Annual report '09

keby niečo

CONTENTS

The Company's profile 4
The TOP events in the Company in 2009 5
The Company's history 6
Financial indicators 7
Finance Division 8
Controlling Section 8
Legal Section 9
Customer Services & Informatics Division 10
Insurance Claims Adjustment Section 10
Operations Section 11
IT Section 11
Insurance Technique Division 12
Non-Life Insurance Section 12
Life Insurance Section 13
Underwriting Section 13
CEO Division 14
Marketing & Communication Section 14
Human Resources & Organization Section 14
Project Office Section 15
Sales Division 16
'Internal Sales Network for Personal Insurance' Section 16
Corporate Insurance Section 17
Motor Vehicle Insurance Section 17
Complete product offer 18
Foreword of the Chairman of the Board of Directors 20
The Company's Bodies 22
Board of Directors 22
Supervisory Board 22
Organizational structure at 31 December 2009 23
Shareholders 23
Report of the Board of Directors 24
Report of the Supervisory Board 25

FINANCIAL PART 27

Report of Independent Auditors 28
Balance sheet 30
Separate Income Statement 31
Separate Statement of Comprehensive Income 31
Separate Statement of Changes in Equity 32
Separate Cash Flow Statement – indirect method 33

NOTES TO THE SEPARATE FINANCIAL STATEMENTS 34

1. General information 34
2. Summary of significant accounting policies 35
2.1 Basis of preparation 35
2.2 Investments in subsidiaries and joint ventures 40
2.3 Foreign currency translation 40
2.4 Intangible assets 41
2.5 Property, plant and equipment (Non-current tangible assets) 41
2.6 Reinsurance contracts 42
2.7 Financial assets 42
2.8 Deferred acquisition costs (DAC) 44
2.9 Income tax 44
2.10 Offsetting financial instruments 45
2.11 Cash and cash equivalents 45
2.12 Share capital 45
2.13 Liabilities from insurance contracts 45
2.14 Receivables and payables resulting from insurance contracts 47
2.15 Deposits from reinsurers 47
2.16 Revenue recognition 47
2.17 Impairment of assets 47
2.18 Insurance and investment contracts – classification and measurement 48
2.19 Leasing 51
2.20 Employee benefits 51
2.21 Dividend distribution 52
2.22 Business combinations involving entities under common control 52
3. Critical accounting estimates and judgments in applying accounting policies 53
4. Risk management 55
4.1 Insurance risk 55
4.1.1 Life insurance risk 56
4.1.2 Non-life insurance risk 58
4.2 Financial risk 59
4.2.1 Market risk 59
4.2.2 Liquidity risk 61
4.2.3 Credit risk 63
4.3 Operational risk 65
4.4 Capital management 66
4.5 Fair value hierarchy 66
5. Property, plant and equipment (non-current tangible assets) 68
6. Intangible assets 69
7. Investments in subsidiaries, joint ventures and associates 70
8. Financial assets 71
9. Reinsurance contracts 72
10. Loans and receivables 72
11. Deferred acquisition costs 73
12. Deferred income tax 73
13. Cash and cash equivalents 74
14. Equity 75
15. Insurance liabilities 77
16. Deposits from reinsurers 81
17. Trade and other liabilities 81
18. Premium 82
19. Income/(expenses) from financial investments 83
20. Impairment of financial assets 83
21. Net insurance benefits and claims 84
22. Commissions and other acquisition costs 84
23. Investment management expenses 84
24. Expenses by nature 84
25. Income tax 85
26. Information about employees 86
27. Transactions with related parties 86
28. Contingent liabilities and contingent receivables 88
29. Post balance sheet events 88

The Company's profile

Business name:	Generali Slovensko poisťovňa, a. s.
Legal form:	joint-stock company
Registered office:	Plynárenská 7/C, 824 79 Bratislava
Corporate ID (IČO):	35 709 332
Commercial register:	Bratislava I District Court, Section Sa, Insert No.: 1325/B
Incorporated on:	12 February 1997
Share capital:	€ 25,000,264
Shareholders:	Generali PPF Holding, B.V. (100%)

Since the merger of Generali Poisťovňa, a.s. ("GP") and Česká poisťovňa – Slovensko, akciová spoločnosť ("ČPS"), the new company Generali Slovensko poisťovňa, a. s. ("the Company") has entrenched its position as one of the three strongest insurance companies on the Slovak market. The Company is part of one of the greatest insurance groups in the CEE region – Generali PPF Holding, B.V., which currently manages assets of almost € 12 billion and provides services to more than 10 million clients in 14 countries worldwide, benefiting from the strong international background.

In 2009, the Company was busy implementing the latest technology and systems to provide clients first-class service. The Company was also focusing on staff quality, and was constantly improving their expertise and professionalism. Today, thanks to these activities, the Company offers not only excellent insurance products, but high-quality services reflected in the settlement of insurance claims.

The Company builds on quality, practicality, and a fair approach to clients. The firm focuses on selling complex life and non-life insurance through all distribution channels – its own network of more than 130 sales points, VÚB Bank branches, all external distribution channels, as well as sales by telephone and the Internet. It offers the largest selection of insurance products – life, injury, sickness, or risk insurance, travel 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 practical assistance services. The Company is a strong and practical insurance company, which is able, also thanks to using the latest digital technology in administering insurance contracts and settling insurance claims, to offer high-quality services to its clients.

The TOP events in the Company in 2009

January 2009	Successful transition to the Euro
January 2009	Development and successful implementation of a new operating system 'SIRAEL'
March 2009	'Firm of the Year 2008' award at the 'Business for the Future' conference, organized under the auspices of the Association of Financial Agents and Financial Advisors
September 2009	Introduction of two new products – 'TESTAMENT' and 'ŽELEZNÁ REZERVA'
November 2009	MTPL campaign with a new segmentation criterion Slovakia – Hungary
November 2009	'Gold Coin 2009' award for the 'DYNAMIK Plus' life insurance, with 'SLNIEČKO' and the real estate insurance 'MÔJ DOM' ranked second, and household insurance 'MOJA DOMÁCNOSŤ' and insurance for entrepreneurs 'TOP4BIZ' ranked third.

The Company's history

1993 Česká poisťovňa-Slovensko was established on the Slovak market as a subsidiary of Česká pojišťovna, a.s., the history of which goes back to 1827.

1996 Generali poisťovňa was established on the Slovak market as a subsidiary of Assicurazioni Generali S.p.A., founded in Trieste in 1831. Already in 1833, Assicurazioni Generali S.p.A. had six branch offices in Slovakia.

2008 Česká poisťovňa-Slovensko and Generali poisťovňa became part of the Generali PPF Holding Group

1 October 2008 Česká poisťovňa-Slovensko and Generali poisťovňa merged and formed Generali Slovensko poisťovňa, a. s.

Financial indicators

The comparative period of 2008 is shown as follows – up to 30 September 2008, figures include those of Generali poisťovňa; as of 1 October 2008, figures include those of the new company, Generali Slovensko poisťovňa, a. s. (including values for Česká poisťovňa-Slovensko, which ceased to exist).

Main financial indicators	Unit	2009	2008	Absolute difference	Index
Gross written premium	in € thousands	204 422	113 468	90 954	1.802
- non-life insurance	in € thousands	111 695	57 263	54 432	1.951
- life insurance	in € thousands	92 727	56 205	36 522	1.650
Insurance benefits paid	in € thousands	75 145	41 796	33 349	1.798
Profit/loss before taxes	in € thousands	13 680	- 5 466	19 146	- 2.503
Profit/loss after taxes	in € thousands	10 273	- 6 821	17 094	- 1.506
Total assets	in € thousands	546 443	486 200	60 243	1.124
Equity	in € thousands	111 741	95115	16 626	1.175
Gross provisions – at 31 December	in € thousands	372 864	317 821	55 043	1.173
Market share	%	10.09	10.21	- 0.12	0.988
Average number of staff	persons	698	719	-21	0.971
Number of staff – at 31 December	persons	689	724	- 35	0.952

Finance Division

In 2009, the Finance Division went through many hard tests. The first ones included ‘finalizing’ the extraordinary financial statements of ČPS at 30 September 2008, accounting for the merger, and preparing the first quarterly financial statements of the Company at 31 December 2008.

The conversion of the accounting system to the Euro, the completion of system set-ups in debt and recourse collection, unification in asset registration, car fleet administration, and contractual relations are just a few examples of the many tasks the Company had to cope with. The final results of the merger will really be evident in 2010, as in 2009 the environment was being prepared for optimum operation and further development.

The sunny side of 2009 is that the situation on the financial markets has stabilized after turbulences in the last year. This year’s positive development has an impact on the profitability of the Company’s financial assets.

Controlling Section

The Company’s preliminary result of operations for 2009 after taxes is a profit of € 10.3 million, which economic experts consider a success for the merged company. The Company has achieved this result already in the first year after the merger, and even in period of global economic crisis.

The gross written premium for 2009 totalled € 204.4 million, of which € 111.7 million relates to non-life insurance and € 92.7 million relates to life insurance. With these results, the Company has defended its position as the third strongest insurance company on the Slovak insurance market.

In life insurance, we observed an increase of 7.5% in commonly paid premium compared to 2008, which is significantly over the growth rate of the market. In non-life insurance, the personal insurance segment (house or apartment insurance, and household insurance) grew significantly, by as much as 11.7%. In contrast, we recorded an expected decrease in motor car insurance of 6.8%. In the big risk segment, the Company succeeded in achieving the same results as in 2008.

From other financial indicators, the Net Combined Ratio of 80.1% is highly appreciated. Thanks to thorough operational cost management, the Company was able to cut these costs by as much as 11.7% compared to the previous year.

The Company’s business plans for 2010 build on the successful results achieved in 2009. In 2010, we plan to achieve a gross written premium of € 112.7 million in non-life insurance, of € 98.6 million in life insurance, and a profit after taxes of € 10.5 million.

Legal Section

Within the competencies specified in the Organizational Order, the Legal Section is responsible for three basic areas – recourse collection, debt collection, and internal legal services.

When claiming recourse receivables from motor own damage insurance, the obligatory motor third-party liability (“MTPL”) insurance, the general liability for damages, and from asset insurance, the Recourse Collection Department directly connects to actions of the Insurance Claims Adjustment Section. In 2009, the Insurance Claims Adjustment Section submitted 5,707 proposals for initializing recourse, of which the Recourse Collection Department processed and prescribed 5,386 recourse receivables totalling € 6,053,000. Thanks to the Recourse Collection Department, the total amount of € 5,608,000 from collected recourse receivables was credited to the Company’s accounts in 2009.

The almost 94% recoverability of recourses was achieved mainly by setting internal rules for processing, assessing, and claiming recourse receivables, by developing and issuing a technical guideline, training claim adjustors and Contact Centre operators, and stipulating the methodology for collecting recourse receivables claimed with foreign liability insurers from insured events which occurred in other countries where the culprit is a foreigner and the injured person is our client with motor own damage insurance.

At the beginning of 2009, when collecting receivables from the outstanding premium, cancelled commissions, and from unjustified enrichment, the Debt Collection Department made its main priority a comprehensive check-up of all administered receivables by their individual types to find out their actual status, amount, and the probability of being successfully recovered. When collecting receivables arising from the outstanding premium from cancelled insurance policies, it was inevitable to link and harmonize processes relatively fragmented by that time, which overlapped not only with the administration of insurance policies, but also with collection and accounting. The solution was to set up correctly the functions of the insurance-related technical systems to generate receivables properly, to set enforcement limits, and concentrate activities related to individual debt collection phases in the Legal Section.

The Debt Collection Department is fully responsible for out-of-court debt settlements, for actions related to debt collection in court, and for filing petitions for distraint. In 2009, as many as 20,404 receivables totalling € 1,292,000 were handed over for out-of-court settlement, and € 935,000 was collected. At the end of 2009, the Debt Collection Department administered, in various collection phases, 23,432 receivables totalling € 4,476,000.

Over all of 2009, legal services and consultations were provided to all divisions, sections, branches, and departments of the Company, with legal consultancy being focused mainly on the implementation of the new Act on Financial Mediation and Financial Consultancy. In accordance with the effective legal regulations, we stipulated principles for work procedures and activities related to carrying out the duties arising from delivered court orders to start a distraint process or delivered warrants of distress, based on which the Company is in the position of a debtor obliged to pay, we developed the rules for registering and archiving the Company’s business contracts, we were involved in specifying departments responsible for the preparation of statements, returns, summaries, and other reports sent to the National Bank of Slovakia, and we set the legal framework for co-operation with the European Travel Insurance Company (Europäische Reiseversicherung AG).

The Legal Section also represents the Company in court and before other governmental authorities. In 2009, there were 130 new legal actions for € 1,751,000, in which the Company is either the defendant or a party on the side of the defendant. At 31 December 2009, the total balance of passive lawsuits was 271 legal proceedings for € 5,145,000. We are also taking advantage of the fact that we are members of the legislative section of the Slovak Association of Insurance Companies (SLASPO), so we actively attend its meetings, which allows us to participate in preparing and discussing legal regulations governing the performance of insurance activities.

Customer Services & Informatics Division

The Euro-Project and the implementation of the ‘SIRAEL’ system were the largest projects running at the end of 2008 and at the beginning of 2009. After a year, we may conclude that both projects were successfully accomplished, despite initial problems (especially several delays in launching the functions of the new system). In addition to these key activities, some other assignments were successfully completed during the year, such as a significant increase in the number of staff in the Contact Centre, its gradual stabilization, and the qualitative increase of the level of customer service. The unification of methods and procedures in administering insurance policies, the integration of work procedures when settling insurance claims, and the payment of insurance benefits also contributed significantly to improving the quality of client service. In addition, we successfully completed an analytical project for the future integration of IT infrastructure, and the selection of the target insurance and technical system. After completing the analytical part of the project, we went to the implementation phase. It is this project which will significantly help us achieve full integration planned for the first quarter of 2012. The strategic task of the Customer Services & Informatics Division set for 2009 – the stabilization of the Company’s operational processes and gradual enhancement of services to clients – has been accomplished.

Insurance Claims Adjustment Section

In 2009, after launching the processing of insurance claims in the new information system, new opportunities appeared to further improve services to clients when settling their insurance claims. The Company puts great emphasis on the quick and professional settlement of insurance claims, and on proper client relations, which strengthens the clients’ confidence. In 2009, the provision of services was influenced by the implementation of a new information system which, thanks to its flexibility, helped us make processes for settling insurance claims more effective, and offered possibilities for other services in electronic communication and for increasing the speed at which insurance claims are processed. This information system is also a very important asset in communication with the Company’s contractual partners, a thus in finding new business partners.

In 2009, as many as 78,852 insurance claims were settled.

In 2009, there were 27,679 insured events reported in life insurance, which is a decrease of 3.6% compared to 2008. In non-life insurance, as many as 51,917 insured events were reported. In the reporting year, for non-life insurance, the Insurance Claims Adjustment Department concentrated on adjusting processes related to increasing quality, communicating with clients, and increasing the speed of services rendered to clients, and prepared the set-up of a new information system for new processes to start in 2010.

Since August 2009, the Company has radically modified the process of informing clients in car-related insured events, placing emphasis on personal contact and communication with the Company’s technical inspector. A wide network of inspectors and inspection sites around Slovakia ensures comfort and available service in the event of an insured event in non-life insurance. A specialized Contact Centre operates the system for reporting damage and providing information about the status of an insured event. The continuous 24-hour operation of the Contact Centre is an important part of the claims adjustment process, allowing clients to report an insured event very quickly.
To increase the comfort and availability of services provided within motor own damage and MTPL insurance in the event of a broken windscreen, the Company also extended its co-operation with major windscreen repair companies on the Slovak market in the reporting year. The network of these firms can communicate with the Company through a web connection to the Company’s information system, allowing clients to report the damage and have the broken windscreen inspected and repaired in a single visit to the repair shop.

Operations Section

In 2009, the Operations Section went through many changes. A severe test included multiple conversions at the beginning of the year – the Euro conversion and the switch from the information system ‘GOLEM’ to the new information system ‘SIRAEL’. The start of processing in ‘SIRAEL’ was also very difficult. Little by little, processes and work procedures were unified as well. In total, the Operations Section processed 177,000 new policies, cancelled 127,000 policies, and made 71,000 amendments to the existing policies.

Towards the year’s end, the Client Centre was established, which was in important step in improving client services.

In the Life Insurance Branch, the risk measurement process was unified – over 7,000 policies were affected. In addition, we also managed to process an increased number of client requests to surrender policies – almost 17,000. Spasmodic processing of cancellations in all products, especially car-related ones, was the greatest challenge the Life Insurance Branch had to face.

The greatest changes occurred in the Contact Centre Branch. In the second half of the year, its management was replaced, which helped significantly increase the quality of service, especially by stabilizing staff, introducing a clearly arranged and motivating remuneration system, adjusting work procedures, and implementing systematic training and testing of the Contact Centre staff.
Due to these precautions, all indicators have improved (for example, the response percentage soared from the original 60% to 70% to a stable 95% and more). We managed to start several useful and successful activities, such as the process of saving policies from cancellation, the success rate of which remains stable at 29% on average.

IT Section

In 2009, the IT Section started many activities in all areas, which were carried out by both the Information and Communication Technology Branch (O-ICT) or by the Information Systems Branch (O-IS). From the overall Company perspective, integration projects, the role of which was to select the target insurance-technical system and the infrastructure platform, were most important. In collaboration with our colleagues from Generali PPF Holding, we succeeded in accomplishing successfully both tasks, so we are able to tell today what our systems will look like in the coming months and years. From the internal IT perspective, the approval of the IT strategy for the years 2009 through 2012 was a very important moment, as we will follow this strategy in the near future to meet the set objectives, whether from the organizational, financial, or technology perspective.

Due to Euro conversion, the turn of the years 2008 and 2009 was especially important for O-IS. The IT Section was responsible for implementing the dual representation of system-related documents. In 2009, one of the key informatics tasks was the start-up operation of the new information system ‘SIRAEL’, which is expected to be the Company’s target insurance-technical system mentioned above. This was even more complicated, because, along with launching ‘SIRAEL’, we carried out Euro conversion in this system and migrated data from the old ‘GOLEM’ system. The implementation of ‘SIRAEL’ required us to program comprehensively the web application portal and to create a completely new on-line insurance for our clients.

Modifying our entire computer network to comply with the Generali Global Network (GGNet) standards was an important step, which will bring us benefits within the entire holding in the future. We managed to unify and implement common VÚB and UCB banking systems on both parallel platforms, which resulted in the unification of bank accounts and access to them under a single administration system. At the request of the National Bank of Slovakia, we also unified the STATUS-DFT reporting system. We succeeded in implementing new computing programmes on LPU (mainly Ere, PadWEB), which will make the work of claims adjustment more effective.

Insurance Technique Division

Several major organizational and personnel changes resulted from the Company's integration project. Their goal was to make the management structure simpler and more effective, and to cut costs as well. The Life Insurance Branch and the Branch for Insuring Individuals were merged into the Life Insurance Section. A new Branch for International Insurance Programmes and Reinsurance was established by merging two separate departments. The staff of the Insurance Technique Division was reinforced by appointing a new Deputy CEO for insurance techniques, and Senior Directors for the Life Insurance Section, Non-Life Insurance Section, and Underwriting Section. The most important tasks of the new team included product unification and the launch of new services, including assistance services. In this regard, we co-operated more closely with other companies which are part of Generali PPF Holding or the Generali Group – such as Česká pojišťovna ZDRAVÍ, a.s., ČP INVEST investiční společnost, a. s., Europ Assistance, s.r.o., and Europäische Reiseversicherung AG.

Non-Life Insurance Section

In 2009, the financial crisis, a phenomenon so far unknown in Slovakia, also affected non-life insurance. A slower growth in the written premium was caused mainly by a steep fall in the sale of motor vehicles, the pressure to reduce the average premium in asset insurance, and the ongoing competition in obligatory MTPL insurance. Despite all these facts, the Company managed to play an important role on the Slovak insurance market and to address new clients through new products.

In motor own damage insurance, motorists could choose from proven products, such as 'AUTOŽOLÍK' (designed for new cars), or 'AUTOSEKÁČ' (favourable for used cars). Both products can be combined with a large number of additional insurance types, which offers a final product suitable to every client.

In the obligatory MTPL insurance, the Company continued to offer a product that was adapted to the profile of each client. Thanks to properly selected segments, it was possible to offer more favourable insurance to more responsible clients. Besides selling MTPL insurance through agents, our own insurance advisors, and external business partners, our clients could also conclude insurance contracts through on-line distribution channels, such as over the telephone or on the Internet.

Suspensions of many developing projects and the fall in prices for old apartments resulted in lower sales of personal property. Our clients could choose from a wide variety of insurance products, from insuring a single item up to an insurance package. In 2009, the product 'MÔJ DOM' (My House) ranked second in the prestigious 'ZLATÁ MINCA' (Golden Coin) competition in the 'Real Estate Insurance' category.

Clients could still choose proven products from the offer for asset insurance and general liability insurance against damages caused by entrepreneurs and enterprises, such as the insurance for movable and immovable assets, insurance for the suspension of operations, insurance for machinery, technology, and electronic equipment, or insurance for construction and assembly work. The offer also includes insurance for professional responsibilities, insurance for transportation and financial risks, and insurance for agricultural products and farm animals.

Life Insurance Section

Last year, the economic crisis got worse. As a result of this development, life insurance products which gave clients at least a minimum guarantee for investments were especially attractive. These included either capital insurance products or unit-trust insurance products with a guarantee – 'DYNAMIK PLUS' and 'GARANT PLUS'.

The best evidence of this is the rankings in competitions and awards for insurance products on the Slovak market, which the Company has won – number two in the 'Life Insurance' category in the 'ZLATÁ MINCA' (Golden Coin) competition for the 'DYNAMIK PLUS' product, and number two in the 'Life Insurance for Kids' category in the 'ZLATÁ MINCA' competition for the 'SLNIEČKO' product.

'ŽELEZNÁ REZERVA' (Assets of the last resort) was a new product which was the Company's reaction to the ongoing crisis in 2009. It handles comprehensively a long-term loss of income, not only when not being able to work but also when losing employment. The risk of losing employment has not been in our portfolio so far. When insuring individuals, this product offers a solution for mitigating client concerns related to an unexpected loss of employment. In this case, the Company will take over regular expenses for up to 12 months.

Generali Slovensko poisťovňa, a.s. has traditionally been among the innovative companies that are trying to catch a client's interest with the uniqueness of their products. Another innovation on the Slovak insurance market is the 'TESTAMENT' product – lifelong death insurance with unique services for assistance with arranging and organizing the funeral according to the client's requirements. With this product, traditional funeral insurance has been upgraded to a new level – its is not only the reimbursement of funeral costs, but also the provision of attractive services to the bereaved in the form of assistance services, such as legal or tax consultancy, or psychological aid. With this high-quality service, the Company wants to distinguish itself from others in an increasingly competitive environment.

Underwriting Section

Being number three on the insurance market is a challenge that we must not throw away even in big risk insurance. We have set the following rules that should promote new business: an active approach to clients, closer co-operation with financial agents, and the presentation of an insurance institution strong in insuring industrial risks. This concept has been positively reflected in an increasing number of insurance policies with co-insurance, and in successful results from participation in public tenders.

The development of new products has not been neglected as well. In agricultural product insurance, we have eliminated our competitive disadvantage and have extended this insurance to an indefinite period of time. At the same time, we have introduced the possibility to insure a new insurance risk to the market – frost damage to crops.

Despite the economic crisis, which has undoubtedly affected the insurance business as well, we managed, thanks to the rules set in this way, not only to maintain but to extend the total number of insured for big risks, which had a positive impact on our insurance business result.
However, our activities were also focused on processes within our section. The objective is to create a new common platform on which the Underwriting Section should operate: mapping the current status, evaluating the facts identified, and, as a result, unifying and setting underwriting processes at an optimum level. In this respect, we have also figured in the requirements of the Generali PPF Holding. Thus, the implementation of the holding underwriting rules is one of the tasks that were accomplished in this area.

CEO Division

Marketing & Communication Section

In 2009, marketing was globally affected by the financial and economic crisis. Marketing budgets were reviewed, and the consumer behaviour of clients, along with the related marketing activities, changed. As a consequence, the Company had to react to these changes in its marketing strategy.
In advertising, new communication channels, enhanced creativity, special product promotion, extra crisis-related communication, and harmonization of the marketing mix were utilized. One of the most successful projects was called 'WHY BE INSURED IN A CRISIS?', which led to the best results for a marketing action on the Internet in our history. With this project, the Company reacted to the actual situation on the market and the resulting clients' interest in financial consultancy.

A new project in 2009 which linked the marketing and product strategy with sales support was the event called 'OBECNÝ ROZHLAS' (Public Address System). The launch of the new product 'ŽELEZNÁ REZERVA', the non-traditional product 'TESTAMENT', and the creative MTPL campaign have entrenched the Company's position and confirmed its status as a practical insurance company.
In 2009, despite the crisis, the Company invested in internal communication as well – by holding motivational events for employees, competitions, conferences for managers and sales staff, and informational activities.
The Company also continued to support one of the best known summer festivals, the Summer Shakespeare Festival, as a co-producer. For the first time, the 2009 Summer Shakespeare Festival succeeded in moving to Central Slovakia – the Company brought the magic of theatre under the open sky to a Central Slovakian audience at the castle in Zvolen.

The first year of the Company brand's existence went by in the spirit of defending and developing the profile of a practical insurance company, oriented to the needs of the Slovak people, to which all the activities mentioned above contributed without any doubt

Human Resources & Organization Section

Number of staff at 31 December 2008	724
Number of staff at 31 December 2009	689
The average number of staff recalculated to FTE	692,5
Number of staff planned	700

The development in the staff turnover rate matches the decrease in the number of staff in individual months – the number of leavers, with a respective staff turnover rate of 13.72% (cumulative net turnover rate).

In 2009, 22 managers in different management levels terminated their employment with the Company – 14 new managers were recruited from outside, and the remaining managerial positions were occupied by internal managers who were promoted in their careers.
The new managers have extensive managerial and professional experience in their field of work. Almost all of them came from the insurance environment. With their professional knowledge and managerial experience from previous places, they are beneficial to our Company.

Staff average age		37 years
Men/Women ratio	205/484	30 % : 70 %
High school / University education ratio	432/257	63 % : 37 %

In 2009, activities resulting from the merger at 1 October 2008 were still being completed. The migration of employee data from SAP to Odysea was performed, which means that salaries are now processed in a single system. Job positions, employment-related documentation, and employee remuneration were unified.

In the Company, education is carried out in the following way:

- internal educational activities (internally organized enclosed groups according to the needs of attendees);
- external educational activities (prepared and performed by external educational institutions); and
- foreign language courses:
  - internal (enclosed groups on the Company's premises); and
  - external (employees attend open foreign language courses at external teaching institutions)..

In 2009, a total of 58 internal educational activities with 95 training days and 820 attendees were organized. In internal education, the following new educational activities were carried out:.

- team co-operation training aimed at enhancing co-operation and improving communication and internal employee relations in a team and with other teams:
  - outdoor team-building activities for larger groups (in co-operation with an external firm); and
  - internal team-building activities for smaller groups (with an internal instructor);
- insurance English training focused on improving English insurance-related terminology; and
- individual coaching for top management.

We launched the training course called 'The Insurance Minimum', tailored to new conditions.

In total, 93 employees attended 48 different external educational activities, mainly technical workshops and training courses dealing with legislative changes.

Project Office Section

At the beginning of 2009, the Project Office Section's most important activity was the completion of preparations for replacing the operating system 'GOLEM'. After the end of the 2008 accounting period, the 'GOLEM' system was definitely closed and replaced by the 'SIRAEL' system. The currency switch was also part of this process; it was, therefore, a two-step migration of Slovak-crown data from 'GOLEM' to Slovak-crown data in 'SIRAEL', followed by the conversion of this data in 'SIRAEL' to Euros.

Considering the extent of the change that was carried out, the following job description of the Project Office was also closely related to it. Obviously, a system switch brings about changes in processes, their optimization, partial changes in the organization of work, and retraining all employees who come into contact with the operating system.

Later on, we started entering new products into the system and adding new functions to ensure high-quality service both for clients and system users.

Obviously, other sub-projects were closely connected with this, such as the HIP administration project, a project for optimizing data furnished for ROLEX accounting, or work on a project for setting up a data warehouse for the management information system which, in addition to the data from 'SIRAEL', also contains data from all the other systems of the Company. The Information System Integration Project, part of which was the selection of the Company's target operating system, was very interesting, especially from the strategic perspective; based on the project's outputs, the 'SIRAEL' operating system came out as the winner.

Really worth mentioning are insurance benefit payments from the VIAS system through 'SIRAEL'. We have decided to do this to make the system of payments to our clients better and quicker, which, of course, demanded the exertion of a lot of effort and energy.

The area which we managed to consolidate in 2009 was that of controlled documentation – the Company's internal regulations. To ensure that the Company operates in the optimum way, we set up a unitary database of all internal rules, resulting from reviewing the original effective internal regulations of both companies merged in 2008.
From this overview, it is clear that 2009 was a year of both large and smaller projects, part of which has already been completed and others will be completed in 2010. In the reporting year, good foundations were laid for other new projects, such as the Operating Systems Integration.

Sales Division

In 2009, the Slovak insurance market registered other continuing impacts of the financial crisis, and insurance companies did not respond to this situation flexibly enough. In the first half of the year, new production dropped in almost all life and non-life insurance segments. Growth was recorded in classical life insurance. Higher interest in life insurance may be explained by people being more conscious – breadwinners and mortgage payers have realized that they must protect their families and property. In obligatory MTPL insurance, the competition got sharper; some insurance companies tried to win new clients with drastically reduced prices. A decrease in motor own damage insurance was caused mainly due to lower car prices and higher sales of cheaper cars. The impact of the financial and economic crisis on the insurance sector is evident mainly in a drop in gross written premium.

The year 2009 was a very difficult one for the Sales Division. The merger of two companies at the end of 2008 had an impact on the Company's activities, when both salespeople and business partners were getting used to the new brand and the unified product portfolio. At the end of the year, we can say that this change has been fully accepted. The ongoing financial crisis adversely affected all insurance segments. However, we tried to eliminate those negative impacts as much as possible by being more active. By doing this, we managed to conclude new policies, maintain existing clients (although at a lower premium), acquire new clients, and generate a profit. The governmental car-scrapping subsidy programme was also a big help for our Company to face the impact of the crisis on the sale of motor vehicles. At the beginning of the year, we launched a new operating system, which was a very difficult process in a time of crisis but, despite initial implementation problems, we managed to successfully complete the entire process.

In the internal sales service, which was in the process of stabilization, we made certain inevitable personnel changes and implemented a new remuneration system. Towards the year's end, we launched the Management Effectiveness Project and the Selling Point Effectiveness Project to support the higher activity of the internal sales service – the positive effect of these two projects is expected to manifest itself next year.
Bank loan insurance, which is placing greater emphasis on selling life insurance, is a very strong distribution channel; the growth in traditional insurance may be attributed to the overall situation on the market (the economic and financial crisis) and to the return to traditional insurance with a fixed guarantee.

As to co-operation with MLM companies, all large companies are going through a major internal crisis. We managed to offset the shortfall in the production of our strategic partners by the higher production of some other companies, and by focusing on companies which seem to have considerable potential.
We are convinced that prime services, a high level of service, an innovative approach, professionalism, responsibility, flexibility, and the trustworthiness of our salespeople will remain our Company's main asset in the future, and will help us successfully achieve our goals.

'Internal Sales Network for Personal Insurance' Section

A year of changes, process unification, new business challenges, and stabilization – this was 2009 in the 'Internal Sales Network for Personal Insurance' Section. The first six months were strongly influenced by the transition to the Euro, the change in insurance-technical systems, and the unification of processes related to the post-merger phase. These aspects tested the sales skills and the internal strength of salespeople and managers of the 'Internal Sales Network for Personal Insurance' Section – all these tasks were successfully completed, without directly impacting client services.

To manage, motivate, and develop the staff of this section effectively, a common remuneration system depending on salespeople's performance and a common educational system for improving their expertise and sales skills were introduced. For managers, we launched a training programme aimed at enhancing their recruiting and managerial skills, especially newcomer adaptation, the stabilization of active salespeople, and the effective management of sales groups with a focus on their sales performance.
In the second half of the year, we tried to stabilize the section's staff, and ran projects aimed at attracting new clients and protecting existing clients from the impact of the financial crisis. To use marketing and sales tools in communication with clients effectively, the section's staff was given a 'Salesman's Briefcase'. The section prepared itself for

the application of the new Act on Financial Mediation and Financial Consultancy as of 1 January 2010. The end of the year was characterized by increased regional activities due to the application of regional strategies prepared by individual sales directors.

Corporate Insurance Section

Our section was also significantly affected by the socially and economically turbulent year 2009. To cope with a situation full of challenges and be successful, we focused even more on clients to help them eliminate the adverse effects of the financial and economic crisis.
Throughout the year, we received and handled a greater number of requests from agents and clients related mainly to premium reduction. At the same time, we also paid more attention to settling insurance claims, the number of which was understandably higher than in previous years.

Personnel and organizational issues were also a topic we paid a lot of attention to. The Motor Vehicle Sales Support Department and the Asset Sales Support Department were moved into our section. We had to reorganize activities and reassign tasks to eliminate duplicate activities. We established a system for recording and monitoring the success rate of proposals prepared for our business partners.

In the first half of 2009, we started working on the 'Corporate Insurance Centres' project. Its objective is to increase sales through quicker and better service for our business partners and clients. We started analysing activities at the headquarters and at regional sales agencies. We assessed the appropriateness of agency distribution, the sufficiency of human resources (sales managers, technicians, and underwriters), and necessary material and technical equipment. Our goal is to get closer to clients and agents. Therefore, we are ready to delegate more competencies to regional agencies.

In the second half of the year, we concentrated on co-operation with the Underwriting Section, mainly on unifying communication with business partners and on co-operation in preparing public tender documentation. Co-operation with the Non-Life Insurance Section in updating and unifying products for small and medium-sized risks should also be mentioned.

Motor Vehicle Insurance Section

In the car insurance sector, the year 2009 was significantly affected by the economic crisis, which had an extraordinarily adverse impact on the automotive industry globally. In the first months after the crisis broke out, car sales dropped dramatically, which resulted in a lower number of cars insured. The growth in sales was promoted only by launching two waves of car-scrapping subsidies in March and April 2009.

In connection with the launched programme of car-scrapping subsidies and the expected recovery in the car insurance business, we prepared special events for our sales staff to help them sell car insurance. Unfortunately, the sales results were unsatisfactory and did not meet our expectations. There was extremely tough competition for each client in both motor own damage and obligatory MTPL insurance. Some insurance companies were attracting clients by offering them an extremely low premium. The low production in car insurance also resulted from the fact that clients bought the cheapest cars (with a low insurance premium), and very often did not want motor own damage insurance at all.
We also faced problems related to the drop in the production of leasing companies, which are our strongest sales channel in motor own damage insurance. The leasing market suffered a drastic fall of almost 50% in the new business. However, due to measures we had taken, the fall in production of this sales channel was not that dramatic.

The distribution channel in car insurance, which also reported significant increases in production in 2009, is GSL Services. We managed to sustain growth by extending the network of co-operating salespeople and intensifying co-operation with individual sales representatives. In 2009, the organizational structure of the Motor Vehicle Insurance Section has changed – the Car Fleet Insurance Department was established, which is responsible, mainly from the sales point of view, for fleet insurance policies in motor own damage and obligatory MTPL insurance for all distribution channels of our Company.
In a campaign, we prepared a new MTPL product for our salespeople, we launched a sales event called 'VIDIEK', and we prepared support for sales reps in processing car fleet insurance proposals and contracts. These precautions have started producing their first successes – a positive response to the new MTPL product from salespeople, business partners, and clients; in the 'VIDIEK' campaign, we managed to conclude about 2,000 MTPL insurance policies during a single weekend (and many other policies are agreed on with clients); in car fleet insurance, we are doing well in significantly increasing the success rate of our proposals.

Complete product offer

Life Insurance Products

Injury insurance 'FIT'
Family injury insurance 'FAMILY'
Injury insurances 'ŠKOLÁK' (Schoolchild) and 'ABSOLVENT' (Graduate)
Group injury insurances 'FIT MOMENT', 'FIT SELEKT', and 'FIT BIZNIS'
Sickness insurance 'PREVENT'
Insurance 'EURO VÝNOS' (sale stopped on 10 November 2009)

Variable life insurance 'DYNAMIK Plus'
Variable life insurance 'SLNEČNICA' (Sunflower)
Variable life insurance 'DYNAMIK Plus Junior'
Variable life insurance 'DYNAMIK GLOBAL'
Variable life insurance 'DYNAMIK GLOBAL Junior'
Unit-linked life insurance 'GaranT Plus'
Unit-linked life insurance 'STRATÉGIA'
Risk life insurance 'ISTOTA', 'ISTOTA Plus'
Capital life insurance 'SLNIEČKO'
Capital life insurance 'Kapitál', and 'Optimal'
Life insurance of funeral costs 'TESTAMENT' (since 9 August 2009)
Life insurance of regular expenses 'ŽELEZNÁ REZERVA' (since 1 September 2009)

Travel Insurance Products

Insurance of Travels to Other Countries – 'Travel Trip'
Insurance of Travels to Other Countries – 'Travel Globus'
Insurance of Travels to Other Countries – 'Travel 365'
Insurance of Travels to Other Countries – 'Travel Biznis'
Mountain Search and Rescue Insurance – 'Out&Active'

Products for Asset and Liability Insurance

Family house insurance – 'Môj dom'
Own apartment insurance – 'Môj byt'
Household equipment insurance – 'Moja domácnosť'
Insurance of recreational household equipment – 'Moja chata'
Citizens' third-party liability insurance
Insurance of pets – 'Poistenie psa'
Household insurance package – 'Moje bývanie'

Insurance of entrepreneurs' property:

Insurance against damages caused by natural disasters
Insurance against damages caused by a breakdown in operations due to fire
Insurance against damages caused by breaking and entering, and by robbery
Insurance of machines and machinery
Insurance of electronic equipment
Insurance of machinery against damages caused by a breakdown
Construction and assembling insurance
Consignment transport insurance
Luggage insurance
Insurance of receivables from supplier loans

Insurance of entrepreneurs' property:

General liability insurance
Road haulier liability insurance
Professional liability insurance

Agricultural risk insurance:

Agricultural companies' property insurance
Insurance of agricultural plants
Insurance of livestock

Motor own damage insurance products and the obligatory MTPL insurance

Car accident insurance 'AUTOŽOLÍK'
Car accident insurance 'AUTOSEKÁČ'
Fleet insurance – motor own damage insurance

Additional insurance to motor own damage insurance:
- Additional insurance of the car's windscreen
- Additional insurance of luggage and items for personal use
- Additional insurance of injuries caused to transported individuals
- Additional insurance of a replacement car
- Additional insurance of extra car equipment
- Additional insurance of assistance services KASKO PLUS

The obligatory MTPL insurance – 'AUTOMATIK štandard' and 'AUTOMATIK plus'

Fleet insurance – the obligatory MTPL insurance

Foreword of the Chairman of the Board of Directors

Dear shareholders, clients, and business partners,

We are presenting you the annual report for 2009, which was the first year in which our Company operated on the Slovak market under the new brand after the merger of Česká poisťovňa – Slovensko, akciová spoločnosť and Generali Poisťovňa, a.s. towards the end of 2008.
Globally, 2009 was a very odd and difficult year. The financial and economic crisis affected the whole year, and all companies had to adapt their business and financial strategies to this exceptional situation. The management had to take many extraordinary precautions, if they wanted to maintain corporate profitability and performance in those difficult times.
I am very happy that I can declare that, based on our Company's final results, our Company also succeeded in meeting its main goal in 2009 – to generate a profit and thus meet the main objective given by shareholders.
The values on which we built our services for clients after the merger included transparency, fairness, availability, and high-quality service. The year 2009 and its results confirmed that we had set them properly.

What did we have to address in 2009? The very first day in January was exceptional for the whole country, because Slovakia joined the Euro zone on that day and switched its currency to the Euro.
The first days, weeks, and months confirmed that we had prepared ourselves very well for this change, and that, as a result of this, the level of our service to clients did not deteriorate at all.

We also started a project for replacing the main operating system 'GOLEM' with the new system 'SIRAEL'. It was very difficult to master the planned shut-off of the system in January, as well as the gradual start-up of the new system in the following months. Despite all emergency solutions we had prepared, and despite extra communication with clients, our level of service deteriorated, mainly in the area of settling insurance claims. It took us another five months to reach the desired level of service and to cope with all the problems which naturally accompany such a complex project. It is very important for us that we invested in the key element of each insurance company – the operating system – before the financial crisis started; now, we can build our business, service, and economic objectives on it.

For the period to come, it is very important to offer high-level services both to clients and salespeople and, at the same time, comply with all the rules for service provision and cost effectiveness. In this respect, our company is also very well prepared to implement the Solvency II project and all related things. Our operating system is becoming a competitive advantage and today gives us good potential for cross-selling, up-selling, and CRM. Our business opportunity is the increasing number of clients and the possibility to offer them our services. Along with comprehensive product support, we can thus meet our business plans in the next period as well.

The 2009 business results were seriously affected by the global situation on the Slovak insurance market. For the first time in modern history, the market results in written premium decreased year to year in both life and non-life insurance. This is a major adverse impact of the financial crisis and tough competition among insurance companies. To win a better market position in new production and written premium, some insurers sold insurance policies at almost no profit (especially in car insurance), thus influencing the behaviour of the competition and the overall market results as well.

In 2010, due to the impact of the overall results of operations for 2009, changes in business strategies of individual insurance companies are expected.
As the Company did not participate in the very risky price war in 2009, its total written premium went slightly down (a year-to-year market decrease of 4.20%, the Company's decrease of 4.77%). However, the Company still managed to generate a profit of € 10.30 million. With this result, it met its business plan and created good conditions for all activities in 2010.

I would like to thank all of our employees, salespeople, and business partners for everything they did for our Company last year – especially for the masterful performance in the first six months, and for support and promotion given to our Company in the entire year 2009.
I wish to express my thanks to our clients for the favour they showed us in 2009. We are ready to continue offering them what a good insurance company is expected to do – to settle our contractual liabilities in due form, on time, transparently, and at the correct amount. Especially in times of crisis, our clients may be confident that they are insured with a strong company that is ready to settle its liabilities both in 2010 and the years to come.

Professional, competent, and motivated employees have already shown that they know the ropes of their work, they understand what they are doing, and that they will invest all their professional energy and experience for the benefit of clients, business partners, and shareholders in the upcoming period as well.

The year 2010 provides us with new opportunities and challenges, and I am convinced that our Company will capitalize on them, so that its clients, business partners, and shareholders are satisfied with its overall activities.

Ing. Antonín Nekvinda
Chairman of the Board of Directors and CEO of
Generali Slovensko poisťovňa, a.s.

The Company's Bodies

Board of Directors

Ing. Antonín Nekvinda
Chairman

PaedDr. Roman Holček
Member, since 20 June 2009

Mgr. Monika Grellová
Member

Ing. Jozef Tanzer
Member, since 9 July 2009

Ing. Tibor Zalabai
Member

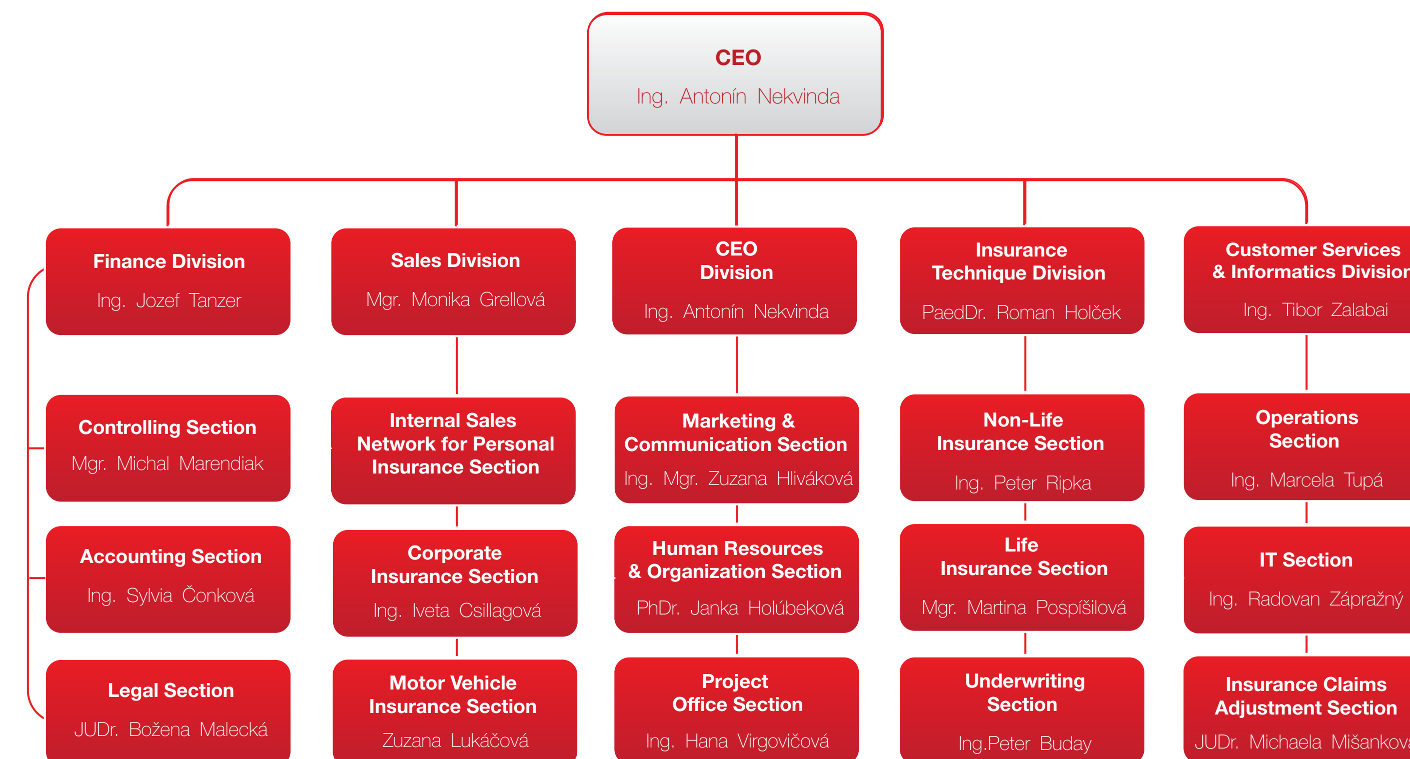
Supervisory Board

Klára Starková
Chairman, since 17 July 2009

Dr. Lorenzo Kravina
Member

Mgr. Jana Šedíková
Member

Organizational structure at 31 December 2009



Shareholders

Since its establishment, Generali Slovensko poisťovňa, a. s. has been part of Generali PPF Holding, B.V., which operates in 14 countries – Belarus, Bulgaria, Czech Republic, Croatia, Kazakhstan, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Serbia, Monte Negro, and Ukraine.
Through its subsidiaries, it manages assets amounting to almost € 12 billion, and provides services to more than 10 million clients, which makes it a leader in the insurance business in Central and Eastern Europe.
The final contract on Generali PPF Holding, B.V., concluded between Assicurazioni Generali and PPF Group N.V., was signed on 10 July 2007. The establishment of a common holding was the most significant step in the expansive strategy of both groups in one of the regions with the largest potential in the insurance business. The most significant asset of Generali PPF Holding, B.V. is cultural diversification in a multinational environment. Growth, innovation, and client satisfaction is the Group's vision for the future. Generali PPF Holding, B.V. is a group of individuals who act as one when implementing their vision.

As of the merger on 1 October 2008, the shareholders of Generali Slovensko poisťovňa, a.s. were Generali PPF Holding B.V., holding 42,467 shares (a 56.62% share in the registered capital), and CP Strategic Investments B.V., holding 32,533 shares (a 43.38% share in the registered capital).

At 30 October 2009, CP Strategic Investments B.V. surrendered its share in the registered capital of Generali Slovensko poisťovňa, a. s. and transferred all of its 32,533 shares to the ownership of Generali PPF Holding B.V; by doing this, the Company ceased to be its subsidiary. At this date, Generali PPF Holding B.V., seated at Strawinskylaan 933, 1077XX Amsterdam, The Netherlands, reg. No.: 34 275 688, became the sole shareholder of Generali Slovensko poisťovňa, a. s., holding 75,000 shares, which is a 100% share in the registered capital and the voting rights.

Report of the Board of Directors

In 2009, the Board of Directors was carrying out its rights and duties resulting from the Company's Statutes and the generally binding legal regulations, and regularly informed the Supervisory Board about the Company's business activities and overall development on the Slovak insurance market.

The Board of Directors prepared the ordinary financial statements for 2009, which were by audited by PricewaterhouseCoopers Slovensko, s.r.o., which expressed an unqualified opinion on these financial statements.

The gross written premium for 2009 totalled € 204.4 million, of which € 111.7 million related to non-life insurance and € 92.7 million related to life insurance. With these results, the Company successfully defended its third place on the Slovak insurance market. In life insurance, the Company recorded a year-to-year growth in the commonly paid premium by 7.5%, which is significantly over the growth on the market. In non-life insurance, the personal insurance segment (house or apartment insurance, and household insurance) grew significantly by as much as 11.7%.
In contrast, an expected drop of 6.8% was recorded in car insurance. In the big risk segment, the Company succeeded in achieving the same results as in 2008.

Another highly appreciated financial indicator is the excellent Net Combined Ratio of 80.1%. Thanks to thorough operational cost management, the Company was able to cut these costs by as much as 11.7% compared to 2008.

The Board of Directors proposes the following distribution of the Company's profit of € 10,273,950.12 shown in the ordinary separate financial statements for 2009:
a) € 1,027,395.01 – appropriation to the legal reserve fund according to § 13, Section 2 of the Company's Statutes; and
b/ € 9,246,555.11 – transfer to retained earnings.

The Board of Directors proposes distributing the Company's profit of € 20 million, generated so far from its business activities and kept on the account 'Retained earnings', in the form of dividends to the Company's sole shareholder, Generali PPF Holding, B.V.

Ing. Jozef Tanzer
member of the Board
of Directors and Deputy
Chief Executive Officer

Report of the Supervisory Board

on the results of its supervisory activities regarding the ordinary separate financial statements for 2009, the Auditor's Report, and the proposal of the Board of Directors for the appropriation of the Company's profit and for dividend distribution

In accordance with § 9, Section 1, Letter a) of the Company's Statutes, the Supervisory Board has approved this report on the results of its supervisory activities regarding the ordinary separate financial statements for 2009, the Auditor's Report, and the proposal of the Board of Directors for the appropriation of the Company's profit and for dividend distribution.

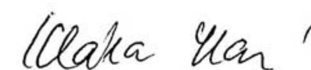
In 2009, the Supervisory Board carried out its rights and duties in line with the Company's statutes and the generally binding legal regulations. The Board of Directors regularly informed the Supervisory Board about the Company's business activities and its net asset position, and the Supervisory Board supervised the activities of the Board of Directors. The Supervisory 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 resolutions.

The ordinary separate financial statements for 2009 have been audited by the audit company PricewaterhouseCoopers Slovensko, s.r.o. The Supervisory Board has acknowledged and accepted the Auditor's Report. The Supervisory Board has reviewed the Company's ordinary separate financial statements for 2009, prepared and submitted by the Board of Directors, has accepted the proposal of the Board of Directors for the appropriation of the Company's profit generated in 2009 and for the distribution of dividends, and has reviewed the Report of the Board of Directors on the Company's business activities and its net asset position for 2009, without raising any objections to any of these documents.

As proposed by the Board of Directors, the Company's profit of € 10,273,950.12 shown in the ordinary individual financial statements for 2009 will be distributed as follows:
a) € 1,027,395.01 will be appropriated to the legal reserve fund according to § 13, Section 2 of the Company's Statutes; and
b) € 9,246,555.11 will be transferred to retained earnings.

As proposed by the Board of Directors, the Company's profit of € 20 million, generated in previous periods and kept on the account 'Retained earnings', will be distributed in the form of dividends.

The Supervisory Board recommends that the General Meeting approve the ordinary individual financial statements for the 2009 financial year and decide on distributing the Company's profit/(loss) in line with the proposal submitted by the Board of Directors.



Klára Starková
Supervisory Board Chairman

Dr. Lorenzo Kravina
Supervisory Board member

Mgr. Jana Šedíková
Supervisory Board member

Financial part

Report of Independent Auditors

Report of Independent Auditors and Separate financial statements at 31 December 2009 prepared in accordance with International Financial Reporting Standards, as adopted by the European Union

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 separate financial statements of Generali Slovensko poisťovňa, a.s., which consist of the balance sheet as at 31 December 2009, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, a summary of significant accounting policies, and 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.

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

ID (IČO) of PricewaterhouseCoopers Slovensko, s.r.o.: 35 739 347
Tax ID (DIČ) of PricewaterhouseCoopers Slovensko, s.r.o.: 2020270021
VAT ID (IČ DPH) of PricewaterhouseCoopers Slovensko, s.r.o.: SK2020270021
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I pod vložkou č. 16611/B, oddiel: Sro.
The company is listed in the Commercial Register of Bratislava I District Court, Insert No.: 16611/B, Section: Sro.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Generali Slovensko poisťovňa, a.s. standing alone as of 31 December 2009, 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 and with the Commission's interpretation as described in Note 2.1.

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

Ing. Mária Frühwaldová
SKAU licence No.: 47

18 March 2010

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

	Note	31. 12. 2009	31.12. 2008
Assets			
Property, plant and equipment	5	3 849	4 270
Intangible assets	6	60 403	65 276
Investments in subsidiaries and joint ventures	7	17 416	17 091
Financial assets			
▪ term deposits	8	15 133	27 040
▪ available for sale assets	8	261 150	221 568
▪ assets at fair value through profit or loss	8	101 098	68 538
Reinsurance contracts	9	46 637	39 215
Loans and receivables	10	20 484	19 561
Deferred acquisition costs	11	16 539	16 730
Other non-financial assets		1 105	3 390
Cash and cash equivalents	13	2 629	3 521
Total assets		546 443	486 200
Equity			
Share capital		24 900	24 895
Legal reserve fund		1 600	1 605
Revaluation reserve for available-for-sale financial assets		2 619	-3 734
Retained earnings		82 622	72 349
Total equity	14	111 741	95 115
Liabilities			
Insurance contracts	15	372 864	317 821
Deposits from reinsurers	16	4 507	6 429
Trade and other liabilities	17	46 449	57 413
Deferred tax liabilities	12	9 133	8 396
Corporate income tax		1 749	1 026
Total liabilities		434 702	391 085
Total equity and liabilities		546 443	486 200

The Board of Directors approved these financial statements for publishing on 18 March 2010.

Ing. Antonín Nekvinda
Chairman of the Board of Directors

Ing. Jozef Tánzer
Member of the Board of Directors

Separate Income Statement

	Note	2009	2008
Gross earned premium		205 394	113 151
Earned premium ceded to reinsurers		-49 098	-14 282
Net earned premium	18	156 296	98 869
Income/ (expenses) from financial investments	19	27 432	-9 150
Impairment of available-for-sale financial assets	20	-4	-10 787
Commission from reinsureres		10 877	2 168
Other income		1 478	138
Net income		196 079	81 238
Insurance benefits in life insurance		69 900	22 114
Insurance benefits ceded to reinsurers in life insurance		123	11 718
Insurance claims and loss adjustment expenses in non-life insurance		63 804	24 312
Insurance claims and loss adjustment expenses ceded to reinsurers in non-life insurance		-23 313	-14 666
Net insurance benefits and claims	21	110 514	43 478
Commissions and other acquisition costs	22,24	43 111	28 730
Investment management expenses	23,24	972	407
Administration costs	24	27 802	14 089
Expenses		182 399	86 704
Profit/(Loss) before taxes		13 680	-5 466
Corporate income tax	25	-3 407	-1 355
Profit/(Loss) after taxes		10 273	-6 821

Separate Statement of Comprehensive Income

	Note	31.12. 2009	31.12. 2008
Profit/ (Loss) after tax		10 273	-6 821
Other comprehensive income			
Gain/ (loss) from revaluation of available-for-sale financial assets, net of deferred tax		6 353	-1 370
Exchange rate difference from translation to presentation currency		–	4 078
Other comprehensive income for the year		6 353	2 708
Total comprehensive income for the year	14	16 626	-4 113

Separate Statement of Changes in Equity

	Note	Share capital	Legal reserve fund	Share premium	Revalua–tion of assets available for sale	Retained earnings	Total
Equity at 1 January 2008		16 844	1 015	18 577	-2 112	601	34 924
Other comprehen-sive income for 2009		1 978	135	2 027	-1 667	235	2 708
Loss after taxes		–	–	–	–	-6 821	-6 821
Total comprehen-sive income for 2008		1 978	135	2 027	-1 667	-6 586	-4 113
Appropriation to the legal reserve fund	14	–	455	–	–	-455	–
Merger of companies under common control	14	6 073	–	-20 604	45	78 789	64 303
		6 073	455	–	45	78 334	64 303
Equity at 31 December 2008		24 895	1 605	–	-3 734	72 349	95 115
Other comprehen-sive income for 2009		–	–	–	6 353	–	6 353
Profit after taxes	14	–	–	–		10 273	10 273
Total comprehen-sive income for 2009		–	–	–	6 353	10 273	16 626
Difference arising from change of functional currency	14	5	-5	–	–	–	–
Equity at 31 December 2009		24 900	1 600	–	2 619	82 622	111 741

Separate Cash Flow Statement – indirect method

	Note.	31.12. 2009	31.12. 2008
Cash- flows from operating activities			
Profit/ (Loss) before tax		13 680	-5 466
Adjustments:			
Depreciation of fixed assets	5,6	7 815	2 625
Impairment of available-for-sale financial assets	20	4	10 787
Foreign Exchange losses/ gains			-11
Creation/ Release of bad debt provision		1 458	1 470
Write-offs of receivables		713	125
(Gains)/ Losses from revaluation of financial assets at fair value through profir or loss		-12 864	13 949
Interest income	19	-10 329	-6 534
Dividend income	19	-534	-217
(Gains)/ Losses from sale of fixed assets		-81	135
Interest received		9 508	5 998
Dividends received		534	161
(In)/ Decrease in financial assets		-38 671	-39 816
(In)/ Decrease in reinsurance assets		-7 422	65 752
(In)/ Decrease in notes receivables and other assets		-1 047	20 898
(In)/ Decrease in deffered acquisition costs		191	-1 005
In/ (De)crease in insurance contracts		55 010	4 082
In/ (De)crease in reinsurance payables		-1 922	-49 777
In/ (De)crease in trade and other payables		-10 964	-18 447
Tax paid		-3 206	-1 750
Net cash from operating activities		1 873	2 959
Cash flows from investing activities			
Acquisition of fixed assets	5,6	-2 574	-875
Proceedings from sale of fixed assets		134	–
Loan payments		–	25
Capital contribution to subsidiaries joint ventures and associates	7	-325	–
Loans to subsidiaries		–	-68
Net cash used in investing activities		-2 765	-918
Cash flows from financing activities			
Cash increase as a result of merger	14	–	438
Net cash used in financing activities		–	438
Net increase in cash and cash equivalents		-892	2 479
Cash and cash equivalents at the beginning of the year		3 521	851
Exchange gains on cash and cash equivalents		–	191
Cash and cash equivalents at the end of the year	13	2 629	3 521

Notes to the Separate financial statements

1. General Information

Generali Slovensko poisťovňa, a. s., ("the Company") 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. Company does business in Slovak Republic and employs 689 people (2008: 724).

The Company was established on 18 October 1996 and incorporated in the Commercial Register of the Bratislava 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. legally merged with Česká poisťovňa – Slovensko, akciová spoločnosť ("ČPS"),. The impact of this transaction on these financial statements is described in Notes 2.22 and 14.

Members of the Company's statutory and supervisory bodies according to the Commercial Register as at 31 December 2009:

Board of Directors:

Title, name, and surname	Function	Period
Ing. Antonín Nekvinda	Chairman	
Ing. Stanislav Polešovský	Member	until 3 June 2009
Ing. Jozef Tanzer	Member	since 9 July 2009
Mgr. Monika Grellová	Member	
PaedDr. Roman Holček	Member	since 20 June 2009
Ing. Tibor Zalabai	Member	

Supervisory Board:

Title, name, and surname	Function	Period
Vít Sedláček	Chairman	until 16 July 2009
Klára Starková		since 17 July 2009
Dr. Lorenzo Kravina	Member	
Mgr. Jana Šedíková	Member	

Shareholder of the company Generali Slovensko poisťovňa, a.s. is company Generali PPF Holding B.V., with registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, number of record: 34275688.

The Company's the ultimate parent company and ultimate controlling party 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.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Company's financial statements at 31 December 2009 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"). These separate finacial statements have been authorized for issue by the Board of directors on 18 March 2010.

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 and its subsidiaries ("the Subgroup") are part of Generali Group ("the Group").

The Company has applied the exception set out in IAS 27, paragraph 10 and has not prepared the consolidated financial statements at 31 December 2009. The ultimate parent company Assicurazioni Generali S.p.A., Piazza Duca degli Abruzii 2, Terst, Italy, will prepare the consolidated financial statements under IFRS as adopted by the EU for the whole Group

At the day, on which these separate financial statements were approved, Generali Group did not prepare the consolidated financial statements in accordance with IFRS, as required by IAS 27. The Company made use of the interpretation contained in the document issued by the European Commission's Internal Market and Services Board for the Accounting Regulatory Committee (document ARC/08/2008) about the relationship between IAS regulations and the 4th and 7th Company Law Directives. The Commission Services Department is of the opinion that, if a company chooses or is required to prepare its separate financial statements in accordance with IFRS as adopted by the EU, it can prepare and issue them independently from preparing and filing the consolidated financial statements.

In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has the power to exercise control over their operations - will be fully consolidated.

To get full information on the financial position, the result of operations, and the cash flow of the Group as a whole, the users of these separate financial statements should read them together with the Group's consolidated financial statements prepared at 31 December 2009, as soon as they become available.

The Company's financial statements have been prepared on the going concern basis.

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.

All amounts in the Notes are shown in thousands of Euros ("EUR"), unless stated otherwise.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company'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.

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 consistently applied for all presented years.

Adoption of New or Revised Standards and Interpretations in 2009

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard 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 organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The Company does not expect IFRS 8 to affect the financial statements. This standard has been adopted by the EU.

Puttable Financial Instruments and Obligations Arising on Liquidation —IAS 32 and IAS 1 Amendment (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 does not expect the amendment to affect its financial statements. 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 January 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 standard to have a material effect on its separate financial statements. This standard has been adopted by the EU.

IAS 1, Presentation of Financial Statements (revised in September 2007; effective for annual periods beginning 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 statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces 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 presentation 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.

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.

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. The interpretation has been adopted by the EU.

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 guidance 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 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 accounting 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 been adopted by the EU does not have any impact on these separate financial statements as the Company does not apply hedge accounting.

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 Financial 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 separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees 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.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International 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 substantive 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 manner 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 material 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 measurement 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 derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. The Company 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 been adopted by the EU.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, with early adoption permitted). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment has been adopted by the EU.

New or revised standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2010 and which the Company has not early adopted:

IFRIC 12, Service Concession Arrangements (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, with early adoption permitted). The Company does not provide services to the public sector based on concession arrangements. Therefore, this interpretation has no impact on the Company's 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 comprehensive 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 been adopted by the EU.

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 combinations. 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 recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Company is currently assessing the impact of the revised standard 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 been adopted by the EU will have no impact on the Company's separate financial statements.

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 assets 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 disposal of the distributed non-cash assets will be recognized in profit or loss when the entity settles the dividend payable. IFRIC 17 which has been adopted by the EU is not relevant to the Company's operations because the Company does not distribute non-cash assets to its shareholders.

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. The amendment has been adopted by the EU.

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 circumstances 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 been adopted by the EU.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Company does not expect the amendments to have any material effect on its financial statements. The amendment has not yet been adopted by the EU.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The amendment has not yet been adopted by the EU.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Company's financial statements. The amendment has not yet been adopted by the EU.

Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Company is currently assessing the impact of the amendment on its financial statements. The amendment has been adopted by the EU.

IAS 24, Related Party Disclosures (amended November 2009, effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Company is currently assessing the impact of the amended standard on disclosures in its financial statements. The amendment has not yet been adopted by the EU.

IFRS 9, Financial Instruments (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The Company is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Company. The amendment has not yet been adopted by the EU.

IFRIC 19, Extinguishing Financial Liabilities with equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The amendment has not yet been adopted by the EU.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendment has not yet been adopted by the EU.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. 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.

Changes in presentation

Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

Opening statement of financial position at the beginning of the earliest comparative period presented and related information in the notes. The revised IAS 1 which became effective from 1 January 2009 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period ('opening statement of financial position'), when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements. Therefore, an entity that makes such a prior period adjustment or reclassification normally presents, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

In 2009, the Company made restatements required by the amended IAS 1 that do not impact on the statement of financial position, for example the Group now presents gains and losses on hedging instruments in the statement of comprehensive income rather than in the statement of changes in equity. IAS 1 suggests that the opening statement of financial position should be presented even if the restatements have an impact only on the other primary statements. In these circumstances, management considered whether omitting the opening statement of financial position at 1 January 2008 would represent a material omission of information. In management's opinion, the omission of the opening statement of financial position, where the restatement or reclassification does not affect any statement of financial position (and that fact is disclosed), is not material and is therefore permitted. Management considered that materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements.

Presentation of each item of other comprehensive income in the statement of changes in equity. The revised IAS 1 which became effective from 1 January 2009 requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change. This could include presenting profit or loss and each item of other comprehensive income in the statement of changes in equity. Management considered materiality and concluded that it is sufficient for an entity to present such information only in the statement of comprehensive income and that repeating the same information in the statement of changes in equity, is not a material omission of information. In reaching this conclusion, Management considered the examples provided in the guidance on implementing, which accompanies the revised IAS 1, but is not a mandatory part of that standard.

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 assessing 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

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity. Joint ventures are carried at cost. The Company obtains objective evidence about the impairment of joint ventures 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 Euros ("EUR"), 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 EUR, which is the Company's presentation currency.

The Slovak Republic adopted the Euro as the sole legal tender with effect from 1 January 2009 and the Slovak crown functional currency by 31 December 2008) stopped to exist. For the purpose of the financial statements the Company converted the comparative data from SKK to EUR using the Exchange rate referrred to below and rounded them to the whole thousands of EUR.

At 31 December 2008, the balance sheet items were converted to the Euro using the approved conversion rate 1 EUR = 30.1260 SKK (for opening balances at 1 January 2008, the exchange rate: 1 EUR = 33.603 SKK was used and for items acquired upon merger at 30 September 2008, the exchange rate 1 EUR = 30.297 SKK was applied).

The income statement items and the changes in other comprehensive income were converted to the Euros using the average rate for 2008 published by the NBS – 1 EUR = 31.291 SKK.

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 transactions 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 other comprehensive income.

2.4 Intangible assets

a) Value of business acquired (VOBA)

Insurance liabilities assumed and insurance assets acquired in a business combination from a party that is not under common control 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 (for life part of VOBA it is 30 years and for non-life part it is 15 years). 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 amortized on the basis of the respective software's expected useful life (up to four years).

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

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

a) Acquisition costs

Non-current tangible assets comprise mainly equipment budovy a pozemky, dopravné prostriedky a zariadenia. 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 incurred.

b) Leases

Leases in which a significant portion of risks and rewards of ownership are retained by the Company are classified as the financial lease. Assets acquired through the financial lease and used by the lessee are initially recognised at the lower of fair value of the leased asset or at the present value of the minimum lease payments at the commencement date of the lease and subsequency reduced by accummulated depreciation (see below) and the impairment losses (Note 2.17).

c) **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 appropriate. 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 Reinsurance contracts

The Company transferes to reinsurers part of the risks from insurance business in order to decrease possible net losses. Assets, liabilities, income and expense arising out of reinsurance contracts are presented separately from assets, liabilities, income and expenses arising out of insurance contracts, because reinsurance contracts do not relieve the Company from the direct liabilities to the insured. Titles arising out of contracts that transfer siginificant insurance risk are presented as reinsurance contracts.

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 receivables), 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. Reinsurance 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 liabilities 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 objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance 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 adopted 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 investments at initial recognition and re-evaluates this at every balance sheet date.

Regular way 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 recognized 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 market 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 substantially 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 as trading in this category if acquired principally for the purpose of selling in the short term or if it is part of the financial assets portfolio where there is evidence of short–term profit-taking. Financial assets are designated by the Company's management at FVTPL if they managed and the performance is evaluated on a fair value basis in line with the Company's investment strategy and information about these financial assets is provided internally on a fair value basis to the Company's key management.

Financial assets and financial liabilities stated at fair value through profit or loss at inception are also those that are held 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.

Financial assets at fair value through profit or loss are valued at fair value. Changes in fair value are recognised in income statement.

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 category 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 other comprehensive income as part of a revaluation reserve for available-for-sale financial assets, until they are sold or determined to be impaired.

At this time, cumulative gains and losses previously recognized in other comprehensive income are reclassified to 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 debt 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 creditworthiness of participants to the transaction, if the contract was terminated at the balance sheet date.

Financial derivatives are 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)

Deferred acquisition costs include costs incurred in relation with new insurance contracts and, in the non-life insurance also with the renewal of existing insurance contracts. They include direct costs, such as commissions, forms, doctors' fees), and indirect costs such as marketing costs, salaries of the sales staff: product managers and underwriters).

The Company only defers direct acquisition costs up to the amount of their expected return on future income from related insurance 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 calculated as described in note 2.13 a) are amortized over the contractual period, in which acquisition costs are amortized in the calculation of the mathematical provision - Zillmer. 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). DAC includes only commissions.
- For life insurance with one-off premium, acquisition costs are accounted for as an expense immediately at the beginning of the contract.

Recoverable amount of deferred acquisition costs is tested within the liability adequacy tests at each balance sheet date. In case of insufficient provisions in the non-life insurance the Company releases relevant DAC. Should this not be sufficient to cover future costs the Company sets up a provision for unexpired risks. In case of insufficient provisions in the life insurance the Company will decide on releasing DAC or setting up a provision for insufficient premium.

2.9 Income tax

The income tax arising from the result of operations of the current period consists of the tax due and deferred tax. The income tax is recognized in the income statement, except for the tax that relates to items recognized directly in other comprehensive income. In that instance also the income tax is posted directly to other comprehensive income.

The income tax due is the expected tax liability relating to the taxable profit for the current period, computed using the tax rate applicable at the balance sheet date. The tax due also includes adjustments of the tax liabilities of past accounting periods.

Deferred income tax is recognized in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, 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 deferred 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 basis, 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. Cash and cash equivalents are stated at nominal value plus accrued interest.

2.12 Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares 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 related to insurance contracts and investment 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 premium 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 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, and applies for insurance benefits from contracts that have been classified as insurance contracts in life insurance, and for insurance benefits related to riders agreed on in these contracts. The estimate of an insurance benefit is increased by the related internal and 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. Therefore, it 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 annuity payments are discounted

Technical provision for life insurance
The technical provision for traditional life insurance is made up of the sum of provisions calculated from individual 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 insurance 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 inception of the contract. The provision is increased by profits allocated to the insured.

The provision for administrative costs is assessed for each insurance contract separately using the prospective 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 separately as the total capital value (premium paid, net of all related deductions, increased by the technical interest 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 premium 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 applied for direct insurance.

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.

Part of the unearned premium reserve would be the provision for unexpired risk. The provision for unexpired risk is set up if the written premium relating to future periods is not sufficient to cover all insurance benefits on the insurance events and future costs that relate to valid insurance contracts (adequacy tests).

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 and 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 calculated from triangular schemes of insurance benefits paid so far, using the Chain–Ladder method. Therefore, it 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).

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

Provision for MTPL deficit

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.

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. 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 contractual 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 reinsurers 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 respective reinsurance contracts in accordance with the reinsurance terms and conditions effective for the respective year. 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/(expense) 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 individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets 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 assessed 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 current 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 investments held to maturity, the amount of the loss is measured as the difference between the asset's carrying 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 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 related 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 other comprehensive income 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 subsequent 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 impairment, 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

The Company concludes contracts that transfer insurance risk or financial risk, or both. Insurance contracts are those that transfer significant insurance risk. Such contracts may also transfer financial risk. The Company 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. Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Shadow accounting 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,
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,
(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 insurance.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties 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 maintain 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 period 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 annuity.

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 mortality, incident rate, administrative expenses and investment income that are established at the time the contract is issued. Liabilities are recalculated at each balance sheet date, using assumptions established at inception 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 investment 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 other endovment 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)
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.

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

The technical reserve for covering the risk of investing funds in the name of the insured is set up in the life insurance if the economic risk of volatility of revenues or growth of invested insurance premium are borne solely by the person who concluded the contract with the insurance company. This reserve is determined as the present value of funds invested in the name of the insured for all such insurance contracts in the life insurance.

The technical reserve for covering the risk of investing funds in the name of the insured is determined as the fair value of clients' units of these contracts at the balance sheet date.

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.

b) Embedded derivatives
Certain derivatives embedded in insurance contracts are treated as separate derivatives when their economic 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 payments, is also taken into account. Based on the run-off test, it is possible to assess the adequacy of the estimated 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 contractual 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 accounted for at their nominal value and are recognized as personnel costs in the income statement. Short-term employee benefits include salaries and accrued entitlement to compensated absences.

Social insurance and pension plans with defined contributions
During the year, the Company pays contributions to the statutory health, medical and injury insurance and to the guarantee fund and the unemployment fund at the amount determined by law, based on the gross salaries. During the year, the Company contributes to these funds at 35.2 % (31 December 2008: 35.2 %) of the gross salaries up to the amount of monthly salary pursuant to relevant legal regulations. The employee contribution was 13.4 % (31 December 2008: 13.4 %).
The costs of the statutory health, medical and injury insurance and the guarantee fund and the unemployment fund are recognised as costs in the same period as are the related personnel costs. No other liabilities relate to them.

The Company classifies employee benefits relating to pensions (such as contributions to supplementary old-age saving) as defined contribution plans.

Liabilities from defined contribution plans are recognised as costs when incurred. No other liabilities relate to them.

Unfunded defined benefit pension benefit plan
Furthermore, provision for defined benefit plans is included, such as termination indemnities 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 and discount rate. 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 corporate 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 retirement 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 employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

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 predecessor's carrying value method. Under this method, the financial statements of the merged Company are shown as if the companies were merged from 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. Generali acquired PPF holding companies in January 2008 and VOBA arising from this acquisition was inherited in these financial statements upon the legal merger at 30 September 2008. Any difference between the carrying values of net assets acquired and the cost of the acquisition, is recognized in these financial statements as an adjustment of retained earnings in equity.

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 liabilities in the following accounting periods. Estimates and judgments are continually revaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable. 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.

Assumptions used for estimation of liabilities´ value are determined in a way, that reserves created on their basis are sufficient to cover future liabilities arising from insurance contracts. They cover these liabilities in a range, that can be reasonably expected.

At the balance sheet date a reserve is created for expected final expenses for the settlement of all insurance claims emerged till the balance sheet date, regardless they were reported or not. This reserve includes liquidation costs less amount of already paid claims. Reserve for these claims is not discounted.

Data included as assumptions are mostly internal data of the Company acquired through analysis or data acquired from other companies in the Group.

If sufficient data for determination of reliable trend of insurance claims are not available (mainly in first years), cautious assumptions are used.

Expenses for events, which were not liquidated, and IBNR reserves are estimated by different statistical methods. These methods extrapolate the trend of paid and arisen claims, average cost for insurance claims and final expenses for insurance claims for each year of insurance claim rise on the basis of historical trend and expected damages.

For statistical data of damages trend it is assumed that damages from the past will happen again in the future. There are also reasons that this rule will be not applied. These reasons were taken into account in a range that was possible to assume. These reasons include:

- Economical, juridical, political and social trends,
- Changes in portfolio of insurance contracts,
- Impact of insurance claims with exceptional scale.

Provision for MTPL deficit
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 transferred 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 insurance. In 2005 and 2007, the audit company Deloitte performed an audit of the MTPL provisions, and estimated the deficit to be between EUR 126,028 – 182,181 thousand. 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 decisions and the lack of reliable data about the future development in insurance claims resulting from the compulsory MTPL insurance.

In this connection, the Company booked a technical provision ("MTPL provision") of EUR 11,018 thousand (2008: EUR 13,190 thousand). The MTPL provision is reviewed at each balance sheet date and is reduced by the contribution made by all participants during the year.

Estimate of future insurance benefits from long-term insurance contracts

The valuation of liabilities from life insurance has two steps. In the first step, future liabilities from insurance before putting a new product on the market are measured.

For life insurance contracts, mortality assumptions or assumptions that some other insured event will occur, assumptions that an insurance policy will be voluntarily terminated, future expenses, and future investment income increased by a safety Premium are set. For life insurance products, these assumptions, which are included in the insurance Premium, are not changed during the entire term of insurance. They are used to compute liabilities during the entire lifetime of the policy.

In the second step, the Company reassesses at every balance-sheet date whether liabilities from insurance contracts calculated based on assumptions set prior to concluding the policy are adequate. If the liabilities are adequate, the original assumptions are used for the valuation. But if not, the original assumptions are modified, and are based on actual financial and operative assumptions increased by a safety margin.

The liability adequacy test for long-term insurance contracts was performed at the balance-sheet date. 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.

Impairment of securities available for sale

At every balance-sheet date, the Company examines whether there is unbiased evidence that financial assets, or a group of financial assets, is impaired. If there is such evidence, the Company determines the amount of the impairment loss. 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 diminution in the fair value occurred requires the use of estimates. The Company assesses, among other factors, the volatility in security prices, the financial performance of companies, the industry and sector performance, changes in technology, and operational and financing cash flows. To consider impairment may be appropriate 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.

Subrogation income

Company uses statistical method (Chain-Ladder) in calculation of subrogation income.

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-bank 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. Situation on global financial markets became more stable in second half of the year 2009, recovery of markets and economies is expected. However, 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 development 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 identification and valuation of risks, along with the definition of risk-weighted goals. Then, corrective actions are identified, evaluated, and finally implemented. In 2009, 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 implemented 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 reserves. 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 concerned, mortality tables are used prudently when setting prices. The standard approach is the usage of adequate safety margins. Aggregate valuation of mortality and other risks developed within the annual Embedded 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 requirements 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 individual life insurance. Insurance benefits are shown in gross amounts and net of reinsurance.

Before reinsurance

Amount at risk at the end of 2009	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 – 6,64	241 777	130 150	198 597	115 643	218 893	128 539	659 267	374 332
6,64 – 13,28	106 540	11 438	103 947	11 040	86 145	9 245	296 632	31 723
13,28 – 26,56	83 030	4 826	101 396	5 367	75 594	4 304	260 020	14 497
26,56 – 33,19	14 624	507	49 148	1 632	28 308	920	92 080	3 059
Over 33,19	35 335	796	245 243	3 172	93 434	1 715	374 012	5 683
Total	481 306	147 717	698 331	136 854	502 374	144 723	1 682 011	429 294

After reinsurance

Amount at risk at the end of 2009	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 – 6,64	241 777	130 150	198 597	115 643	218 893	128 539	659 267	374 332
6,64 – 13,28	106 540	11 438	103 947	11 040	86 145	9 245	296 632	31 723
13,28 – 26,56	83 030	4 826	101 396	5 367	75 594	4 304	260 020	14 497
26,56 – 33,19	14 624	507	49 148	1 632	28 308	920	92 080	3 059
Over 33,19	35 335	796	165 046	3 172	93 434	1 715	293 815	5 683
Total	481 306	147 717	618 134	136 854	502 374	144 723	1 601 814	429 294

Before reinsurance

Amount 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 – 6,64	266 431	135 509	173 163	91 912	221 361	62 370	660 955	289 791
6,64 – 13,28	130 380	13 602	83 117	8 739	76 032	61 978	289 529	84 319
13,28 – 26,56	82 605	4 580	89 135	4 733	59 217	6 300	230 958	15 613
26,56 – 33,19	24 951	808	37 827	1 260	27 449	2 103	90 226	4 171
Over 33,19	28 141	570	123 471	2 400	40 308	894	191 920	3 864
Total	532 508	155 069	506 713	109 044	424 367	133 645	1 463 588	397 758

After reinsurance

Amount 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 – 6,64	266 431	135 509	173 163	91 912	221 361	62 370	660 956	289 791
6,64 – 13,28	130 380	13 602	83 117	8 739	76 032	61 978	289 529	84 319
13,28 – 26,56	82 605	4 580	89 135	4 733	59 217	6 300	230 958	15 613
26,56 – 33,19	24 951	808	37 827	1 260	27 449	2 103	90 226	4 171
Over 33,19	28 057	570	11 061	2 400	39 452	894	78 569	3 864
Total	532 424	155 069	394 303	109 044	423 511	133 645	1 350 238	397 758

Lapse risk (risk related to a voluntary withdrawal from the insurance contract) and loss 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

	2009		2008	
Mortality risk	Sum of liabilities from the adequacy test*	Provision insufficiency**	Sum of liabilities from the adequacy test*	Provision insufficiency**
Present value	100 539	2 745	92 948	3 271
Mortality +10% shift	101 447	2 772	93 735	3 299
Mortality -10% shift	99 655	2 723	92 158	3 243
Lapse risk				
Present value	100 539	2 745	92 948	3 271
Gradient +25% shift	102 698	2 951	94 911	3 531
Gradient - 25% shift	99 467	2 550	90 889	3 026
Loss risk				
Present value	100 539	2 745	92 948	3 271
Expenses +10% shift	102 979	2 993	95 893	1 796
Expenses - 10% shift	98 623	2 554	90 889	5 752

* does not agree with booked reserves in these financial statements, they are calculated as described in 2.13
** insufficiency provision is fully recognized in these financial statements

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. Peňažné toky v prípade dlhodobých životných poistných zmlúv, kde riziko investovania nesie poistený, predstavujú rozdiel poplatkov a súčtu nákladov a plnení nad hodnotu fondu. Prípadná nedostatočnosť rezervy pri zmluvách, kde riziko investovania nesie poistený, je súčasťou technickej rezervy na životné poistenie a v rovnakej výške je zohľadnená aj v sume pasív z testu primeranosti rezerv.

Recent historical experience relating to average mortality of the portfolio and the analysis of insurance claims showed that the mortality and the risk of events applied in the prior period in liabilities adequacy tests were adequately set up at 40% of mortality shown in the table issued by INFOSTAT or in tables of events used for setting prices of new products. The set up of assumptions for 2009 remained unchanged. If mortality or other life related risks deviates by 10% in the future, this change in assumptions will have little effect on adequacy of reserves as stated 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. Pri analýze storien sa zohľadňoval produkt a distribučný kanál. 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.

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

Contractual reinsurance (also known as obligatory reinsurance) is based on economic profitability parameters 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.

Upper part of the table includes estimations of cumulative claim costs and shows their change in individual accounting periods. The estimation has changed according to real paid claims and new informations about frequency and average amount of unpaid claims.

The difference between the ultimate cost of claims and cumulative claims paid for 2009 determines the claims provision related to accident years from 2004 to 2009.

Estimate of ultimate cumulative claim costs:	2004 and early	2005	2006	2007	2008	2009	Total
at the end of the accident year	71 780	45 199	50 430	56 796	87 964	69 133	
one year later	74 384	49 053	55 348	62 243	86 390		
two years later	70 044	49 609	53 617	60 863			
threes years later	69 100	49 620	53 126				
four years later	68 933	49 016					
five years later	69 583						
Estimate of ultimate cumulative claim costs at 31 December 2009	69 583	49 016	53 126	60 863	86 390	69 133	388 111
Cumulative payments at 31 December 2009	-63 252	-45 317	-47 702	-54 806	-70 726	-33 221	-315 024
Provision shown on the balance sheet	6 331	3 699	5 424	6 057	15 664	35 912	73 087

4.2 Financial risk

The Company is exposed to financial risk through its insurance contracts, financial assets, provisions resulting 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) 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. Conversion from Slovak crowns to Euro at the beginning of the year 2009 decreased currency risk significantly, ktoré nepriaznivo vplýva na investície.

At 31 December 2009, the value of assets denominated in foreign currencies totalled EUR 16,843 thousand (2008: EUR 46,678 thousand) and the value of liabilities denominated in foreign currencies amounted to zero (2008: EUR 322 thousand).

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

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 EUR, 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 2009			
Currency	USD	CZK	HUF
Change in the exchange rate	+/-10%	+/-10%	+/-10%
Profit or loss	+/-1,552	+/-62	–

Balance at 31 December 2008			
Currency	USD	CZK	HUF
Change in the exchange rate	+/-10%	+/-10%	+/-10%
Profit or loss	+/-766	+/-1,167	+/-202

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 determines 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 provisions 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 subsequently uses financial instruments sensitive to interest rates (including derivatives) for managing. When managing interest rate risk, the Company focuses on the "embedded value".

At the end of 2009, financial investments in bonds, shares, and mutual funds totalled EUR 362,646 thousand (2008: EUR 278,434 thousand). The tables below show the impact on other comprehensive income and profit/(loss) in connection with the sensitivity of both life and non-life portfolios, by shifting the yield curve by +/-100 bps.

Investments into shares amounting to EUR 19,446 thousand (2008: EUR 15,564 thousand) and investments into mutual funds of EUR 101,492 thousand (2008: EUR 65,976 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	2009	2008
Present value	241 704	208 300
+ 100 bps shift	228 578	197 965
- 100 bps shift	254 829	218 635
Impact on other comprehensive income	2009	2008
+ 100 bps shift	-13 308	-10 940
- 100 bps shift	13 308	10 940
Impact on profit/(loss)	2009	2008
+ 100 bps shift	182	605
- 100 bps shift	-182	-605
Total impact – portfolio of bonds at fair value through profit or loss	2009	2008
Present value	4	2 295
+ 100 bps shift	4	2 325
- 100 bps shift	4	2 265
Impact on other comprehensive income	2009	2008
+ 100 bps shift	–	30
- 100 bps shift	–	-30
Impact on profit/(loss)	2009	2008
+ 100 bps shift	–	30
- 100 bps shift	–	-30

Interest rate sensitivity of life insurance liabilities				
	2009		2008	
	Sum of liabilities from the adequacy test	Provision insufficiency	Sum of liabilities from the adequacy test	Provision insufficiency
Present value	100 539	2 745	92 948	3 271
Discount + 100 bps shift	92 140	1 525	77 380	1 796
Discount - 100 bps shift	116 861	4 469	112 635	5 752

Discounting future cash flows arising from long-term contracts was based on swap rates ranging from 2.524% to 4.791% at the reporting date, decreased by a safety margin of 0.25 bps. Forward curve was constructed according to euro swap rates from Bloomberg valid for the reporting date of statement for years 1-10, 12, 15, 20 – 50, while missing rates were calculated by interpolation. Values not available at the reporting date were estimated by using the Nelson–Siegel method. If swap rates are decreased by 1%, the inadequacy of provisions should change from EUR 2,745 thousand to EUR 4,469 thousand.

iii) 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), regardless of whether these changes are caused by factors specific to the particular financial instrument or by factors 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 towards 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.

Balance at 31. 12. 2009		
Impact on	Profit/(loss)	Other comprehensive income
Price change	-/+10%	-/+10%
Profit or loss	–	-/+ 26 115

Balance at 31. 12. 2008		
Impact on	Profit/(loss)	Other comprehensive income
Price change	-/+10%	-/+10%
Profit or loss	-/+ 230	-/+ 22 386

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 financial assets and financial liabilities:

Contractual cash flows (undiscounted)						
2009	Total	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years
Available-for-sale financial assets						
Debt securities - Fixed rate	213 081	99 451	54 840	2 966	40 835	14 989
Debt securities – Floating rate	28 623	25 925	2 698	–	–	–
Debt securities total	241 704	125 376	57 538	2 966	40 835	14 989
Financial assets at fair value through profit or loss						
Debt securities – Floating rate	4	4	–	–	–	–
Debt securities total	4	4	–	–	–	–
Term deposits	15 133	15 133	–	–	–	–
Derivatives	173	-361	536	–	–	–
Total	257 014	140 152	58 074	2 966	40 835	14 989

Expected cash flows (not discounted)							
2009	Spolu	On demand	0 - 5 years	5 – 10 years	10 – 15 years	15 – 20 years	> 20 years
Life insurance contracts with fixed and guaranteed terms	160 276	–	86 554	32 750	22 030	8 596	10 346
Liabilities from unit-linked products	99 340	98 493	847	–	–	–	–
Non-life insurance	113 249	–	104 536	4 030	2 190	1 252	1 241
Deposits from reinsurers	4 507	–	4 507	–	–	–	–
Trade and other liabilities	46 449	–	46 449	–	–	–	–
Total	423 821	98 493	242 893	36 780	24 220	9 848	11 587

Average maturity of assets: 4.97 years
Average maturity of liabilities: 5.36 years

Contractual cash flows (undiscounted)						
2008	Total	0-5 years	5-10 years	10-15	15-20 rokov	> 20 rokov
Available-for-sale financial assets						
Debt securities - Fixed rate	179 562	57 438	44 310	37 884	35 598	4 333
Debt securities - Floating rate	26 442	25 698	744	–	–	–
Debt securities total	206 004	83 136	45 053	37 884	35 598	4 333
Financial assets at fair value through profitor loss						
Debt securities - Floating rate	2 295	2 250	–	–	–	45
Debt securities total	2 295	2 250	–	–	–	45
Term deposits	27 040	27 040	–	–	–	–
Total	235 339	112 426	45 053	37 884	35 598	4 378

Expected cash flows (not discounted)							
2008	Total	On	0-5 rokov	5-10 rokov	10-15 rokov	15-20 rokov	> 20 rokov
Life insurance contracts with fixed and guaranteed terms	150 081	–	76 797	36 759	11 465	14 943	10 117
Liabilities from unit-linked products	64 178	63 134	1 044	–	–	–	–
Non-life insurance	103 562	–	94 898	4 611	1 996	1 100	956
Deposits from reinsurers	6 429	–	6 429	–	–	–	–
Trade and other liabilities	57 413	–	57 413	–	–	–	–
Total	381 662	63 134	236 581	41 370	13 461	16 043	11 073

Average maturity of assets: 5.3 years
Average maturity of liabilities: 6.24 years

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 investments 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. 2009	Bonds		Receivables from insurance and reinsurance	Reinsurance assets	Cash and term deposits
Credit risk	At fair value through profit or loss	Available for sale			
AAA	–	3 581	–	–	–
AA+	–	2 147	–	–	–
AA	–	4 301	–	517	2 730
AA-	–	4 151	–	–	975
A+	–	158 278	–	–	9 752
A	–	28 755	–	6 811	302
A-	–	23 675	–	–	1 230
BBB+	–	5 740	544	–	–
BBB	–	6 877	–	12	–
BBB-	–	1 157	–	–	–
BB+	–	943	380	–	–
BB-	–	2 099	–	–	–
CCC	4	–	–	–	–
Without rating	–	–	19 560	39 297	2 773
Total	4	241 704	20 484	46 637	17 762

31. 12. 2008	Bonds				
Credit risk	At fair value through profit or loss	Available for sale	Receivables from insurance and reinsurance	Reinsurance assets	Cash and term deposits
AAA	–	4 549	–	–	–
AA+	–	1 070	–	–	–
AA	–	3 216	444	446	15 096
AA–	–	20 415	–	–	–
A+	–	129 415	437	–	–
A	–	17 542	6 944	11 195	7 655
A–	–	12 725	–	–	–
BBB+	–	6 472	–	–	–
BBB	–	331	–	–	–
BB+	–	775	–	–	–
BB	2 250	–	–	–	–
B+	–	9 411	–	–	–
B–	45	–	–	–	–
CCC	–	68	–	–	–
CC	–	15	–	–	–
Without rating	–	–	11 736	27 574	7 810
Total	2 295	206 004	19 561	39 215	30 561

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

	Current	Overdue not impaired			Impaired More than 1 year	
At 31 December 2009		0 – 3 months	3 – 6 months	6 months – 1 year	More than 1 year	Total
Financial assets available for sale (gross)	261 150	–	–	–	4	261 154
Derivative financial instruments	-398	–	–	–	–	-398
Cash and term deposits	17 762	–	–	–	–	17 762
Receivables from the insured*	4 844	9 970	2 217	2 021	1 432	20 484
Reinsurance assets	–	10 400	20 956	10 456	4 825	46 637
Total	283 358	20 370	23 173	12 477	6 261	345 639

* Receivables from the insured in the category 'Overdue, not impaired' are receivables individually impaired.

		Overdue, not impaired			Impaired	
At 31 December 2008	Current	0 – 3 months	3 – 6 months	6 months – 1 year	More than 1 year	Total
Financial assets available for sale	221 568	–	–	–	11 204	232 772
Derivátové finančné nástroje	267	–	–	–	–	267
Cash and term deposits	30 561	–	–	–	–	30 561
Receivables from the insured	9 397	5 743	3 141	742	538	19 561
Reinsurance assets	–	7 506	27 000	–	4 709	39 215
Total	261 793	13 249	30 141	742	16 451	322 376

* Receivables from the insured in the category 'Overdue, not impaired' are receivables individually impaired.

Financial assets other than those available for sale are shown at net value; movements in the respective bad debt provision was as follows:

Valuation allowances for receivables from the insured		
	2009	2008
1 January	11 527	2 789
Creation(Release)	1 472	1 464
Exchange rate difference from translation to presentation currency	–	332
Merger	–	6 942
31 December	12 999	11 527
Valuation allowances for other receivables		
1 January	1 019	909
Creation/(Release)	-14	6
Exchange rate difference from translation to presentation currency	–	104
31 December	1 005	1 019

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 business objectives;
- 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 potentially 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 undertaken.

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:

- 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 quantitative capital limit to maximize the return to shareholders, and to have sufficient capital to perform and extend the Company's business activities.
- Retaining the Company's ability to continue as a going concern to provide a return to shareholders and benefits for other stakeholders.
- 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 22 December 2009, which stipulates the minimum 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 3.5 million for life insurance companies and EUR 3.5 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 company must be at least EUR 4 million, and for non–life insurance lines, EUR 5 million.

	2009	2008
Actual solvency margin	92 025	76 795
Required solvency margin	24 486	22 953

4.5 Fair value hierarchy

In accordance with the amendment to IFRS 7 on disclosing information that reflects significance of inputs in valuing financial assets at fair value, the Company classified the financial assets according to the following fair value hierarchy:

- Level 1: financial assets and liabilities valued based on the prices quoted in active markets;
- Level 2 : in determining the fair value of financial assets and liabilities, valuation techniques are used with inputs that are based on the market observable data;
- Level 3: the fair value of financial assets and liabilities is determined using valuation techniques with inputs other than market observable data.

For financial assets traded in active markets, the determination of fair values is based on quoted market prices. For other financial assets fair value is determined using valuation techniques.
For computing the fair value of financial assets for which market price was not established at 31 December 2009, the method of discounted cash–flows was used based on the interest rate of a yield curve for each financial instrument denominated in the relevant currency, issued by Bloomberg or Reuters. Using linear interpolation, a zero coupon of the rate is calculated from the yield curve, which is then applied in discounting the cash–flows (Bootstraping method).

The assumptions and inputs used in the valuation include non–risk bearing and benchmarking interest rates, credit risk margins and other margins used in estimating the discount rate, value of bonds and shares and foreign exchange rates. The purpose of valuation techniques is to calculate a fair value that reflects the value of the financial instrument at the balance sheet date, that a buyer would pay under usual business conditions. For determining the fair value of non–standardized and lower complexity financial instruments the Company applies models that use market observable data as inputs and do not require any management estimates, which reduses the uncertainty related to determining the fair value.

Specific information is disclosed for Level 3 (significant inputs based on other than market observable data).

In 2009, the Company performed classification of fair value valued financial assets and liabilities as follows:

Fair value estimation and fair value hierarchy				
31. 12. 2009	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Interest swaps	–	88	–	88
Currency swaps	–	-486	–	-486
Total	–	-398	–	-398
Other financial assets at fair value through profit or loss				
Bonds	–	4	–	4
Shares	–	–	–	–
Mutual funds	101 493	–	–	101 493
Total	101 493	4	–	101 497
Available–for–sale financial assets				
Bonds	174 958	66 746	–	241 704
Shares	19 446	–	–	19 446
Total	194 404	66 746	–	261 150
Total financial assets measured at fair value	295 897	66 352	–	362 249

There were no transfers of financial assets and liabilities from level 1 to level 2.

Expected cash–flows from financial derivatives – interest rate swaps (base value of interest rate swaps are defined in Note 8) are as follows:

Future cash–flows (not discounted			
Interest swaps			
	In–flow	Out–flow	Net in–flow
Maturity < 1 year	119	342	-222
Maturity 1 – 5 years	1 227	1 366	-139
Maturity > 5 years	2 242	1 708	534

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

	Buildings	Land	Motor vehicles	Office equip–ment	Furniture, fittings and equip–ment	Total
At 1 January 2008						
Acquisition cost	–	–	1 007	565	2 539	4 111
Accumulated depreciation	–	–	-438	-550	-2 092	-3 080
Net book value	–	–	569	15	447	1 031
Year ended 31 December 2008						
Opening balance	–	–	569	15	447	1 031
Additions resulting from the merger	1 541	105	399	57	1 596	3 698
Additions	13	–	120	65	336	534
Disposals	–	-3	-119	-9	–	-131
Depreciation charge	-35	–	-173	-50	-721	-979
Exchange rate difference from translation to presentation currency	8	–	62	2	45	117
Net book value at the end of the reporting period	1 527	102	858	80	1 703	4 270
At 31 December 2008						
Acquisition cost	1 563	102	1 526	745	4 786	8 722
Accumulated depreciation	-36	–	-668	-665	-3 083	-4 452
Net book value	1 527	102	858	80	1 703	4 270
Year ended 31 December 2009						
Opening balance	1 527	102	858	80	1 703	4 270
Additions	173	–	532	127	318	1 150
Disposals – at acquisition cost	-68	–	-244	-52	-34	-398
Depreciation	-129	–	-437	-131	-821	-1 518
Disposals – accumulated depreciation	49	–	214	51	31	345
Net book value at the end of the reporting period	1 552	102	923	75	1 197	3 849
At 31 December 2009						
Acquisition cost	1 668	102	1 814	820	5 070	9 474
Accumulated depreciation	-116	–	-891	-745	-3 873	-5 625
Net book value	1 552	102	923	75	1 197	3 849

Company has its tangible assets insured by Allianz – Slovenská Poisťovňa, a.s. to amount of EUR 15,335 thousand.

6. Intangible assets

	Software	VOBA	Other intan-gible assets	Total
At 1 January 2008				
Acquisition cost	285	–	–	285
Amortization	-206	–	–	-206
Net book value	79	–	–	79
Year ended 31 December 2008				
Opening balance	79	–	–	79
Additions resulting from the merger	1 105	64 622	445	66 172
Additions	265	–	76	341
Disposals	-4	–	–	-4
Amortization charge	-200	-1 442	-4	-1 646
Exchange rate difference from translation to presentation currency	17	311	6	334
Net book value at the end of the reporting period	1 262	63 491	523	65 276
At 31 December 2008				
Acquisition cost	1 700	64 989	527	67 216
Accumulated amortization	-438	-1 498	-4	-1 940
Net book value	1 262	63 491	523	65 276
Year ended 31 December 2009				
Opening balance	1 262	63 491	523	65 276
Additions	1 424	–	–	1 424
Transfers	523	–	-523	–
Disposals – at acquisition cost	–	–	–	–
Amortization charge	-910	-5 387	–	-6 297
Disposals – accumulated amortization	–	–	–	–
Net book value at the end of the reporting period	2 299	58 104	–	60 403
At 31 December 2009				
Acquisition cost	3 647	64 989	4	68 640
Accumulated amortization	-1 348	-6 885	-4	-8 237
Net book value	2 299	58 104	–	60 403

7. Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries in 2008 related to investments in VÚB Generali d.s.s., a. s., insurance broker Generali Consulting, s. r. o., GSL Services, s.r.o. and insurance company Generali Belarus. VUB Generali d.s.s., a.s., Generali Consulting, s.r.o. a GSL Services, s.r.o. do business in Slovak Republic. Generali Belarus does its business in Belarus.
Generali Consulting, s.r.o. merged with GSL Services, s.r.o. as at 30 April 2009.

	2009	2008
1 January	17 091	14 880
Addition as a result of merger	–	494
Capital contribution to Generali Belarus	325	–
Exchange rate difference from translation to presentation currency	–	1 717
31 December	17 416	17 091

31. 12. 2009	Equity share	Acquisition cost	Impairment	Book value
VUB Generali d.s.s., a.s. (joint venture)	50%	16 597	–	16 597
Generali Belarus (associate)	32.50%	812	–	812
GSL Services, s.r.o. (subsidiary)	100%	7	–	7
Total		17 416	–	17 416

31. 12. 2008	Equity share	Acquisition cost	Impairment	Book value
VUB Generali d.s.s., a.s.	50%	16 597	–	16 597
Generali Consulting, s.r.o.	100%	7	-7	–
Generali Belarus	32.50%	487	–	487
GSL Services, s.r.o.	100%	7	–	7
Total		17 098	-7	17 091

Financial information on subsidiaries, joint ventures, and associates

31. 12. 2009	Assets	Liabilities	Equity	Income	Profit/Loss
VUB Generali d.s.s., a.s.*	11 754	479	11 266	3 334	989
Generali Belarus	3 164	831	2 333	1 784	427
GSL Services, s.r.o.	165	725	-559	398	49

*The data in the table is preliminary.

31. 12. 2008	Assets	Liabilities	Equity	Income	Profit/Loss
VUB Generali d.s.s., a.s.	10 907	630	10 277	3 870	684
Generali Consulting, s.r.o.	50	651	-601	45	-11
Generali Belarus *	1 398	13	1 385	820	365
GSL Services, s.r.o.	57	52	5	242	–

* Balance at 30 september 2008.

8. Financial assets

	31. 12. 2009	31. 12. 2008
Term deposits	15 133	27 040
Financial assets available for sale	261 150	221 568
Financial assets at fair value through profit or loss	101 098	68 538
Total financial assets	377 381	317 146

Effective interest rate of term deposits amounted to 0.46 % in 2009 (3.85 % in 2008).

Reconciliation of financial assets used for management purposes to categories used in balance sheet:

Financial assets available for sale	31. 12. 2009	31. 12. 2008
Government bonds	147 600	125 040
Corporate bonds	94 104	80 964
Total bonds	241 704	206 004
Shares	19 446	15 564
Total financial assets available for sale	261 150	221 568

Financial assets at fair value through profit or loss	31. 12. 2009	31. 12. 2008
Bond funds	9 272	7 675
Equity funds	19 238	10 924
Mixed funds	70 868	45 970
Money market funds	2 114	1 407
Bonds	4	2 295
Swaps	-398	267
Total financial assets at fair value through profit or loss	101 098	68 538

Mutual funds covering unit linked reserve amounted to EUR 98,493 thousands, mutual funds from own resources of the Company amounted EUR 3,000 thousands.

At 31 December 2009, the effective interest rate of investments available for sale equaled to 4.14% on average (at 31 December 2008: 4.68%).

Movements in financial assets are as follows:

	At fair value through profit or loss	Available for sale
At the beginning of 2008	26 615	92 736
Disposals (sale and maturity)	–	-12 210
Acquisitions	17 779	33 717
Additions resulting from the merger	33 330	110 007
Net revaluation losses (other comprehensive income)	–	-13 639
Impairment	–	-10 787
Net revaluation losses (excluding realized gains or losses)	-13 898	-1 351
Change of accrued interest income	26	2 717
Exchange rate difference from translation to presentation currency	-4 686	20 378
At the beginning of 2009	68 538	221 568
Disposals (sale and maturity)	-2 655	-111 042
Acquisitions	22 350	139 061
Net revaluation gains (other comprehensive income)	–	10 832
Impairment	–	-4
Net revaluation gains/(losses) (profit or loss)	12 883	-113
Change of accrued interest income	-22	848
At the end of 2009	101 098	261 150

The fair value of financial assets with an existing market price at 31 December 2009 has been determined by using the existing market price.

The fair value of financial assets for which no market price existed at 31 December 2009 was calculated by using the method of discounted cash flows from the yield curve interest rates for individual financial instruments denominated in the given currency, published by Bloomberg or Reuters. Zero–coupon rates for discounting cash flows are calculated from the yield curve, using linear interpolation (the bootstrapping method).

At 31 December 2009	Base value due			Fair value
	within 1 month	within 1 year	within 10 years	Assets
Interest derivatives	–	–	10 000	88
Currency derivatives	16 513	–	–	-486
Total	16 513	–	10 000	-398

At 31 December 2008	Underlying value due			Fair value
	within 1 month	within 1 year	within 10 years	Assets
Currency derivatives	21 609	–	–	267
Total	21 609	–	–	267

9. Reinsurance contracts

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

	31. 12. 2009	31. 12. 2008
Unearned Premium Reserve (UPR)	12 799	11 236
Reserve for claims Reported But Not Settled (RBNS)	29 512	20 916
Reserve for claims Incurred But Not Reported (IBNR)	2 215	4 513
Reserve for MTPL deficit	2 111	2 550
Total	46 637	39 215

10. Loans and receivables

	31. 12. 2009	31. 12. 2008
Due from clients	19 437	18 264
Due from agents	22	22
Loans to employees	12	21
Other receivables	1 013	1 254
Total loans and receivables	20 484	19 561

Receivables are shown net of bad debt provision.

Bad debt provision is shown in the table below. Fair value of receivables does not differ materially from the book value.

	31. 12. 2009	31. 12. 2008
Bad debt provision for receivables due from clients	-12 999	-11 527
Bad debt provision for receivables due from agents	-302	-302
Bad debt provision for other receivables	-703	-717
Total	-14 004	-12 546

11. Deferred acquisition costs

	31. 12. 2009	31. 12. 2008
At the beginning of the period	16 730	953
Additions / (disposals) during the period	-191	833
Additions from merger (Note 14)	–	14 716
Exchange rate difference from translation to presentation currency	–	228
At the end of the period	16 539	16 730

12. Deferred income tax

Deferred income taxes are calculated for all temporary differences under the balance sheet liability method, using the tax rate of 19% (2008: 19%), as follows:

	31. 12. 2009	31. 12. 2008
Deferred tax assets		
– with the expected realization after more than 12 months	1 532	3 273
– with the expected realization within 12 months	724	677
	2 256	3 950
Deferred tax liabilities		
– with the expected settlement after more than 12 months	-10 419	-12 346
– with the expected settlement within 12 months	-970	–
	-11 389	-12 346
Net deferred tax liability	-9 133	-8 396

Movements in the deferred income tax are as follows:

Year ended 31 December	31. 12. 2009	31. 12. 2008
1 January	-8 396	871
Income recognized in the income statement (Note 15)	760	1 115
Tax charged to other comprehensive income (Note 14)	-1 497	315
Merger	–	-10 790
Exchange rate difference from translation to presentation currency	–	93
31 December	-9 133	-8 396

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

	1 January 2009	Other comprehensive income	Income statement	31 December 2009
Deferred tax asset				
Impairment of receivables	1 930	–	-360	1 570
Revaluation of financial assets available for sale	880	-1 497	–	-617
Expenses deductible after having been paid	113	–	–	113
Employee benefits	4	–	1	5
Provision for bonuses	272	–	-69	203
Provision for the MTPL insurance deficit	177	–	–	177
IBNR	574	–	231	805
Total	3 950	-1 497	-197	2 256

	1 January 2009	Other compre-hen–sive income	Income statement	31 December 2009
Deferred tax liability				
Property, plant and equipment	-282	–	-67	-349
VOBA	-12 064	–	1 024	-11 040
Total	-12 346	–	957	-11 389

	1 January 2008	Merger	Other comp–rehensive income	Income statement	Exchange rate differ-ence from translation to	31. decembra 2008
Deferred tax asset						
Impairment of receivables	292	1 166	–	416	56	1 930
Revaluation of financial assets available for sale	496	–	315	–	69	880
Expenses deductible after having been paid	35	91	–	-17	4	113
Employee benefits	9	4	–	-10	1	4
Provision for bonuses	–	16	–	247	9	272
Provision for the MTPL insurance deficit	–	181	–	-5	1	177
IBNR	–	341	–	223	10	574
Total	832	1 799	315	854	150	3 950

	1 January 2008	Merger	Other com-prehen–sive income	Income statement	Exchange rate differ-ence from translation to presentation	31. december 2008
Deferred tax liability						
Property, plant and equipment	39	-311	–	-13	3	-282
VOBA	–	-12 278	–	274	-60	-12 064
Total	39	-12 589	–	261	-57	-12 346

13. Cash and cash equivalents

	31. 12. 2009	31. 12. 2008
Bank accounts	2 616	3 500
Cash equivalents	13	21
Total	2 629	3 521

14. Equity

Základné imanie		
	Number of shares	Ordinary shares
At 1 January 2008	56 600	16 844
Merger at 1 October 2009	18 400	6 073
Exchange rate difference from translation to presentation currency	–	1 979
At 31 December 2008	75 000	24 895
Difference arising from change of functional currency	–	5
At 31 December 2009	75 000	24 900

The Company issued 75,000 shares. All the shares are held by Generali PPF Holding B.V., which represents a 100 % share in the share capital.

The total nominal amount of ordinary shares is 75,000 (2008: 75,000). At 31 December 2008, the nominal value was SKK 10,000 per share. As a result of transition to the Euro, the Board of Directors decided on changing the nominal value of a share as well as the nominal value of the share capital. The nominal value of a share after rounding up to the whole Euros, is EUR 332 per share. The difference was transferred from legal reserve fund. All issued shares have been fully paid up. The shares are not quoted.

Legal reserve fund

Company creates legal reserve fund in compliance with Commercial Code in amount of 10% of net profit for the year up to a minimum of 20% of registered capital. Legal reserve fund is used to cover losses of the Company and can not be distributed.

Legal reserve fund decreased from EUR 1,605 thousand in 2008 to EUR 1,600 thousand in 2009 due to issue of registered capital.

Profit / Loss from previous and current years		
	31. 12. 2009	31. 12. 2008
Profit/(loss) from previous years	72 349	79 434
Profit/(loss) of the current year	10 273	-7 085
Total	82 622	72 349

The financial statements for 2008 were approved by shareholders at the annual General Meeting held on 30 April 2009. Loss of SKK 213,441 thousand (EUR 7,085 thousand using conversion rate) was transferred to retained earnings.

Revaluation reserve for investments available for sale	
At the beginning of 2008	-2 112
Unrealized loss from revaluation, attributable to policyholders, net of deferred tax	-124
Gross loss from the revaluation of assets available for sale	-13 639
Gross loss from the revaluation of assets available for sale – deferred tax	2 609
Transfers to net profit upon impairment	10 787
Transfers to net profit upon sale	1 291
Transfers to net profit upon sale or impairment – deferred tax	-2 294
Additions due to merger	45
Exchange rate difference from translation to presentation currency	-297
At the end of 2008	-3 734
Unrealized loss from revaluation, attributable to policyholders, net of deferred tax	-33
Gross gain from the revaluation of assets available for sale	10 832
Gross gain from the revaluation of assets available for sale – deferred tax	-2 058
Transfers to net profit upon sale	-2 945
Transfers to net profit upon impairment	-4
Transfers to net profit upon sale or impairment – deferred tax	561
At the end of 2009	2 619

Merger

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

	ČPS at 30. 9. 2008
Property, plant and equipment, intangible assets, DAC	72 309
Shares and ownership interests in subsidiaries and associated companies	494
Financial assets	158 793
Cash and cash equivalents	438
Assets resulting from reinsurance	45 106
Receivables from insurance and other receivables	39 274
Total assets	316 414
Share capital	6 073
Share premium	–
Legal reserve fund	–
Revaluation of assets available for sale	45
Retained earnings	58 185
Equity	64 303
Liabilities from insurance contracts	194 712
Liabilities from insurance, reinsurance, and other liabilities	57 399
Liabilities and equity – total	316 414

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	31. 12. 2009	31. 12. 2008
– Claims reported and adjustment expenses	70 704	58 345
– Claims incurred but not reported	6 450	6 426
– Unearned premiums	32 335	33 307
– Provision for profit sharing and premium refund	232	202
– Provision for the deficit in MTPL insurance (Note 3)	11 018	13 190
– Mathematical provision	153 632	143 217
– Provision for policies where policyholders bear the investment risk	98 493	63 134
Total liabilities from insurance, gross	372 864	317 821

Recoverable from reinsurers	31. 12. 2009	31. 12. 2008
– Claims reported and adjustment expenses	29 512	20 916
– Claims incurred but not reported	2 215	4 513
– Unearned premiums	12 799	11 236
– Provision for profit sharing and premium refund	–	–
– Provision for the deficit in MTPL insurance (Note 3)	2 111	2 550
– Mathematical provision	–	–
– Provision for policies where policyholders bear the investment risk	–	–
Total share of reinsurance in insurance liabilities	46 637	39 215

Net	31. 12. 2009	31. 12. 2008
– Claims reported and adjustment expenses	41 192	37 429
– Claims incurred but not reported	4 235	1 913
– Unearned premiums	19 536	22 071
– Provision for profit sharing and premium refund	232	202
– Provision for the deficit in MTPL insurance (Note 3)	8 907	10 640
– Mathematical provision	153 632	143 217
– Provision for policies where policyholders bear the investment risk	98 493	63 134
Total net liabilities from insurance	326 227	278 606

Movements in liabilities from insurance liabilities and reinsurance assets

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

Non–life insurance:

Year ended 31 December	31. 12. 2009			31. 12. 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS – Reported But Not Settled	55 697	-20 797	34 900	11 314	-6 298	5 016
IBNR – Incurred But Not Reported	4 860	-4 129	731	5 062	-2 605	2 457
Total at the beginning of the year	60 557	-24 926	35 631	16 376	-8 903	7 473
Business combination – provisions	–	–	–	50 662	-25 662	25 000
Insurance claims paid for losses settled in the year	-53 123	20 163	-32 960	-28 806	1 601	-27 205
Increase in liabilities	72 131	-34 489	37 642	40 221	-24 509	15 712
Decrease in liabilities	-6 478	7 525	1 047	-19 751	33 318	13 566
Exchange rate difference from translation to presentation currency	–	–	–	1 855	-771	1 085
Total at the year's end	73 087	-31 727	41 360	60 557	-24 926	35 631
RBNS	67 788	-29 512	38 276	55 698	-20 797	34 900
IBNR	5 299	-2 215	3 084	4 859	-4 129	731
Total at the year's end	73 087	-31 727	41 360	60 557	-24 926	35 631

Life insurance contracts with fixed and guaranteed terms:

Year ended 31 December	31. 12. 2009			31. 12. 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	2 040	-119	1 921	489	-294	195
IBNR	1 130	-384	746	666	-333	333
Total at the beginning of the year (except for UPR)	3 170	-503	2 667	1 155	-627	528
Business combination – RBNS (+IBNER)	–	–	–	1 721	–	1 721
Business combination – IBNR	–	–	–	354	–	354
Insurance claims paid for losses settled in the year	-17 916	–	-17 916	-1 375	189	-1 186
Change in liabilities	17 966	503	18 469	1 178	–	1 178
Exchange rate difference from translation to presentation currency	–	–	–	137	-65	72
Total at the year's end	3 220	–	3 220	3 170	-503	2 667
RBNS	2 417	–	2 417	2 040	-119	1 921
IBNR	803	–	803	1 130	-384	746
Total at the year's end	3 220	–	3 220	3 170	-503	2 667

Provision for unit–linked:

Year ended 31 December	31. 12. 2009			31. 12. 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	608	–	608	237	–	237
IBNR	436	–	436	147	–	147
Total at the beginning of the year (except for UPR)	1 044	–	1 044	384	–	384
Business combination – RBNS (+IBNER)	–	–	–	434	–	434
Business combination – IBNR	–	–	–	253	–	253
Insurance claims paid for losses settled in the year	-6 052	–	-6 052	-159	–	-159
Change in liabilities	5 855	–	5 855	88	–	88
Exchange rate difference from translation to presentation currency	–	–	–	44		44
Total at the year's end	847	–	847	1 044	–	1 044
RBNS	499	–	499	608	–	608
IBNR	348	–	348	436	–	436
Total at the year's end	847	–	847	1 044	–	1 044

b) Unearned premium reserve

Non–life insurance

Year ended 31 December	31. 12. 2009			31. 12. 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	29 613	-11 195	18 418	7 969	-4 485	3 484
Business combination	–	–	–	19 699	-9 855	9 844
Increase in the period	29 255	-12 749	16 506	24 333	-1 236	23 097
Release in the period	-29 956	11 195	-18 761	-23 454	4 817	-18 637
Exchange rate difference from translation to presentation currency	–	–	–	1 066	-438	628
At the year's end	28 912	-12 749	16 163	29 613	-11 197	18 416

Life insurance contracts with fixed and guaranteed terms:

Year ended 31 December	31. 12. 2009			31. 12. 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	3 694	-39	3 655	3 193	-83	3 110
Business combination	–	–	–	712	–	712
Increase in the period	638	-50	588	3 822	-40	3 782
Release in the period	-909	39	-870	-4 383	91	-4 292
Exchange rate difference from translation to presentation currency	–	–	–	350	-7	343
At the year's end	3 423	-50	3 373	3 694	-39	3 655

c) Provision for MTPL deficit

Year ended 31 December	31. 12. 2009			31. 12. 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	13 190	-2 550	10 640	3 859	-1 929	1 930
Business combination	–	–	–	9 516	–	9 516
Increase in the period	–	–	–	3 485	-2 455	1 030
Release in the period	-2 172	439	-1 733	-4 144	2 072	-2 072
Exchange rate difference from translation to presentation currency	–	–	–	474	-238	236
At the year's end	11 018	-2 111	8 907	13 190	-2 550	10 640

d) Actuarial provision for life business

Year ended 31 December	31. 12. 2009			31. 12. 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	143 217	–	143 217	46 282	–	46 282
Business combination	–	–	–	81 039	–	81 039
Increase from premiums	27 422	–	27 422	13 233	–	13 233
Provisions released for payments on death, surrender, and other terminations in the year	-16 578	–	-16 578	-5 350	–	-5 350
Change – provision for the share in profits (DPF)	63	–	63	473	–	473
Change – Liability adequacy test	-525	–	-525	1 237	–	1 237
Change – Deferred liabilities to the insured (DPF)	33	–	33	124	–	124
Exchange rate difference from translation to presentation currency	–	–	–	6 179	–	6 179
At the year's end	153 632	–	153 632	143 217	–	143 217

Deferred liabilities to the insured – movements:

At the beginning of 2008	-131
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	124
Exchange rate difference from translation to presentation currency	-10
At the end of 2008	-17
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	33
At the end of 2009	16

Technical provision for life insurance – breakdown by components

	31. 12. 2009	31. 12. 2008
Mathematical provision for life insurance	153 632	143 217
Provision for guaranteed benefits	150 814	139 946
Provision for unallocated share in profits	57	17
Provision for liability adequacy test	2 745	3 271
Deferred liability to policyholders	16	-17

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

Year ended 31 December	31. 12. 2009			31. 12. 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	63 134	–	63 134	26 378	–	26 378
Business combination	–	–	–	30 332	–	30 332
Insurance premium	29 214	–	29 214	27 984	–	27 984
Provisions released for payments on death, surrender, and other terminations in the year	-7 217	–	-7 217	-2 514	–	-2 514
Change in unit prices	13 362	–	13 362	-22 381	–	-22 381
Exchange rate difference from translation to presentation currency	–	–	–	3 335	–	3 335
At the year's end	98 493	–	98 493	63 134	–	63 134

16. Deposits from reinsurers

Deposits received from reinsurers relate to amounts of ceded insurance provisions and to valuation allowances, 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 and Axxicuracioni Generali S.p.A.

	31. 12. 2009	31. 12. 2008
From the unearned premium reserve	123	91
From reserves for insurance claims	4 384	6 084
From other provisions and valuation allowances	–	254
Total	4 507	6 429

The effective interest rate of the Company's deposits from reinsurers amounts to 3% (2008: 3%) on average.

17. Trade and other liabilities

	31. 12. 2009	31. 12. 2008
Financial liabilities:		
Due to clients	8 779	3 721
Liabilities – brokers	1 930	817
Liabilities – co–insurance	187	62
Liabilities from reinsurance	22 397	26 068
Amounts due to related parties	91	1 076
Accruals		
– commissions	2 158	6 866
– contribution to the Emergency Medical Service (8% from the MPTL premium)	2 338	754
– general expenses – not settled rental, services, other expenses	1 891	12 750
Deferred commission from reinsurance	2 993	2 517
Pre–paid insurance contracts	871	54
Total financial liabilities	43 635	54 685

Non–financial liabilities:		
Liabilities – employees	690	787
Liabilities – social security	354	223
Liabilities – securities	–	–
Accruals – personal cost	1 521	1 457
Provisions for employee benefits	23	26
VAT	226	235
Total non–financial liabilities	2 814	2 728

All liabilities are within due date.

Liabilities to employees also include liabilities from the social fund:

	31. 12. 2009	31. 12. 2008
Opening balance	60	-2
Set–up	104	44
Use	158	2
Foreign Exchange difference from the conversion of the functional currency	–	2
Merger	–	18
Closing banace	6	60

18. Premium

	Gross amount		Reinsurance share		Net amount	
	2009	2008	2009	2008	2009	2008
Written premium in non–life insurance	111 694	57 263	-50 218	-14 816	61 476	42 447
Written premium in life insurance	92 728	56 205	-443	-249	92 285	55 956
Total written premium	204 422	113 468	-50 661	-15 065	153 761	98 403
Non–life insurance, change in unearned premium reserve	701	-996	1 554	834	2 255	-163
Life insurance, change in unearned premium reserve	271	679	9	-50	280	629
Total change in unearned premium reserve	972	-318	1 563	784	2 535	466
Earned premium in non–life insurance	112 395	56 267	-48 664	-13 983	63 731	42 284
Earned premium in life insurance	92 999	56 884	-434	-299	92 565	56 585
Total earned premium	205 394	113 151	-49 098	-14 282	156 296	98 869

19. Income/(expenses) from financial investments

Financial assets at fair value through profit or loss	2009	2008
Interest income	45	77
Amortization (discount/ premium)	11	-6
Unrealized income from derivative financial instruments	-465	82
Realized income/ expense from derivative financial instruments	859	781
Net gain/ loss from revaluation of unit linked investments	13 362	-13 949
Unrealized gain/ loss from financial assets at fair value through profit or loss	-25	-25
Realized gain/ loss from financial assets at fair value through profit or loss	-6	–
Total	13 781	-13 040
Available–for–sale financial investments		
Interest income	10 166	6 040
Amortization (discount/ premium)	-95	-143
Realized gain/ loss from available–for–sale financial assets	2 945	-1 291
Unrealized gain/ loss from available–for–sale financial assets	-18	-1 208
Dividend income	534	217
Total	13 532	3 614
Term deposits		
Interest income	119	497
Total	119	497
Other income/ expenses	–	-221
Total	27 432	-9 150

20. Impairment of financial assets

Except for expenses and revenues from financial assets available for sale set out in Note 19, the Company recognized a loss from the impairment of available–for–sale financial assets in the amount of EUR 4 thousand in 2009 (2008: EUR 10,787 thousand).

21. Net insurance benefits and claims

	Gross amount		Reinsurance share		Net amount	
	2009	2008	2009	2008	2009	2008
Insurance benefits and claims paid	71 308	38 088	-20 131	-13 956	51 177	24 132
Loss adjustment expenses	6 074	4 285	-32	-213	6 042	4 072
Change in provisions for insurance benefits and claims	12 383	-8 604	-6 298	10 599	6 085	1 995
Change in provisions for profit sharing and premium refund	30	194	–	–	30	194
Change in other insurance provisions	-2 172	-659	439	-383	-1 733	-1 042
Profit sharing paid	340	244	–	-117	340	127
Change in the mathematical provision	10 382	9 539	–	–	10 382	9 539
Change in the provision for unit–linked insurance contracts	35 359	3 089	–	–	35 359	3 089
Other	–	250	2 832	1 122	2 832	1 372
Total	133 704	46 426	-23 190	-2 948	110 514	43 478

22. Commissions and other acquisition costs

	Commissions		Change in DAC		Other acquisition costs		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Non-life insurance	10 131	8 487	-199	-278	7 969	4 431	17 901	12 640
Life insurance	17 824	10 826	390	-555	6 996	5 820	25 210	16 090
Total	27 955	19 313	191	-833	14 965	10 251	43 111	28 730

23. Investment management expenses

Investment management expenses include all costs of managing financial investments, including staff costs of asset managers. In 2009 these expenses were EUR 972 thousand (2008: EUR 407 thousand).

24. Expenses by nature

Commissions and other acquisition costs, costs of investment administration, and administrative costs are broken down by type in the following table:

	2009	2008
Wages and salaries	10 321	7 445
Remuneration paid to members of the Board of Directors – short–term employee benefits	693	880
Pension costs (members of the Board of Directors)	22	19
Social costs (employees)	3 680	2 546
– out of which state pension	1 367	761
Other personnel costs, of which:	112	22
– defined benefit plan (IAS 19)	-3	-27
– defined benefit plan (employees)	115	49
Total personnel costs	14 828	10 912
Advertising and promotional activities	4 102	5 071
Rental fees	2 473	1 412
IT expenses	3 768	809
Postal and telecommunication services	1 608	693
Office costs	574	508
Advisory	466	518
Audit*	204	110
Travel costs	562	509
Training courses	378	288
Depreciation and amortization (Note 5 and 6)	7 815	2 625
Costs of payments and premium collection (Note 23)	972	392
Commissions	28 161	17 381
Change in the valuation allowance for receivables (Note 10)	1 458	1 470
Assistance services	676	205
Contributions to SKP	1 813	305
Other	2 027	18
Total costs	71 885	43 226

* of which: for audit (including the half–year review) 145 thousands EUR
for other services 59 thousands EUR

In 2009, members of the Supervisory Board received no income for their activities and membership in the Supervisory Board.

25. Income tax

	2009	2008
Income tax for the current period	4 300	2 560
Additional income tax	3	-89
Tax from previous periods	-135	–
Deferred tax (Note 12)	-761	-1 116
Total tax expenses	3 407	1 355

Reconciliation of the effective tax rate:

	2009	2008
Profit before taxes	13 680	-5 466
Income tax charge calculated using 19% tax rate	2 599	-1 039
Tax non–deductible expenses	940	2 483
Additional tax for the year	-132	-89
Total tax expense	3 407	1 355

26. Information about employees

	2009	2008
Top management	19	5
Middle management	43	40
Other employees	627	679
Total	689	724

Number of managers in Top management increased due to classification of Directors of individual divisions as members of Top management in 2009. In 2008, only members of Board of Directors were classified as Top management.

27. 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) key management, consisting of those persons who have authority and responsibility for planning, directing, 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 Board of Director's remuneration, see Note 24).

Ultimate controlling enterprise:
Assicurazioni Generali, S.p.A., Trieste

Subsidiaries and joint ventures:
GSL Services, s.r.o. Bratislava
Generali Belarus
VÚB Generali, d.s.s., a.s., Bratislava

Other entities under common control:
Generali Holding Vienna, AG, Vienna
Generali Versicherung, AG, Vienna
Generali Pojišťovna, a.s., Praha
Generali PPF Asset Management a.s., Praha
Europaische Reisevesicherung, AG, Vienna
Generali IARD S.A., Paris
AachenMünchener Versicherung AG, Aachen
Generali Towarzystwo Ubezpieczen, Varšava
CP Reinsurance Company Ltd.
GP Reinsurance EAD, Bulharsko
Česká pojišťovna, a.s., Praha
Generali–Provid. Biztosító/N
Generali IT, s.r.o., Bratislava

Related parties w/o reinsurance	2009			
	Receivables	Payables	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	–	–	–	–
Generali Holding Vienna AG, Vienna	–	92	1 340	–
Generali Versicherung AG, Vienna	–	–	–	–
Generali Pojišťovna, a.s., Prague	–	–	–	–
VÚB Generali, d.s.s., a.s., Bratislava	17	–	–	92
Generali Consulting, s.r.o., Bratislava	–	–	–	6
Generali IT, s.r.o., Bratislava	12	–	–	27
GeneraliPPF Asset Management a.s., Prague	–	18	652	–
Europäische Reiseversicherung AG, Vienna	–	–	–	–
The Company's Board of Directors	–	–	–	–
Total	29	110	1,992	125

Related parties – reinsurers' share	2009			
	Receivables	Payables	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	186	602	764	185
Generali Holding Vienna, AG, Vienna	–	947	188	1 313
Generali Versicherung, AG, Vienna	–	807	1 192	139
Generali IARD S.A., Paris	–	54	64	8
AachenMünchener Versicherung AG, Aachen	–	3	20	3
Generali Towarzystwo Ubezpieczen, Varšava	–	–	3	–
GP Reinsurance EAD	–	16 782	41 009	28 022
Česká pojišťovna, a.s., Praha	–	2 645	582	1 615
Generali–Provid. Biztosító/N	–	34	36	2
Total	186	21 874	43 858	31 287

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., Praha	–	–55	–	–
VUB Generali, d.s.s., a.s., Bratislava	16	–	–	–
Generali Consulting, s.r.o., Bratislava	408	–	–	–
Generali IT, s.r.o., Bratislava	–	–	–	–
Generali PPF Asset Management a.s., Praha	–	38	387	–
Europaische Reisevesicherung, AG, Vienna	12	–	–	–
The Company's Board of Directors	–	–	–	–
Total	436	-17	387	–

Related parties – reinsurers' share	2008			
	Receivables	Payables	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	–	123	1	99
Generali Holding Vienna, AG, Vienna	–	1 744	4 810	1 443
Generali Versicherung, AG, Vienna	–	246	139	13
Generali France S.A.	–	–	–	–
CP Reinsurance Company Ltd.	–	5 480	27 855	21 215
Česká pojišťovna, a.s., Praha	–	6 751	5 041	2 679
Generali–Provid. Biztosító/N	–	4	–	34
Total	–	14 348	37 846	25 483

At 31 December 2009, all balances due to or from companies mentioned above related to advisory management services and reinsurance contracts. Balances of Generali Consulting, s.r.o. (merger with GSL Services, s.r.o. – Note 5) related to long–term loan provided for financing of operating activities. All balances were short–term balances, payable 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.

28. Contingent liabilities and contingent receivables

At 31 December 2009, the Company neither provided, received, nor recorded any guarantee under contingent assets, contingent liabilities, or other financial commitments.

In connection with its insurance business, the Company faces several lawsuits. These relate particularly to refused insurance benefits (due to suspicion from fraud, or questionable entitlement to the insurance benefit. Upon refusal of the insurance benefit payment, the RBNS reserve is cancelled (reduced to nil), and is set up again only when lawsuit is initiated against the Company. In this case, it is set up again as a liability for insurance benefit that considers the sued amount and potential related charges.

The number of lawsuits is adequate to the scope of activities performed by the Company. The Company monitors the frequency of re–opened insurance events relating to refused insurance benefits or their part, as well as the volume and probability of success/failure in these lawsuits. The Company is not aware of any lawsuits pending that might have a significant adverse effect on the financial position of the Company.

Tax legislation

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 Special 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 applied the prospective business combination predecessor values 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 EUR 364 thousand in these financial statements.

Since some provisions of Slovak legislation allow for more than one interpretation, the tax authorities may decide to tax certain business activities that the Company believes should not be taxed. The 2005, 2006 and 2007 taxation periods for ex– Generali poisťovňa, a.s., the 2006, 2007 and 2008 taxation periods for ex– Česká poisťovňa – Slovensko, a.s. and the 2008 and 2009 taxation periods for Generali Slovensko poisťovňa, a.s. were not subject to a tax control and therefore there may be a risk of additional tax being imposed. The management of the Company is not aware of any circumstances in this respect that may lead to significant costs in the future. These taxation periods may be subject of tax inspection up to 2015 – five years after the end of the taxation period.

29. Post balance sheet events

The Company's sole shareholder Generali PPF Holding, B.V. so sídlom Strawinskylaan 933, 1077XX Amsterdam, Holandsko acquired 302 new shares with nominal value of one share EUR 332, which increased share capital by EUR 100,264 from EUR 24,900,000 to EUR 25,000,264. The sole shareholder paid the whole amount of increased share capital. Company received nominal amount of new shares of EUR 100,264 at 20 January 2010.

After 31 December 2009 until the date on which financial statements were published no other significant post–balance sheet events have occurred that would require recognition or disclosure in the financial statements.

Solemn Declaration

Solemn Declaration

I hereby declare that the information disclosed in the Annual Report of Generali Slovensko poisťovňa, a. s. for 2009 is true and fair and that no significant circumstances have been omitted or misrepresented.

Bratislava 2010

....

Ing. Jozef Tanzer
member of the Board of Directors
and Deputy Chief Executive Officer

PRICEWATERHOUSECOOPERS

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

Report on Verifying Consistency of the Annual Report with the Financial Statements,

as required by § 23 of Act No. 540/2007 Coll.
(Addendum to the Auditor's Report)

To the shareholder, 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") at 31 December 2009, on which we issued an unqualified Auditor's Report on 18 March 2010.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Company's annual report at 31 December 2009 is consistent with the audited financial statements referred to above.

Statutory Body's Responsibility for the Annual Report

The Company's statutory body is responsible for the preparation, accuracy, and completeness of the annual report in accordance with the Slovak Accounting Act.

Auditor's Responsibility for Verifying Consistency of the Annual Report with the Financial Statements

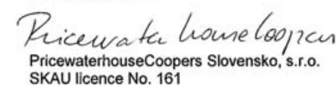
Our responsibility is to express an opinion on whether the accounting information presented in the annual report is consistent, in all material respects, with the information in the Company's audited financial statements. We conducted the verification in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the verification to obtain reasonable assurance whether the annual report is free from accounting information that would significantly differ from the information stated in the financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the annual report is consistent with the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the annual report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. We did not verify those data and information in the annual report that were not derived from the financial statements.

We believe that the procedures performed provide a sufficient and appropriate basis for our opinion.

Opinion

In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2009 is consistent, in all material respects, with the audited financial statements referred to above.


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

Ing. Eva Hupková
SKAU licence No. 672

Bratislava, 29 June 2010

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.

Company name: Generali Slovensko poisťovňa, akciová spoločnosť
Registered Office: Plynárenská 7/C, 824 79 Bratislava, Slovenská republika
Phone: 0850 111 117, 0850 111 116 (inland calls)
+421 2 58 27 66 66 (international calls)
Fax: +421 2 58 27 61 00
E-mail: gsl@gsl.sk
Internet: www.generali.sk

Generali Slovensko is a member of Generali PPF Holding B.V. which operates in 14 Central and Eastern European countries.

Company belonging to the Generali Group, listed in the Italian Insurance Groups Register maintained by ISVAP under no. 26.