over a long duration.

Insurance premiums are recognized directly as liabilities.

Liabilities are increased by premiums received and decreased by management charges, policy administration fees, mortality and surrender charges, and any withdrawals. At the balance sheet date, they are adjusted for the change in the unit prices.

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The provision for these contracts includes any amounts necessary to compensate the Company for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total benefit claims in excess of the contract account balances in each period. Therefore, no additional provision is established for these claims.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an investment fund set up by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract; therefore, it is not accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets. Fair value techniques are used to determine the fair value at inception and each reporting date. The Company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined by Company's unitized investments funds linked to the financial liability, multi-plied by the number of units attributed to the contract holder at the balance sheet date.

b) Embedded derivatives

Certain derivatives embedded in insurance contracts are treated as separate derivatives when their eco-nomic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

The Company does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative.

c) Liability adequacy test

At each balance sheet date, a liability adequacy test in non-life insurance is performed by comparing the expected values of claim payments and expenses relating to the remaining period of active contracts and the unearned premium from these contracts, net of deferred acquisition costs. The amount of expected cash flows from claim payments and expenses is estimated based on the claims development for the elapsed period of the contract, and is adjusted for significant individual claims, a repeated occurrence of which is not expected. If the test shows that provisions are insufficient, the related deferred acquisition costs are written off in the income statement and, if necessary, an additional provision for unexpired risks is set up.

A liability adequacy test is performed for product groups that include insurance contracts with similar risk profiles.

For annuities, the assumptions used in calculating the provision include all future cash flows, and changes are immediately recognized in the income statement.

When assessing the adequacy of provisions in non-life insurance, the result of a run-off test, in which the initially estimated amounts (RBNS and IBNR) of total claim payments are compared with actual claim pay-ments, is also taken into account. Based on the run-off test, it is possible to assess the adequacy of the esti-mated provisions in the past and the accuracy of estimates used in preparing financial statements for previous years.

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of contractual liabilities after deducting the related DAC. In performing these tests, current best estimates of future contrac-tual cash flows, claim adjustments and administrative expenses, as well as investment income from assets backing such liabilities, are used. Any insufficiency is immediately charged to the income statement, initially by writing off DAC and subsequently by setting up a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot be subsequently reinstated.

The Company performs the liability adequacy test separately for individual life insurance product groups. Any sufficiency or deficiency between these groups is not compensated.

As set out in (a) above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities.

2.19 Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.20 Employee benefits

Short-term employee benefits

Short-term employee benefits that arise for the services provided by employees to the Company, are ac-counted for at their nominal value and are recognized as personnel costs in the income statement. Short-term employee benefits include salaries, salary compensations for holidays, etc.

Defined contributions plans

The Company classifies pension-related employee benefits as defined contribution plans.

During the year, the Company pays contributions to the mandatory health, sickness, old-age, and injury in-surance, and to the guarantee fund and unemployment insurance fund at an amount determined by law, i.e. at 35.2% (2007: 35.2%) of gross salaries up to the amount of the monthly salary, which is determined by the relevant legal regulations. The employee contribution is another 13.4% (2007: 13.4%). Costs of the contribu-tions are recognized in the income statement in the same period as the related wages and salaries.

Defined benefit plans

Furthermore, provision for defined benefit plans is included, such as termination benefit liabilities and other employee benefits. They are measured according to the Projected Unit Credit Method (IAS 19), which implies that the defined benefit liability is influenced by many variables, such as mortality, employee turnover, salary trends, expected inflation, expected rate of return on investments, etc. The liability recognized on the balance sheet represents the net total amount of the present value of the defined benefit obligation. The rate used to discount future cash flows is determined by reference to market yields at the balance sheet date on high-quality bonds. The actuarial assumptions are periodically tested to confirm their consistency.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retire-ment date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the em-ployment of current employees according to a detailed formal plan without possibility of withdrawal; or provid-ing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the Company's shareholders approve the profit distribution and the dividend amount.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the Company's shareholders approve the profit distribution and the dividend amount.

2.22 Business combinations involving entities under common control

The acquisition of a subsidiary from entities under common control is accounted for in line with the predeces-sor's accounting value method. Under this method, the financial statements of the merged Company are shown as if the companies were merged from the very beginning of the earliest comparable period shown or at the date on which the merging company came under common control, if this date was later. Assets and liabilities of the company which came under common control are shown at values that were shown in the predecessor's accounting records. The predecessor is considered to be the ultimate consolidating company stated in the financial statements in which the merging company was consolidated under IFRS. The related goodwill and VOBA recognized in the original acquisition of the merging company by the predecessor are also shown in these financial statements. Any difference between the carrying values of equity, including that of the predecessor, and the cost of the acquisition, is recognized in these financial statements as an adjust-ment of retained earnings in equity.

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3. Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and uses assumptions that affect the reported amounts of assets and liabili-ties in the following accounting periods. Estimates and judgments are continually revaluated based on his-torical experience and other factors, including expectations of future events that are believed to be reason-able. Significant estimates and assumptions, where there is a risk of significant adjustments to the book value of assets and liabilities during the following accounting period, are described below.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

Before 1 January 2002, motor third party liability insurance (MTPL insurance) was provided solely by Slovenská poisťovňa, a.s., which administrated all contracts and set up technical provisions for that purpose. After 1 January 2002, all rights and obligations under § 28, Section 3 of Act No. 381/2001 Coll. were trans-ferred to the Slovak Insurers' Bureau ("SIB") together with the related technical provisions. However, Slovenská poisťovňa, a.s. had not set up sufficient provisions for liabilities from the compulsory MTPL insur-ance. In 2005 and 2007, the audit company Deloitte performed an audit of the MTPL provisions, and esti-mated the deficit to be between SKK 3.8 and SKK 4.6 billion. Estimates approved or acknowledged by SIB members were used for determining the amount of the provision, which has been calculated based on the average amount of the estimated deficit (using estimates made in previous years) and a long-term estimation of the Company's MTPL market share.

Despite the updated estimate of the amount of the deficit, there is still an uncertainty related to court deci-sions and the lack of reliable data about the future development in insurance claims resulting from the com-pulsory MTPL insurance.

In this connection, the Company booked a technical provision ("MTPL provision") of SKK 397 million (2007: SKK 130 million). The MTPL provision is reviewed at each balance sheet date and is reduced by the contri-bution made by all participants during the year.

Estimate of future insurance benefits from long-term insurance contracts

At the balance sheet date, the liability adequacy test was performed for long-term insurance contracts. Liabili-ties arising from long-term life insurance contracts with fixed and guaranteed terms were estimated as the discounted future cash flow under the current estimate increased by the safety margin.

An estimate of future payments and benefits arising from long-term insurance contracts, as well as the sensi-tivity analysis of risks arising from insurance contracts, are shown in table 4.1.

Impairment of securities available for sale

The Company concludes that securities available for sale are impaired when there has been a significant or long-term diminution in their fair value below their cost. The assessment when a significant or long-term di-minution in the fair value occurred requires the use of estimates. The Company assesses, among other fac-tors, the volatility in security prices, the financial performance of companies, the industry and sector perform-ance, changes in technology, and operational and financing cash flows. To consider impairment may be ap-propriate when there is objective evidence that the financial performance of companies or the industry and sector performance have deteriorated, when changes in technology occurred, and operational and financing cash flows have worsened.

Receivables from recourses not claimed

Since 1 January 2008, the Company has changed the accounting policy (Note 2.1) regarding receivables from recourses and uses mathematical and statistical techniques (Chain-Ladder) when calculating the ex-pected recourses. Using the Chain-Ladder method, an extrapolation of all recourses received was made to get an estimate of total recourses received.

Current volatility on global financial markets

The ongoing global liquidity crisis which started in the middle of 2007 has produced many results, including lower funding of capital markets, reduced liquidity in the Slovak banking sector and sometimes higher inter-banking interest rates, and a very high volatility in local and

international stock markets. Uncertainties in global financial markets also led to the collapse of banks and subsequent interventions aimed at remedying banks in the United States and Western Europe. To predict the total impact of the ongoing financial crisis and to protect companies against it appears impossible.

These circumstances may affect the Company's ability to acquire new financial assets under conditions applied in similar transactions in the past. Issuers of financial assets held by the Company may also be affected by a lower liquidity level that may subsequently influence their ability to settle the outstanding debt. Deteriorating operational conditions of issuers may also have an impact on the management's assumptions concerning cash flows and on evaluating impairment of financial and non-financial assets. When assessing impairment, management has reviewed the expected future cash flows based on the information available.

The Company's management is not able to reliably evaluate either the impact of further liquidity deterioration on financial markets or the impact of a higher volatility on currency and stock markets. Management believes that all steps are being undertaken to support the Company's sustainable growth under current conditions.

4. Risk management

Risk management is a core element of the Company's business, fully integrated into management decisions, thus enhancing the Company's risk-weighted performance. Risk management processes consist of the iden-tification and valuation of risks, along with the definition of risk-weighted goals. Then, corrective actions are identified, evaluated, and finally implemented. In 2008, risk management processes were further integrated due to better capital allocation, consistently with risk-weighted goals. The integration itself should optimize risk-weighted performance.

In general, the Company's risk management is in line with the risk management policy of the Generali Group. Therefore, risk management of the Generali Group serves as a framework for local risk management.

Risk management policies

The Generali Group business model is based on the full accountability of managers in each country. Risk management policies are defined and managed at a local level to ensure the adequacy of specific risk-bearing sources. However, the Generali Group adopts a common set of policies and minimum requirements binding for all group companies to ensure an appropriate level of control, highlight potential synergies across different countries, and avoid any unexpected growth of the overall risk exposure.

Priorities in risk management programmes

Risk management activities contribute to the objective of managing corporate performance on a risk-weighted basis in all companies of the Generali Group. The basis of the system has already been imple-mented but the complexity of the implementation process requires that the following priorities are set:

- to improve the reliability of valuation parameters for the economic capital risks, based on internal models;

- to harmonize asset-liability management ("ALM") approaches adopted at all organizational levels within the Generali Group; and

- to improve the approach to identify, measure, and evaluate operational risks.

Due to its insurance activities, the Company is naturally exposed to several types of risks, which are related to movements on financial markets, to the adverse development of insurance risks, both in the life and non-life business, and generally to all the risks that affect the ongoing organized economic operations. These risks can be grouped in the following five main categories which will be analysed later: market risk, liquidity risk, credit risk, insurance risk, and operational risk.

4.1 Insurance risk

Insurance risk is analysed for both life and non-life insurance business.

The risk of insurance contracts relates to the fact that it is not clear whether or when an insurance event will occur, or how big the related claim will be. It is evident from the nature of an insurance contract that such risk is incidental and cannot be predicted.

For the portfolio of insurance contracts where the probability theory is applied to pricing and provisioning, the main risk the Company is exposed to is that the amount of insurance claims or benefits may be higher than the related insurance liabilities. This may occur if the number

or significance (as to the amount of insurance claim) of insured events actually occurred is higher than originally assumed. Insured events are random and the actual number and amount of claims and benefits vary every year from the level calculated using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its own insurance underwriting strategy to diversify the type of insurance risks accepted, and has worked within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors increasing the insurance risk include insufficient diversification of risk in view of its type and size, geographical location, and the type of the industrial sector.

Written premiums for life and non-life insurance are generated from insurance policies concluded in Slovakia. The insurance risk is concentrated in Slovakia as well.

4.1.1 Life insurance risk

The Company's life insurance portfolio comprises long-term insurance contracts with fixed and guaranteed terms, long-term contracts with fixed terms linked to investment funds, short-term bank assurance contracts, and short-term group life assurance contracts. In this portfolio, except for the bank assurance portfolio and group contracts, saving contracts are prevailing, but it also includes contracts that cover the insurance risk only (death plus riders, such as accident, permanent disability, a serious illness, etc.).

The risks related to policies with guaranteed terms are taken into account when setting prices; guaranteed terms have been set in a prudential way. As far as the demographic risk related to pure risk portfolios is con-cerned, mortality tables are used prudentially when setting prices. The standard approach is the usage of adequate safety loadings. Aggregate valuation of mortality and other risks developed within the annual Em-bedded Value analysis shows that mortality and other risk assumptions used in pricing have been sufficient. There is a particular emphasis on underwriting new contracts, covering the assessment of both medical and financial aspects. Standard underwriting manuals, forms, as well as medical and financial underwriting re-quirements have been established both for death covers and riders. To mitigate mortality risk and risks from riders, maximum insurability levels and consistent policy conditions, especially regarding policy exclusions, have been set. Reinsurance is another feature for mitigating mortality and morbidity risk.

The tables below show the concentration of insurance risk within five groups of insurance benefits per indi-vidual life insurance. Insurance benefits are shown in gross amounts and net of reinsurance.

Before reinsurance

Sum at risk at the end of 2008	Life insurance – capital		Life insurance –risk		Life insurance –unit-linked		Total	
	Sum at risk	No. of policies	Sum at risk	No. of policies	Sum at risk	No. of policies	Sum at risk	No. of policies
0 - 200	8,026,504	135,509	5,216,701	91,912	6,668,716	62,370	19,911,922	289,791
200 - 400	3,927,823	13,602	2,503,979	8,739	2,290,551	61,978	8,722,353	84,319
400 - 800	2,488,569	4,580	2,685,292	4,733	1,783,982	6,300	6,957,843	15,613
800 - 1,000	751,679	808	1,139,567	1,260	826,915	2,103	2,718,161	4,171
Over 1,000	847,781	570	3,719,694	2,400	1,214,306	894	5,781,781	3,864
TOTAL	**16,042,356**	**155,069**	**15,265,233**	**109,044**	**12,784,470**	**133,645**	**44,092,059**	**397,758**

After reinsurance

Sum at risk at the end of 2008	Life insurance – capital		Life insurance –risk		Life insurance –unit-linked		Total	
	Sum at risk	No. of policies	Sum at risk	No. of policies	Sum at risk	No. of policies	Sum at risk	No. of policies
0 - 200	8,026,504	135,509	5,216,701	91,912	6,668,716	62,370	19,911,922	289,791
200 - 400	3,927,823	13,602	2,503,979	8,739	2,290,551	61,978	8,722,353	84,319
400 - 800	2,488,569	4,580	2,685,292	4,733	1,783,982	6,300	6,957,843	15,613
800 - 1000	751,679	808	1,139,567	1,260	826,915	2,103	2,718,161	4,171
Over 1,000	845,251	570	333,211	2,400	1,188,518	894	2,366,980	3,864
Total	**16,039,826**	**155,069**	**11,878,750**	**109,044**	**12,758,682**	**133,645**	**40,677,258**	**397,758**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Before reinsurance

Sum at risk at the end of 2007	Life insurance – capital		Life insurance –risk		Life insurance –unit-linked		Total	
	Sum at risk	No. of policies	Sum at risk	No. of policies	Sum at risk	No. of policies	Sum at risk	No. of policies
0 - 200	2,143,266	32,138	3,755,880	77,711	2,047,137	38,778	7,946,283	148,627
200 - 400	1,817,638	6,530	1,269,432	4,436	1,698,436	6,016	4,785,505	16,982
400 - 800	882,102	1,698	1,555,045	2,741	1,160,277	2,218	3,597,424	6,657
800 - 1,000	210,110	235	733,674	817	265,575	285	1,209,359	1,337
Over 1,000	217,685	153	3,526,614	1,518	369,237	248	4,113,537	1,919
TOTAL	**5,270,802**	**40,754**	**10,840,645**	**87,223**	**5,540,661**	**47,545**	**21,652,107**	**175,522**

After reinsurance

Sum at risk at the end of 2007	Life insurance – capital		Life insurance –risk		Life insurance –unit-linked		Total	
	Sum at risk	No. of policies	Sum at risk	No. of policies	Sum at risk	No. of policies	Sum at risk	No. of policies
0 - 200	1,071,633	32,138	1,877,940	77,711	1,023,568	38,778	3,973,142	148,627
200 - 400	908,819	6,530	623,635	4,436	849,218	6,016	2,381,672	16,982
400 - 800	441,051	1,698	710,073	2,741	580,138	2,218	1,731,262	6,657
800 - 1000	105,055	235	265,849	817	132,787	285	503,691	1,337
Over 1,000	83,706	153	546,757	1,518	163,858	248	794,321	1,919
TOTAL	**2,610,264**	**40,754**	**4,024,254**	**87,223**	**2,749,570**	**47,545**	**9,384,088**	**175,522**

For policies with an annuity option, no guarantee is allowed to determine the annuity that will be paid in the future.

Lapse risk (risk related to a voluntary withdrawal from the insurance contract) and expense risk (risk related to inadequate charges and loadings in premiums to cover future expenses) are evaluated in a prudential manner when setting prices for new products, and are taken into account when generating and testing profit based on new tariff assumptions derived either from the Company's experience or, if this experience is not sufficiently reliable or suitable, from the experience of other entities of the Generali group.

To mitigate lapse risk, surrender penalties are generally included in the tariff and are set to compensate, at least partially, the loss of future profits.

Risk sensitivity analysis

Mortality risk	2008		2007	
	Sum of liabilities from the adequacy test	Provision insufficiency	Sum of liabilities from the adequacy test	Provision insufficiency
Present value	2,800,156	98,531	1,263,888	4,004
Mortality +10% shift	2,823,860	99,390	1,269,581	3,994
Mortality - 10% shift	2,776,341	97,695	1,258,174	4,015

Lapse risk	2008		2007	
	Sum of liabilities from the adequacy test	Provision insufficiency	Sum of liabilities from the adequacy test	Provision insufficiency
Present value	2,800,156	98,531	1,263,888	4,004
Gradient +25% shift	2,859,299	106,381	1,278,376	3,687
Gradient - 25% shift	2,738,133	91,170	1,247,670	4,327

Expense risk	2008		2007	
	Sum of liabilities from the adequacy test	Provision insufficiency	Sum of liabilities from the adequacy test	Provision insufficiency
Present value	2,800,156	98,531	1,263,888	4,004
Expenses +10% shift	2,888,885	54,109	1,293,883	4,221
Expenses - 10% shift	2,738,133	173,293	1,233,839	3,788

The liability adequacy test for long-term insurance contracts was performed at the balance sheet date. Future liabilities arising from long-term life insurance contracts with fixed and guaranteed terms were estimated as the discounted future cash flow from the current estimate increased by the safety margin.

Recent historical experience of mortality and the analysis of insured events related to riders showed that mortality and risk incident rates used for the last liability adequacy test (LAT) were overestimated; as a con-sequence, mortality and risk incident rates were decreased from 50% - 70% to 40% of the last generation mortality or the incident tables used for setting prices of new products. If the number of deaths or other life-connected risks varies by more than 10% in the future, this change in assumptions will have minor impact on the LAT result, as it is described above.

The lapse rates used for calculating future cash flows were based on the recent historical analysis of these rates up to the first eight years from the beginning of the insurance. As no historical data was available for the later years, the data from the parent company was used. The lapse rates depend on the type of product, the distribution channel, and the manner of premium payments. If the number of surrenders or payments in future years differs by 25%, this change in assumptions will have minor impact on the LAT result, as it is described above.

4.1.2 Non-life insurance risk

The underwriting risk may be split in two components: the price risk and the reserve risk.

The price risk is linked to the possibility that premiums collected from policyholders could be insufficient to cover future claims and expenses. The Company constantly monitors the possibility that, in the event of an extreme scenario (such as major damage caused by a disaster), the total amount of claims remains within acceptable limits.

The reserve risk is linked to claims experience. The Company uses the Chain-Ladder method to estimate claims.

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Exposure to disasters and reinsurance coverage

In case of natural disasters occurring as a result of specific geographical circumstances, the Company ac-quires suitable reinsurance protection, the level and economic profitability of which is determined by specific criteria.

Contractual reinsurance (also known as compulsory reinsurance) is based on economic profitability param-eters and on its capability to keep volatility within acceptable limits. All methods are analysed and the most suitable reinsurance programmes are adopted, thus granting adequacy, appropriateness, and expected profitability.

Facultative reinsurance (known as non-contractual reinsurance) is used for those insurance groups for which risk exposure exceeds the retention set. The Company has no permission to cover risks outside the Generali Group guidelines that have been adopted in setting up the reinsurance structures, and to expose the Generali Group to a limit higher than the established retention for each line of business.

Underwriting policy

The Company's underwriting policy covers all types of insurance, with a special focus on individuals and small or medium-sized business and commercial lines within the non-life segment.

The focus is mainly on products with low or medium-sized volatility. The underwriting guidelines are characterized by particular prudence related to emerging risks, with a systematic exclusion of guarantees concerning asbestos.

Reserve risk

The second component of the underwriting risk is the reserve risk, which is the risk that the actuarial reserve will not be sufficient to cover all liabilities arising from claims incurred.

The claim development table in the non-life environment shows the ultimate cost of claims by accident year and its development from 2004 to 2008. The ultimate cost includes paid losses, the remaining provisions for losses reported, and the estimated provisions for IBNR claims. The amounts are shown net of reinsurance, ULAE, and recourse claims. ULAE are unallocated loss adjustment expenses that are not claim-file specific but are calculated en masse.

The difference between the ultimate cost of claims and cumulative claims paid for 2008 determines the claims provision related to accident years from 2004 to 2008. The total provision on the balance sheet can be obtained by adding a residual claim provision that includes almost entirely accident years not shown in the development triangle to the provision stated above.

	2004	2005	2006	2007	2008	Total
Estimate of ultimate cumulative claim costs:						
at the end of the accident year	555,453	454,606	547,637	537,159	2,647,146	
one year later	371,237	397,254	499,052	1,877,216	-	
two years later	350,393	352,571	1,616,038	-	-	
threes years later	342,995	1,494,319	-	-	-	
four years later	1,327,888	-	-	-	-	
Estimate of ultimate cumulative claim costs at 31 December 2008	**1,327,888**	**1,494,319**	**1,616,038**	**1,877,216**	**2,647,146**	**8,962,606**
Cumulative payments at 31 December 2008	(1,245,976)	(1,350,816)	(1,424,403)	(1,591,062)	(1,643,152)	(7,255,409)
Provision shown on the balance sheet	**81,912**	**143,503**	**191,635**	**286,154**	**1,003,993**	**1,707,197**
Residual provision						117,129
Total provision shown on the balance sheet				**1,824,326**		**1 824 326**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

4.2 Financial risk

The Company is exposed to financial risk through its insurance contracts, financial assets, provisions resul-ting from insurance contracts, and the reinsurer's share in provisions resulting from insurance contracts. The most important financial risk components are credit, liquidity, and market risks. Market risk includes currency, interest, and price risks.

4.2.1 Market risk

i) Price risk

Price risk is a risk that the fair value of, or future cash flows from, a financial instrument will fluctuate as a result of changes in market prices (other than changes resulting from interest rate or currency risks), regard-less of whether these changes are caused by factors specific to the particular financial instrument or by fac-tors that affect all similar financial instruments traded in the market. The Company's price risk results from investments into securities, the fair value of which is affected by the development on the capital or financial markets.

Unexpected movements in prices of shares, currencies, and risk-free rates may adversely affect the market value of the Company's investments. These assets are invested with the objective to meet obligations to-wards policyholders in life and non-life insurance and to generate revenues for shareholders. The same changes may affect the present value of insurance liabilities.

The Company manages price risk (other than interest rate and currency risks) by applying the principle of risk diversification, focusing on the issuer's credit risk and on liquidity risk.

	Impact on Profit/(loss)	Impact on Equity
Balance at 31 December 2008		
Price change	-/+10%	-/+10%
Profit or loss	-/+6,916	-/+674,411
Balance at 31 December 2007		
Price change	-/+10%	-/+10%
Profit or loss	-	-/+311,619

ii) Interest rate risk

Managing the interest rate risk

The Company monitors and regularly evaluates the development of market interest rates and their impact on the portfolio value. It analyses the mismatch between its assets and liabilities; based on this analysis, it de-termines the investment strategy to eliminate this mismatch. The Company analyses interest rate risk mainly by performing the duration analysis, and also regularly performs an ALM analysis of whether technical provi-sions are sufficiently covered by assets, by modelling the development of market interest rates (at least once a year). Depending on the type of liabilities that the asset portfolios are linked to, the Company invests mainly into securities with a fixed or variable coupon and different maturities.

The Company monitors the sensitivity of assets and liabilities to interest rates in the form of the basis point value (BPV – it is a change in value with a simultaneous increase of the yield curve by 0.01%), and subse-quently uses financial instruments sensitive to interest rates (including derivatives) for managing. When man-aging interest rate risk, the Company focuses on the "embedded value".

At the end of 2008, financial investments in bonds, shares, and mutual funds totalled SKK 8,388,103 thou-sand (2007: SKK 4,010,539 thousand). The tables below show the impact on equity and profit/(loss) in con-nection with the sensitivity of both life and non-life portfolios, by shifting the yield curve by +/-100 bps.

Investments into shares amounting to SKK 468,882 thousand (2007: SKK 13,777 thousand) and investments into mutual funds of SKK 1,987,591 thousand (2007: SKK 894,347 thousand) are not affected by interest rate risk. Therefore, we present sensitivity analysis only for investments into bonds.

Interest rate sensitivity

Total impact – portfolio of bonds available for sale	2008	2007
Present value	6,275,233	3,102,415
+ 100 bps shift	5,963,879	2,950,520
- 100 bps shift	6,586,586	3,269,128
Impact on equity	**2008**	**2007**
+ 100 bps shift	(329,572)	(152,330)
- 100 bps shift	329,572	167,147
Impact on profit/(loss)	**2008**	**2007**
+ 100 bps shift	18,220	435
- 100 bps shift	(18,220)	(435)

Total impact – portfolio of bonds at fair value through profit or loss	2008	2007
Present value	69,163	-
+ 100 bps shift	70,060	-
- 100 bps shift	68,266	-
Impact on equity	**2008**	**2007**
+ 100 bps shift	897	-
- 100 bps shift	(897)	-
Impact on profit/(loss)	**2008**	**2007**
+ 100 bps shift	897	-
- 100 bps shift	(897)	-

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Interest rate sensibility of life insurance liabilities

	2008		2007	
	Sum of liabilities from the adequacy test	Provision insufficiency	Sum of liabilities from the adequacy test	Provision insufficiency
Present value	2,800,156	98,531	1,263,888	4,004
Discount + 100 bps shift	2,331,147	54,109	1,098,440	1
Discount - 100 bps shift	3,393,238	173,293	1,462,086	19,769

Discounting future cash flows arising from long-term contracts was based on swap rates ranging from 4.300% to 4.895% at the reporting date, decreased by a safety margin of 0.25 bps. Values not available at the reporting date were estimated by using the Nelson–Siegel method. If swap rates are impaired by 1%, the inadequacy of provisions should change from SKK 4,004 thousand to SKK 19,769 thousand.

iii) Currency risk

The Company is exposed to currency risk as a result of transactions in foreign currencies, as well as assets and liabilities denominated in foreign currencies.

At 31 December 2008, the value of assets denominated in foreign currencies totalled SKK 1,406,211 thou-sand (2007: SKK 1,242,115 thousand) and the value of liabilities denominated in foreign currencies amounted to SKK 9,690 thousand (2007: SKK 12,117 thousand).

The Company's major engagement exists towards issuers of securities seated in Europe and the United States. Assets are denominated in the Euro, the American dollar, the Czech crown, and the Hungarian forint.

The Company monitors and manages currency risk on a daily basis. Using short-term derivative financial instruments (currency swaps), the Company hedges significant positions in foreign currencies to Slovak crowns, thus eliminating currency risk. Gains/losses on assets due to foreign exchange differences are offset by losses/gains from currency derivatives. The net impact of changes in foreign exchange rates compared to the Slovak crown on the Company's profit/(loss) is therefore insignificant.

Balance at 31 December 2008

Currency	USD	CZK	HUF
Change in the exchange rate	-10 %	-10 %	-10 %
Gain/Loss	(23,089)	(35,146)	(6,079)

At 31 December 2007, the Company was not exposed to significant currency risk.

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

4.2.2 Liquidity risk

The Company's objective is to balance the maturity structure of fixed-yield investments to manage liquidity risk on the asset side. Certain assets, about 10%, are invested into term deposits with an average maturity of seven days to have flexible access to liquidity.

The Company prepares the cash-flow plan for the whole fiscal year, with income and expenditures updated on a monthly basis. The operational cash flow is prepared on a daily basis for at least seven subsequent workdays.

The maturity structure of debt securities reflects the maturity structure of insurance provisions. However, the Company does not monitor strict balance between assets and liabilities. The average lifetime of assets is shorter than that of liabilities.

The following tables show the estimated amount and timing of cash flows from liabilities:

2008		Expected cash flows (not discounted)				
	Total	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years
Life insurance contracts with fixed and guaranteed terms	4,521,348	2,313,572	1,107,394	345,394	450,216	304,771
Non-life insurance	3,119,882	2,858,911	138,906	60,137	33,123	28,806
Deposits from reinsurers	193,695	193,695	-	-	-	-
Liabilities	1,729,621	1,729,621	-	-	-	-
Total	9,564,546	7,095,799	1,246,300	405,531	483,339	333,577

Liabilities from insurance do not include liabilities from unit-linked products, the maturity of which is not specified.

Average maturity of assets: 5.30 years

Average maturity of liabilities: 6.24 years

2007		Expected cash flows (not discounted)				
	Total	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years
Life insurance contracts with fixed and guaranteed terms	1,704,981	616,144	247,723	585,893	182,222	72,999
Non-life insurance	944,060	871,886	72,174	-	-	-
Deposits from reinsurers	1,751,271	1,751,271	-	-	-	-
Liabilities	522,168	522,168	-	-	-	-
Total	4,922,480	3,761,469	319,897	585,893	182,222	72,999

Liabilities from insurance do not include liabilities from unit-linked products, the maturity of which is not specified.

Average maturity of assets: 5.04 years

Average maturity of liabilities: 6.85 years

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

4.2.3 Credit risk

The Generali Group has adopted some rules to reduce the credit risk of investments. These rules prefer the purchase of investment grade securities and encourage the diversification and dispersion of the portfolio. The portfolio of fixed-yield investments is being built under the principle of prudence. At least 50% of bonds are government or similar issues. Classification by rating shows that the absolute majority of fixed-yield invest-ments has a high rating, being higher or equal to A- rating for more than 90% of investments.

The Company has to comply with Regulation No. 7/2008 of the National Bank of Slovakia, which sets the limits for placing technical provisions in the insurance business and credit risk regulations of the Generali Group. The Company mainly invests in government bonds and financial bonds with an investment rating.

The Company's credit risk exposure is as follows:

31. 12. 2008	Bonds						
Credit risk	At fair value through profit or loss	Available for sale	Shares	Participation certificates	Receivables from insurance and reinsurance	Reinsurance assets	Cash and term deposits
AAA	-	137,031	-	-	-	-	-
AA+	-	32,244	-	-	-	-	-
AA	-	96,875	-	-	13,365	13,442	454,758
AA-	-	615,035	8,339	-	-	-	-
A+	-	3,898,731	266,402	-	13,153	-	-
A	-	528,482	104,071	-	209,195	337,268	230,614
A-	-	383,349	9,736	-	-	-	-
BBB+	-	194,977	15,216	-	-	-	-
BBB	-	9,973	1,162	-	-	-	-
BB+	-	23,359	7,514	-	-	-	-
BB	67,793	-	-	-	-	-	-
BB-			123	-			
B+	-	283,523	-	-	-	-	-
B-	1,370	-	-	-	-	-	-
CCC	-	2,052	-	-	-	-	-
CC	-	439	-	-	-	-	-
Without rating	-	-	56,318	1,987,591	353,570	830,678	235,294
TOTAL	**69,163**	**6,206,070**	**466,881**	**1,987,591**	**589,283**	**1,181,388**	**920,666**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

31. 12. 2007

Credit risk	Bonds available for sale	Shares available for sale	Participation certificates through profit or loss	Receivables from insurance and reinsurance	Reinsurance assets	Cash and term deposits
AAA	128,792	-	-	-	-	-
AA	104,484	-	-	-	28,085	71,731
AA-	246,360	-	-	-	-	-
A+	2,046,033	-	-	-	-	-
A	333,300	-	-	63,466	533,595	206,861
A-	63,145	-	-	-	-	-
BBB+	-	-	-	-	-	-
BBB	129,927	-	-	-	-	-
BB+	-	-	-	-	-	-
B+	-	-	-	-	-	-
Without rating	50,373	13,778	894,347	159,982	1,310,585	45,584
TOTAL	**3,102,414**	**13,778**	**894,347**	**220,394**	**1,872,265**	**324,176**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

The maximum credit risk exposure is shown in the following table:

At 31 December 2008	Current	Overdue, not impaired				Impaired	Total
		0 – 3 months	3 – 6 months	6 months – 1 year	More than 1 year		
Financial assets available for sale (gross)	6,674,952	-	-	-	-	337,530	**7,012,482**
Financial assets at fair value through profit or loss	2,056,786	-	-	-	-	-	**2,056,786**
Derivative financial instruments	8,032	-	-	-	-	-	**8,032**
Cash and term deposits	920,666	-	-	-	-	-	**920,666**
Receivables from the insured	283,080	173,025	94,629	22,349	16,200	-	**589,283**
Reinsurance assets	-	226,125	813,414	-	141,849	-	**1,181,388**
TOTAL	**9,943,516**	**399,150**	**908,043**	**22,349**	**158,049**	**337,530**	**11,768,637**

At 31 December 2007	Current	Overdue, not impaired				Impaired	Total
		0 – 3 months	3 – 6 months	6 months – 1 year	More than 1 year		
Financial assets available for sale	3,116,192	-	-	-	-	-	**3,116,192**
Financial assets at fair value through profit or loss	894,347	-	-	-	-	-	**894,347**
Loans provides	1,134	-	-	-	169	-	**1,303**
Cash and term deposits	324,176	-	-	-	-	-	**324,176**
Receivables from the insured	144,516	29,887	13,062	20,978	10,648	-	**219,091**
Reinsurance assets	353,730		1,288,118		228,417		**1,872,265**
TOTAL	**4,836,095**	**29,887**	**1,301,180**	**20,978**	**239,234**	**-**	**6,427,374**

Financial assets other those available for sale that are shown at net value; movements in the respective valuation allowances was as follows:

Valuation allowances for receivables from the insured	2008	2007
Opening balance	84,008	91,735
Set-up/(Release)	263,203	-3,172
Ceded to reinsurers	-	-4,555
CLOSING BALANCE	**347,211**	**84,008**
Valuation allowances for other receivables		
Opening balance	30,539	12,273
Set-up	202	18,266
CLOSING BALANCE	**30,741**	**30,539**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

4.3 Operational risk

The Company defines operational risks as potential losses, including occasional costs, arising from the lack or underperformance of internal processes, human resources, and systems. Reasons may arise from both internal and external factors. Due to the large range of this definition, operational risks have been further segmented to liability assignment and to facilitation in using tools for mitigating risk. The main categories are as follows:

- strategic risks, resulting from planning and managing the Company's long-term value;

- common operational risks, resulting from day-to-day operations aimed at achieving the Company's busi-ness objectives; and

- disclosure risks, arising from the capability of information systems to support internal decisions and

to facilitate proper communication to external stakeholders.

The top management of the Generali Group is responsible for strategic risks, while management in individual countries deals with them only in connection with changes on local markets. The strategic planning process is the main tool to manage this type of risk. The process is based on a three-year horizon and is adjusted every year, ending with setting risk-adapted performance targets. Control consists of a systematic evaluation of the actual performance and underlying business assumptions, or by adapting individual actions to the new environment. Strategic risk carriers mentioned above are also directly involved in these control processes. The responsibility for common operational risks is assigned to each business unit that defines operational plans linked with risk-adjusted targets, and identifies and executes actions to mitigate risks which could po-tentially jeopardize their performance in terms of capital consumption and fluctuation of the operating result.

Country Managers are directly responsible for controlling these risks. However, the parent company has set these principles:

- The parent company defines the criteria for evaluating common operational risks. In addition, one of the priorities related to risk management refers to this subject.

- Policies and basic requirements for handling specific risk-bearing sources are defined at the Group level.

- The Group Internal Audit sets common methodologies and principles regulating internal audit activities to identify the most relevant processes to be audited.

- The Group Control Department analyses the performance of each country and evaluates the actions un-dertaken.

Business and accounting units are responsible for managing and disclosing risks, as they are close to risk-bearing sources and information users. However, the parent company identifies policies, methods, and tools to manage both internal and external information flows affecting the whole Group.

4.4 Capital management

The company considers its entire equity to be its capital. The Company's objectives in managing capital are:

a) Complying with requirements regarding share capital, required by the regulating authorities in the Slovak insurance market – the Company manages its capital based on the accounting principle of prudence for its minimum regulatory capital position presented in the table below. Management ensures the quantita-tive capital limit to maximize the return to shareholders, and to have sufficient capital to perform and ex-tend the Company's business activities.

b) Retaining the Company's ability to continue as a going concern to provide a return to shareholders and benefits for other stakeholders.

c) Providing an adequate return to shareholders by setting prices of insurance products proportionally to the level of risk.

The National Bank of Slovakia is the local regulatory and supervisory body overseeing business activities of insurance companies. It specifies the minimum amount and the type of assets that each insurance company must hold along with their insurance liabilities. The minimum required share capital (presented in the table below) must always be available throughout the reporting period.

According to the regulation of the National Bank of Slovakia of 5 February 2008, which stipulates the mini-mum amount of the guarantee fund of an insurance company or a branch of a foreign insurance company, the minimum amount of the guarantee fund is EUR 3.2 million for life insurance companies and EUR 3.2 million for non-life insurance according to the offered insurance lines on non-life insurance.

According to § 4 of Act No. 8/2008 Coll. on the Insurance Business, the share capital of a life insurance com-pany must be at least EUR 4 million, and for non-life insurance lines, EUR 5 million.

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

	2008	2007
Actual solvency margin	1,642,743	607,071
Required solvency margin	691,752	215,059

5. Property, plant and equipment (non-current tangible assets)

	Buildings	Land	Motor vehicles	Furniture and office equipment	Other	Total
At 1 January 2007						
Acquisition cost	-	-	29,007	17,496	75,672	122,175
Accumulated depreciation	-	-	(18,220)	(16,515)	(59,113)	(93,848)
NET BOOK VALUE	**-**	**-**	**10,787**	**981**	**16,559**	**28,327**
Year ended 31 December 2007						
Opening balance	-	-	10,787	981	16,559	28,327
Additions	-	-	16,434	1,711	14,430	32,575
Disposals	-	-	(11,589)	(228)	(4,772)	(16,589)
Depreciation charge	-	-	3,512	(1,960)	(11,184)	(9,632)
NET BOOK VALUE AT THE END OF THE REPORTING PERIOD	**-**	**-**	**19,144**	**504**	**15,033**	**34,681**
At 31 December 2007						
Acquisition cost	-	-	33,851	18,979	85,331	138,161
Accumulated depreciation	-	-	(14,708)	(18,475)	(70,298)	(103,481)
NET BOOK VALUE	**-**	**-**	**19,143**	**504**	**15,033**	**34,680**
Year ended 31 December 2008						
Opening balance	-	-	19,143	504	15,033	34,680
Additions resulting from the merger	46,703	3,158	12,082	1,710	48,352	112,005
Additions	391	-	3,775	2,038	10,502	16,706
Disposals	-	(80)	(3,749)	(259)	(12)	(4,100)
Depreciation charge	(1,094)	-	(5,410)	(1,566)	(22,578)	(30,648)
NET BOOK VALUE AT THE END OF THE REPORTING PERIOD	**46,000**	**3,078**	**25,841**	**2,427**	**51,297**	**128,643**
At 31 December 2008						
Acquisition cost	47,094	3,078	45,959	22,468	144,173	262,772
Accumulated depreciation	(1,094)	-	(20,118)	(20,041)	(92,876)	(134,129)
NET BOOK VALUE	**46,000**	**3,078**	**25,841**	**2,427**	**51,297**	**128,643**

Property, plant and equipment of SKK 34,680 thousand (closing balance at 31 December 2007) were insured with Česká Poisťovňa Slovensko, a.s. until 30 September 2008. Since 1 October 2008, the Company's non-current tangible assets are insured with Allianz – Slovenská Poisťovňa, a.s.

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

6. INTANGIBLE ASSETS

	Software	VOBA	Other intangible assets	Total
At 1 January 2007				
Acquisition cost	7,422	-	-	7,422
Accumulated depreciation	(5,864)	-	-	(5,864)
NET BOOK VALUE	**1,558**	**-**	**-**	**1,558**
Year ended 31 December 2007				
Opening balance	1,558	-	-	1,558
Additions	2,169	-	-	2,169
Amortization charge	(1,053)	-	-	(1,053)
NET BOOK VALUE AT THE END OF THE REPORTING PERIOD	**2,674**	**-**	**-**	**2,674**
At 31 December 2007				
Acquisition cost	9,592	-	-	9,592
Accumulated amortization	(6,917)	-	-	(6,917)
NET BOOK VALUE	**2,675**	**-**	**-**	**2,675**
Year ended 31 December 2008				
Opening balance	2,675	-	-	2,675
Additions resulting from the merger	33,462	1,957,854	13,500	2,004,816
Additions	8,281	-	2,380	10,661
Disposals	(122)	-	-	(122)
Amortization charge	(6,262)	(45,130)	(126)	(51,518)
NET BOOK VALUE AT THE END OF THE REPORTING PERIOD	**38,034**	**1,912,724**	**15,754**	**1,966,512**
At 31 December 2008				
Acquisition cost	51,213	1,957,854	15,880	2,024,947
Accumulated amortization	(13,179)	(45,130)	(126)	(58,435)
NET BOOK VALUE	**38,034**	**1,912,724**	**15,754**	**1,966,512**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

7. Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures relate to shares held in the pension management company VÚB Generali d.s.s., a.s., the insurance broker Generali Consulting, s.r.o., GSL Services, s. r. o., and the insurance company Generali Belarus. VÚB Generali d.s.s., Generali Consulting, s.r.o. and GSL Services, s. r. o. are seated in Slovakia, the insurance company Generali Belarus in Belarus.

	2008	2007
Value at 1 January	500,000	500,210
Additions resulting from the merger	14,886	-
Set-up of a valuation allowance	-	(210)
VALUE AT 31 DECEMBER	**514,886**	**500,000**

At 31 December 2008	Equity share (%)	Acquisition cost	Valuation allowance	Carrying value
VÚB Generali d.s.s., a.s.	50	500,000	-	500,000
Generali Consulting, s.r.o.	100	210	(210)	-
Generali Belarus	32.50	14,686	-	14,686
GSL Services, s. r. o.	100	200	-	200
Total		**515,096**	**(210)**	**514,886**

Financial information about companies

At 31 December 2008	Assets	Liabilities	Equity	Revenues	Profit/(Loss)
VÚB Generali d.s.s.,	328,586	18,989	309,597	116,598	20,614
Generali Consulting, s.r.o.	1,514	19,626	(18,112)	1,342	(326)
Generali Belarus* (balance at 30 September 2008)	42,113	388	41,725	24,693	10,983
GSL Services, s. r. o.	1,724	1,572	152	7,301	(10)
At 31 December 2007	**Assets**	**Liabilities**	**Equity**	**Revenues**	**Profit/(Loss)**
VUB Generali d.s.s.	307,728	18,745	288,983	99,803	12,506
Generali Consulting, s.r.o.	938	18,724	(17,786)	1,642	(4,903)

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

8. Financial assets

	2008	2007
Term deposits	814,592	295,592
Financial assets available for sale	6,674,952	3,116,192
Financial assets at fair value through profit or loss	2,064,786	894,347
TOTAL FINANCIAL ASSETS	**9,554,330**	**4,306,131**
Financial assets available for sale		
Government bonds	3,766,956	1,557,472
Corporate bonds	2,439,113	1,544,943
Total bonds	6,206,069	3,102,415
Shares	468,883	13,777
Investment funds	-	-
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	**6,674,952**	**3,116,192**
Financial assets at fair value through profit or loss		
Bond funds	267,456	194,945
Equity funds	465,047	278,275
Mixed funds	598,569	415,525
Money market funds	656,519	5,602
Bonds	69,163	-
Swaps	8,032	-
TOTAL	**2,064,786**	**894,347**

At 31 December 2008, the effective interest rate of investments available for sale equalled to 4.68% on aver-age (at 31 December 2007: 4.50%).

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Movements in financial assets are as follows:

	At fair value through profit or loss	Available for sale
At the beginning of 2007	593,180	2,358,808
Disposals (sale and maturity)	-	(132,980)
Acquisitions	307,244	998,355
Net gains (excluding realized gains)	(6,077)	(107,991)
At the beginning of 2008	894,347	3,116,192
Disposals (sale and maturity)	-	(382,054)
Acquisitions	556,347	1,055,035
Additions resulting from the merger	1,009,784	3,332,876
Net gains (excluding realized gains)	(395,692)	(447,097)
At the end of 2008	2,064,786	6,674,952

The fair value of financial assets with an existing market rate at 31 December 2008 has been determined by using the existing market rate.

The fair value of financial assets for which no market rate existed at 31 December 2008 was calculated by using the method of discounted cash flows from the yield curve interest rates for individual financial instru-ments denominated in the given currency, published by Bloomberg or Reuters. Zero-coupon rates for dis-counting cash flows are calculated from the yield curve, using linear interpolation (the bootstrapping method).

At 31 December 2008		Underlying value due		Fair value
	within 1 month	within 1 year	within 2 years	Assets
Currency derivatives	651,014	-	-	8,032
TOTAL	**651,014**	**-**	**-**	**8,032**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

9. Reinsurance contracts

The reinsurer's share in technical provisions was as follows:

	2008	2007
Unearned premium reserve	338,495	207,596
Mathematical provision	-	779,812
Provision for outstanding claims	575,631	224,596
IBNR provision	190,428	101,175
Unit-linked provision	-	443,184
Provision for profit sharing and premium refund	-	12,525
Other technical provisions	76,834	64,834
Valuation allowances	-	38,543
TOTAL	**1,181,388**	**1,872,265**

10. Loans and receivables

	2008	2007
Due from clients	956,793	321,265
Due from agents	9,770	12,163
Loans to employees	672	1,303
Valuation allowance	(377,952)	(114,337)
TOTAL LOANS AND RECEIVABLES	**589,283**	**220,394**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

11. Deferred acquisition costs

	2008	2007
Opening balance	32,049	36,381
Additions/(Disposals) of acquisition costs incurred during the year	26,085	(9,702)
Additions resulting from the merger (Note 14)	445,870	-
CLOSING BALANCE	**504,005**	**26,679**

12. Deferred income tax

Deferred income taxes are calculated from all temporary differences under the liability method, using the effective tax rate of 19% (2007: 19%), as follows:

	2008	2007
Deferred tax assets		
- with the expected realization after more than 12 months	98,612	24,819
- with the expected realization within 12 months	20,375	4,441
	118,987	29,260
Deferred tax liabilities		
- with the expected settlement after more than 12 months	(371,937)	-
- with the expected settlement within 12 months	-	-
	(371,937)	-

Movements in the deferred income tax are as follows:

Year ended 31 December	2008	2007
Opening balance	29,260	-
Income recognized in the income statement	34,902	12,609
Tax charged to equity	9,856	16,651
Merger	(326,968)	-
CLOSING BALANCE	**(252,950)**	**29,260**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Movements in the deferred tax asset and the deferred tax liability during the year are as follows:

	1 January 2008	Merger	Equity	Income statement	31 December 2008
Deferred tax asset					
Impairment of receivables	9,816	35,313	-	13,029	58,158
Revaluation of financial assets available for sale	16,651	-	9,856	-	26,507
Expenses deductible after having been paid	1,169	2,775	-	(533)	3,411
Employee benefits	289	131	-	(290)	130
Provision for bonuses	-	475	-	7,731	8,206
Provision for the MTPL insurance deficit	-	5,478	-	(159)	5,319
IBNR	-	10,302	-	6,954	17,256
TOTAL	**27,925**	**54,474**	**9,856**	**26,732**	**118,987**

	1 January 2008	Merger	Equity	Income statement	31 December 2008
Deferred tax liability					
Property, plant and equipment	1,335	(9,440)	-	(405)	(8,510)
VOBA	**-**	**(326,968)**	**-**	**8,575**	**(363,427)**
TOTAL	**1,335**	**(372,002)**	**-**	**8,170**	**(371,937)**

	1 January 2007	Equity	Income statement	31 December 2007
Deferred tax asset				
Impairment of receivables	-	-	9,816	9,816
Long-term insurance contracts	(1,342)	17,993	-	16,651
Property, plant and equipment	-	-	1,335	1,335
Commissions deductible after having been paid	-	-	1,169	1,169
Employee benefits	-	-	289	289
TOTAL	**(1,342)**	**17,993**	**12,609**	**29,260**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

13. Cash and cash equivalents

Cash and cash equivalents include bank deposits, cash on hand, meal vouchers, duty stamps, and cash in transit.

	2008	2007
Bank accounts	105,450	30,307
Cash equivalents	624	(1,723)
TOTAL	**106,074**	**28,584**

At 31 December 2008, the effective interest rate of the Company's term deposits amounted to 3.85% on av-erage (at 31 December 2007: 3.97%).

14. Equity

Share capital

	Number of shares	Ordinary shares
At 1 January 2007	52,000	520,000
Issued	4,600	46,000
At 31 December 2007	56,600	566,000
Issued	-	-
Merger of companies at 1 October 2008	18,400	184,400
At 31 December 2008	75,000	750,000

The total number of ordinary shares is 75,000 (2007: 56,600), with a nominal value of SKK 10,000 a share (2007: SKK 10,000 a share). All issued shares have been fully paid up. There are no listed shares. In 2008, the number of ordinary shares was increased to 75,000 as a result of a merger at 1 October 2008. The shares are book entry securities with a nominal value of SKK 10,000 a share.

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Retained earnings

	2008	2007
Legal reserve fund	48,338	34,096
Profit/(loss) from previous years	2,393,022	(96,796)
Profit/(loss) of the current year	(213,441)	116,986
TOTAL	**2,227,919**	**54,286**

The legal reserve fund can only be used for covering the Company's losses and is not intended for distribu-tion.

The financial statements for 2007 were approved by shareholders at the annual General Meeting held on 17 March 2008. The profit for 2007 of SKK 142,420 thousand was distributed as follows: the amount of SKK 128,178 thousand was transferred to retained earnings and SKK 14,242 was allocated to the legal re-serve fund.

Revaluation reserve for investments available for sale

At the beginning of 2007	**5,721**
Gross loss from the revaluation of assets available for sale	(108,523)
Transfers to net profit upon sale or impairment	532
Deferred tax from the revaluation of assets available for sale	17,993
Unrealized loss from revaluation, attributable to policyholders, including deferred tax	13,289
At the end of 2007	**(70,988)**
Unrealized loss from revaluation, attributable to policyholders, including deferred tax	523
Gross loss from the revaluation of assets available for sale	(385,007)
Gross loss from the revaluation of assets available for sale – deferred tax	73,151
Transfers to net profit upon sale or impairment	333,134
Transfers to net profit upon sale or impairment – deferred tax	(63,295)
AT THE END OF 2008	**(112,482)**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Merger

In the legal merger, the Company acquired the following items from ČPS:

ČPS at 30 September 2008	
Property, plant and equipment, intangible assets, DAC	2,190,739
Shares and ownership interests in subsidiaries and associated companies	14,969
Financial assets	4,810,960
Cash and cash equivalents	13,270
Assets resulting from reinsurance	1,366,583
Receivables from insurance and other receivables	1,189,879
TOTAL ASSETS	**9,586,400**
Share capital	184,000
Share premium	-
Legal reserve fund	-
Revaluation of assets available for sale	1,373
Retained earnings	1,762,931
Equity	1,948,304
Liabilities from insurance contracts	5,899,168
Liabilities from insurance, reinsurance, and other liabilities	1,738,928
LIABILITIES AND EQUITY - TOTAL	**9,586,400**

The Company adjusted ČPS values at 30 September 2008 to unify accounting policies after the merger of Generali poisťovňa, a.s. and Česká poisťovňa – Slovensko, a.s., as required by IAS 18. Accounting policies have been unified for:

- calculating technical provisions in life insurance and the related accruals and deferrals; and
- estimating commissions.

15. Insurance liabilities

Insurance provisions and liabilities, direct insurance

Gross	2008	2007
- Claims reported and adjustment expenses	1,757,702	404,559
- Claims incurred but not reported	193,591	197,376
- Unearned premiums	1,003,415	375,087
- Provision for profit sharing and premium refund	6,078	-
- Provision for the deficit in MTPL insurance (Note 3)	397,354	129,668
- Mathematical provision	4,314,547	1,555,231
- Provision for policies where policyholders bear the investment risk	1,901,989	886,369
TOTAL LIABILITIES FROM INSURANCE, GROSS	**9,574,676**	**3,548,289**
Recoverable from reinsurers	2008	2007
- Claims reported and adjustment expenses	575,630	224,596
- Claims incurred but not reported	190,428	101,175
- Unearned premiums	338,495	207,596
- Provision for profit sharing and premium refund	-	12,525
- Provision for the deficit in MTPL insurance (Note 3)	76,835	64,834
- Mathematical provision	-	779,812
- Provision for policies where policyholders bear the investment risk	-	443,184
TOTAL SHARE OF REINSURANCE IN INSURANCE LIABILITIES	**1,181,388**	**1,833,722**
Netto	2008	2007
- Claims reported and adjustment expenses	1,182,072	179,963
- Claims incurred but not reported	3,163	96,201
- Unearned premiums	664,920	167,491
- Provision for profit sharing and premium refund	6,078	(12,525)
- Provision for the deficit in MTPL insurance (Note 3)	320,519	64,834
- Mathematical provision	4,314,547	775,419
- Provision for policies where policyholders bear the investment risk	1,901,989	443,184
TOTAL NET LIABILITIES FROM INSURANCE	**8,393,288**	**1,714,567**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Movements in liabilities from insurance and reinsurance assets

a) Cost of claims (RBNS and IBNR, including loss adjustment expenses)

Non-life insurance:

Year ended 31 December	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	380,168	(211,643)	168,525	347,819	(198,316)	149,503
IBNR	170,099	(87,536)	82,563	163,078	(81,503)	81,575
Total at the beginning of the year	550,267	(299,179)	251,088	510,897	(279,819)	231,078
Business combination – provisions	1,534,925	-	1,534,925	-	-	-
Insurance claims paid for losses settled in the year	(901,380)	50,109	(851,271)	(111,513)	59,186	(52,327)
Increase in liabilities	1,258,543	(723,903)	534,640	278,791	(144,833)	133,958
Decrease in liabilities	(618,029)	222,065	(395,964)	(127,907)	66,286	(61,621)
TOTAL AT THE YEAR'S END	**1,824,326**	**(750,908)**	**1,073,418**	**550,268**	**(299,180)**	**251,088**
Claims reported	1,677,928	(572,048)	1,105,880	380,168	(211,643)	168,525
IBNR	146,398	(178,860)	(32,462)	170,099	(87,536)	82,563
TOTAL AT THE YEAR'S END	**1,824,326**	**(750,908)**	**1,073,418**	**550,267**	**(299,179)**	**251,088**

Life insurance contracts with fixed and guaranteed terms:

Year ended 31 December	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	16,427	(9,865)	6,562	12,193	(5,543)	6,650
IBNR	22,362	(11,181)	11,181	17,545	(8,773)	8,773
Total at the beginning of the year (except for UPR)	38,789	(21,046)	17,743	29,738	(14,316)	15,423
Business combination - RBNS (+IBNER)	52,140	-	52,140	-	-	-
Business combination – IBNR	10,727	-	10,727	-	-	-
Insurance claims paid for losses settled in the year	(43,009)	5,896	(37,114)	(9,172)	4,586	(4,586)
Change in liabilities	36,863	-	36,863	18,223	(11,316)	6,907
TOTAL AT THE YEAR'S END	**95,509**	**(15,150)**	**80,358**	**38,789**	**(21,046)**	**17,744**
Claims reported	61,456	(3,582)	57,874	16,427	(9,865)	6,562
IBNR	34,054	(11,568)	22,486	22,362	(11,181)	11,181
TOTAL AT THE YEAR'S END	**95,510**	**(15,150)**	**80,360**	**38,789**	**(21,046)**	**17,743**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Provision for unit-linked

Year ended 31 December	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	7,964	-	7,964	8,422	(3,171)	5,251
IBNR	4,915	-	4,915	2,758	(1,379)	1,379
Total at the beginning of the year (except for UPR)	12,879	-	12,879	11,180	(4,550)	6,630
Business combination - RBNS (+IBNER)	13,129	-	13,129	-	-	-
Business combination – IBNR	7,666	-	7,666	-	-	-
Insurance claims paid for losses settled in the year	(4,963)	-	(4,963)	(3,312)	1,656	(1,656)
Change in liabilities	2,746	-	2,746	5,011	(2,652)	2,360
TOTAL AT THE YEAR'S END	**31,457**	**-**	**31,457**	**12,879**	**(5,546)**	**7,334**
		-		-	-	-
Claims reported	18,317	-	18,317	7,964	(3,088)	4,876
IBNR	13,140	-	13,140	4,915	(2,458)	2,458
TOTAL AT THE YEAR'S END	**31,457**	**-**	**31,457**	**12,879**	**(5,546)**	**7,334**

b) Unearned premium reserve

Non-life insurance

Year ended 31 December	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	267,796	(150,719)	117,077	277,292	(151,146)	126,146
Business combination	596,821	-	596,821	-	-	-
Increase in the period	761,398	(337,274)	424,124	267,796	(150,719)	117,077
Release in the period	(733,891)	150,719	(583,172)	(277,292)	151,146	(126,146)
AT THE YEAR'S END	**892,124**	**(337,274)**	**554,850**	**267,796**	**(150,719)**	**117,077**

Life insurance contracts with fixed and guaranteed terms:

Year ended 31 December	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	107 291	(2 793)	104 498	113 017	(57 809)	55 208
Business combination	21 578	-	21 578	-	-	-
Increase in the period	119 592	(1 254)	118 338	107 291	(56 878)	50 413
Release in the period	(137 170)	2 862	(134 344)	(113 017)	57 809	(55 208)
AT THE YEAR'S END	**111 291**	**(1 221)**	**110 070**	**107 291**	**(56 878)**	**50 413**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

c) Provision for the deficit in the MTPL insurance

Year ended 31 December	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	129,668	(64,834)	64,834	171,360	(85,680)	85,680
Business combination	288,300	-	288,300	-	-	-
Increase in the period	109,054	(76,835)	32,219	129,668	(64,834)	64,834
Release in the period	(129,668)	64,834	(64,834)	(171,360)	85,680	(85,680)
AT THE YEAR'S END	**397,354**	**(76,835)**	**320,519**	**129,668**	**(64,834)**	**64,834**

d) Mathematical provision

Year ended 31 December	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	1,555,230	-	1,555,230	1,297,546	(644,325)	653,221
Business combination	2,455,236	-	2,455,236	-	-	-
Increase from premiums	414,092	-	414,092	395,128	(197,564)	197,564
Provisions released for payments on death, surrender, and other terminations in the year	(167,398)	-	(167,398)	(153,369)	63,395	(89,974)
Change – provision for the share in profits (DPF)	14,799	-	14,799	4,080	(2,040)	2,040
Change – Liability adequacy test	38,715	-	38,715	(1,444)	722	(722)
Change – Deferred liabilities to the insured (DPF)	3,873	-	3,873	13,289	-	13,289
AT THE YEAR'S END	**4,314,547**	**-**	**4,314,547**	**1,555,230**	**(779,812)**	**775,418**

Deferred liabilities to the insured – movements

At the beginning of 2007	8,897
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	(13,289)
At the end of 2007	(4,392)
At the beginning of 2008	(4,392)
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	**3,873**
AT THE END OF 2008	**(519)**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Technical provision for life insurance – breakdown by components

	2008	2007
Technical provision for life insurance	4,314,547	1,555,230
Provision for guaranteed benefits	4,216,016	1,550,708
Provision for unallocated share in profits	519	4,910
Provision for liability adequacy test	98,531	4,004
Deferred liability to policyholders	(519)	(4,392)

e) Provision on behalf of the insured where investment risk is borne by the policyholder (unit-linked insurance)

Year ended 31 December	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	886,370	-	886,370	-	-	-
Business combination	918,955	-	918,955	593,180	(296,590)	296,590
Valuation premium	875,634	-	875,634	370,601	(185,300)	185,301
Provisions released for payments on death, surrender, and other terminations in the year	(78,660)	-	(78,660)	(23,180)	11,590	(11,590)
Change in unit prices	(700,310)	-	(700,310)	(54,231)	27,116	(27,115)
AT THE YEAR'S END	**1,901,989**	**-**	**1,901,989**	**886,370**	**(443,184)**	**443,186**

16. Deposits from reinsurers

Deposits received from reinsurers relate to amounts of ceded insurance provisions and to valuation allowan-ces, if necessary. Deposits result in interest for the reinsurer. The effective interest rate is determined based on current money-market interest rates.

The whole deposit relates to the reinsuring company Generali Holding Vienna AG.

	2008	2007
From the unearned premium reserve	2,730	174,443
From provisions for claims and benefits	183,292	245,585
From other provisions and valuation allowances	7,663	108,247
From the mathematical provision and the unit-linked provision	-	1,222,996
TOTAL	**193,685**	**1,751,271**

The effective interest rate of the Company's deposits from reinsurers amounts to 3% (2007: 3%) on average.

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

17. Trade and other liabilities

	2008	2007
Due to clients	112,092	139,264
Liabilities – recourse claims		12,489
Liabilities – brokers	24,603	17,046
Liabilities – co-insurance	1,863	2,391
Liabilities – employees	23,707	3,720
Liabilities – social security	6,723	875
Liabilities from reinsurance	785,312	35,062
Amounts due to related parties	32,410	7,887
Accruals:	733,418	285,609
- commissions	206,834	186,500
- personal costs	43,892	15,145
- contribution to the Emergency Medical Service (8% from the MPTL premium)	22,724	19,356
- general expenses – not settled rental, services, other expenses	459,098	64,608
Deferred commission from reinsurance	(75,842)	10,906
Provisions for employee benefits	795	1,632
Pre-paid insurance contracts	1,631	1,494
VAT	7,067	3,793
TOTAL	**1,729,621**	**522,168**

The provision for employee benefits was set up in the amount of SKK 1,632 thousand at 31 December 2008 (at 31 December 2007: SKK 537 thousand). The following actuarial assumptions were used:

	2008	2007
Discount rate	3%	3.00 %
Future salary increase	1.05%	1.03 %
Employee turnover	24.7%	22.71 %

18. Premium

	Gross amount		Reinsurance share		Net amount	
	2008	2007	2008	2007	2008	2007
Written premium in non-life insurance	1,791,801	1,056,446	(463,597)	(640,401)	1,328,204	416,045
Written premium in life insurance	1,758,729	1,117,280	(7,808)	(561,033)	1,750,921	556,247
TOTAL WRITTEN PREMIUM	**3,550,530**	**2,173,726**	**(471,405)**	**(1,201,434)**	**3,079,125**	**972,292**
Non-life insurance, change in unearned premium reserve	(31,179)	13,166	26,087	(428)	(5,092)	12,738
Life insurance, change in unearned premium reserve	21,248	2,055	(1,572)	(931)	19,676	1,124
TOTAL CHANGE IN UNEARNED PREMIUM RESERVE	**(9,931)**	**15,221**	**24,516**	**(1,359)**	**14,584**	**13,862**
Earned premium in non-life insurance	1,760,622	1,069,612	(437,510)	(640,830)	1,323,112	428,783
Earned premium in life insurance	1,779,977	1,119,335	(9,380)	(561,964)	1,770,597	557,371
TOTAL EARNED PREMIUM	**3,540,599**	**2,188,947**	**(446,890)**	**(1,202,793)**	**3,093,709**	**986,154**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

19. Net losses from financial assets

	2008	2007
Fair value gains – unit-linked life insurance	171,265	129,910
Fair value losses – unit-linked life insurance	(607,742)	(136,474)
Fair value assets – unit-linked life insurance	(436,477)	(6,564)
Net losses from financial assets at fair value	(40,188)	-
Net losses from financial assets available for sale	(38,632)	-
Reinsurer's share in fair value gains	-	(64,955)
Reinsurer's share in fair value losses	-	68,237
Reinsurer's share at fair value	-	3,282
Exchange rate difference	(9,280)	(599)
Gains resulting from derivative financial instruments	150,348	-
Losses resulting from derivative financial instruments	(123,345)	-
Gains resulting from derivative financial instruments	27,003	-
Impairment of assets available for sale	(337,530)	
TOTAL	**(835,104)**	**(3,881)**

20. Income

	2008	2007
Interest		
Interest on loans and receivables	43	106
Interest on financial assets available for sale	184,556	125,026
Interest on cash and cash equivalents	2,074	2,073
Interest on financial assets at fair value through profit or loss	2,234	-
Interest on term deposits	15,555	18,553
Income from dividends	6,788	482
TOTAL	**211,250**	**146,240**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

21. Net insurance benefits and claims

	Gross amount		Reinsurance share		Net amount	
	2008	2007	2008	2007	2008	2007
Insurance benefits and claims paid	1,191,814	449,656	(436,697)	(241,293)	755,117	208,363
Loss adjustment expenses	134,086	86,964	(6,653)	(47,360)	127,433	39,604
Change in provisions for insurance benefits and claims	(267,012)	50,121	366,743	(27,086)	99,731	23,035
Change in provisions for profit sharing and premium refund	6,078	-	-	14,333	6,078	(14,333)
Change in other insurance provisions	(20,614)	(41,692)	(12,000)	20,846	(32,614)	(20,846)
Profit sharing paid	7619	1,260	(3,652)	(6,755)	3,967	(5,495)
Change in the mathematical provision	304,082	270,974	-	(135,487)	304,082	135,487
Change in the provision for unit-linked insurance contracts	96,664	293,189	-	(146,595)	96,664	146,594
TOTAL	**1,452,717**	**1,110,472**	**(92,259)**	**(568,897)**	**1,360,458**	**541,575**

22. Acquisition costs

Commissions and other acquisition costs

	Commissions		DAC		Other acquisition costs		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Non-life insurance	265,664	158,558	(43,258)	(3,391)	173,094	78,296	395,501	233,464
Life insurance	338,843	291,352	(17,390)	13,092	182,044	102,464	503,497	406,909
TOTAL	**604,507**	**449,910**	**(60,648)**	**9,701**	**355,138**	**180,760**	**898,998**	**640,373**

Investment management expenses

Investment management expenses include all costs of managing financial investments, including personal costs of asset managers. In 2008, they totalled SKK 12,725 thousand (2007: SKK 2,557 thousand).

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

23. Expenses by nature

	2008	2007
Wages and salaries	232,963	106,330
Remuneration paid to members of the Board of Directors – short-term employee benefits	27,545	7,983
Social costs (members of the Board of Directors)	608	441
Social costs (employees)	79,665	30,125
Other personnel costs, of which:	693	6,044
- defined benefit plan (IAS 19)	(837)	1,094
- defined benefit plan (members of the Board of Directors)	-	4
- defined benefit plan (employees)	1,530	1,090
TOTAL PERSONNEL COSTS	**341,474**	**150,923**
Advertising and promotional activities	158,668	49,843
Rental fees	44,197	33,981
IT expenses	25,300	49,852
Postal and telecommunication services	21,705	10,103
Office costs	15,901	9,502
Advisory	16,194	8,406
Audit	3,424	2,306
Travel costs	15,951	12,076
Training courses	8,999	6,350
Depreciation and amortization	55,766	25,505
Costs of payments and premium collection	-	12,505
Commissions	543,859	459,610
Change in the valuation allowance for receivables	45,996	37,071
Assistance services	6,415	2,326
Other	48,733	16,105
TOTAL COSTS	**1,352,582**	**873,959**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

24. Corporate income tax

	2008	2007
Income tax for the current period	80,089	34,656
Additional income tax	(2,774)	1,709
Deferred tax (Note 12)	(34,902)	(12,609)
TOTAL TAX EXPENSES	**42,413**	**23,756**

Reconciliation of the effective tax rate

	2008	2007
Profit before taxes	(171,028)	140,742
Income tax charge calculated using 19% tax rate	(32,495)	26,740
Tax non-deductible expenses	77,682	1,829
Change in the accounting policy	-	4,834
Additional tax for the year	(2,774)	1,709
Impact of changes in the tax law	-	(6,099)
Change in previously not recognized deferred tax assets	-	(5,257)
TOTAL TAX EXPENSES	**42,413**	**23,756**

Until 31 December 2007, impairment of receivables was tax deductible only if certain conditions were met. An amendment to the income tax law enacted before 31 December 2007 allows full deduction of valuation al-lowances for receivables within the next three years commencing on 1 January 2008. The effect of this change amounts to SKK 6,099 thousand recognized as a deferred tax asset.

25. Employees

	2008	2007
Top management	5	10
Middle management	40	23
Other employees	679	255
TOTAL	**724**	**288**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

26. Transactions with related parties

Related parties are those counterparties that represent:

(a) enterprises that directly, or indirectly, through one or more intermediaries, control, or are controlled by, or are under the common control of, the reporting entity; and

(b) top management, consisting of those persons who have authority and responsibility for planning, direct-ing, and controlling the activities of the reporting entity, including directors and officers of the Company, as well as close family members of these individuals (for director's remuneration, see Note 23).

Ultimate controlling enterprise:

- Assicurazioni Generali, S.p.A., Trieste

Subsidiaries and joint ventures:

- Generali Consulting, s.r.o. Bratislava
- Generali IT, s.r.o. Bratislava
- VÚB Generali, d.s.s., a.s., Bratislava

Other related parties:

- Generali Holding Vienna, AG, Vienna
- Generali Versicherung, AG, Vienna
- Generali Pojištovna, a.s., Praha
- GeneraliPPF Asset Management a.s., Praha
- Europaische Reisevesicherung, AG, Vienna
- Generali France S.A.
- CP Reinsurance Company Ltd.
- Česká pojišťovna, a.s., Praha
- Generali-Provid. Biztosító/N

Related parties w/o reinsurance 2008	Receivables	Payables	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	-	-	-	-
Generali Holding Vienna AG, Vienna	-	-	-	-
Generali Versicherung AG, Vienna	-	-	-	-
Generali Pojišťovna, a.s., Prague	-	(1,648)	-	-
VÚB Generali, d.s.s., a.s., Bratislava	497	-	-	
Generali Consulting, s.r.o., Bratislava	12,285	-	-	-
Generali IT, s.r.o., Bratislava	-	1	-	-
GeneraliPPF Asset Management a.s., Prague	-	1,152	12,119	-
Europäische Reiseversicherung AG, Vienna	371	-	-	-
The Company's Board of Directors	-	-	-	-
TOTAL	**13,153**	**(495)**	**12,119**	**-**

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Related parties – reinsurers' share 2008	Receivables	Payables	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	-	3,700	23	3,107
Generali Holding Vienna AG, Vienna	-	52,542	150,498	45,165
Generali Versicherung AG, Vienna	-	7,408	4,340	387
Generali France S.A.	-	-	-	-
CP Reinsurance Company Ltd.	-	165,090	871,612	663,841
Česká pojišťovna, a.s., Prague	-	203,381	157,728	83,848
Generali-Provid. Biztosító/N	-	124	-	1,050
TOTAL	**-**	**432,245**	**1,184,201**	**797,398**

Related parties w/o reinsurance 2007	Receivables	Payables	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	-	-	-	-
Generali Holding Vienna AG, Vienna	-	9,535	32,027	-
Generali Versicherung AG, Vienna	320	-	-	83
Generali Pojišťovna, a.s., Prague	-	(1,648)	728	-
VÚB Generali, d.s.s., a.s., Bratislava	257	-	1,936	-
Generali Consulting, s.r.o., Bratislava	18,009	-	4,502	-
Generali IT, s.r.o., Bratislava	69	-	-	712
Europäische Reiseversicherung AG, Vienna	371	-	-	1,747
The Company's Board of Directors	-	-	5,799	-
TOTAL	**19,026**	**7,887**	**44,992**	**2,542**

Related parties – reinsurers' share 2007	Receivables	Payables	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	-	546	45	396
Generali Holding Vienna AG, Vienna	-	29,365	954,449	1,091,129
Generali Versicherung AG, Vienna	-	778	8,173	30,050
Generali France S.A.	-	172	659	4,616
Generali-Provid. Biztosító/N	-	525	18	364
TOTAL	**-**	**31,387**	**963,344**	**1,126,555**

At 31 December 2008, all balances due to or from companies mentioned above related to advisory and man-agement services. The balances due from Generali Consulting, s.r.o. related to the loan provided for finan-cing its operating activities, which is not due in the short term. All balances were short-term balances, pay-able within one month. None of the related parties stated above is a listed company, except for Assicurazioni Generali, S.p.A., Trieste, which is listed on the Milan Stock Exchange.

27. Contingent liabilities and contingent receivables

Liabilities

At 31 December 2008, the Company neither provided, received, nor recorded any guarantee under contin-gent assets, contingent liabilities, or other financial commitments.

Receivables

As some provisions of Slovak tax law allow more than one interpretation, the tax authorities may decide to tax business activities that need not necessarily meet the interpretation of the Company's activities. In the 2008 tax period, the Tax Office for Certain Taxable Entities commenced and completed a tax audit in Česká poisťovňa Slovensko, a.s., which ceased to exist. In 2008, when both companies merged, the Company ap-plied the prospective business combination method at the merger date (Note 14). In doing so, the Company unified certain accounting methods and adopted certain accounting policies from the dissolved company. As the tax law does not treat this issue unambiguously, the Company has not recognized a tax receivable of SKK 11 million in these financial statements.

28. Post-balance-sheet events

As of 1 January 2009, Slovakia adopted the Euro as the single legal tender in the country. The conversion from Slovak crowns to the Euro, including the valuation of assets, liabilities, and equity, was effected using the agreed conversion rate of EUR 1 = SKK 30.1260.

Due to the financial crisis, the fair value of financial assets available for sale and financial assets at fair value through profit or loss, described in Note 8, dropped by no more than 3% after the balance sheet date.

After 31 December 2008, no other significant events have occurred that would require recognition or disclos-ure in the 2008 financial statements.

(All amounts are in thousand of Slovak crowns, unless stated otherwise.)

Responsibility for the Annual Report

Solemn Declaration

I hereby declare that the information disclosed in the Annual Report of Generali Slovensko poisťovňa, akciová spoločnosť for 2008 is true and fair and that no significant circumstances have been omitted or misrepresented.

Bratislava, 2009.

Ing. Stanislav Polešovský

Deputy Chief Executive Officer and Member of the Board of Directors

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