

'10

ANNUAL REPORT



just in case, we have been a good insurance company 365 days a year



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ANNUAL REPORT



just in case, we have been a good insurance company 365 days a year

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THE COMPANY'S PROFILE

| | |
|-----------------------------|--|
| BUSINESS NAME: | Generali Slovensko poisťovňa, a. s. |
| LEGAL FORM: | joint-stock company |
| REGISTERED SEAT: | Plynárenská 7/C, 824 79 Bratislava |
| CORPORATE ID (IČO): | 35 709 332 |
| COMMERCIAL REGISTER: | Bratislava I District Court, Section Sa, Insert No. 1325/B |
| INCORPORATION DATE: | 12. 2. 1997 |
| SHARE CAPITAL: | EUR 25 000 264 |
| SHAREHOLDERS: | Generali PPF Holding, B.V. (100 %) |

Generali Slovensko ranks among three leading insurance companies in the Slovak market. It is a member of Generali PPF Holding, one of the major insurance groups in the CEE region. Based on this, its clients can benefit from its strong international background. Generali PPF Holding manages activities in 14 Central and East European countries, where it provides services to over 10 million clients.

In 2010, Generali Slovensko continued strengthening its position as the third strongest universal insurance house in the market and a high quality insurer providing prompt and professional services. The company's strategic objectives include focusing on improving the quality of services related to the establishment and administration of insurance and settlement of insurance events.

The strategy of building the brand's image and positioning as a high quality insurance company has been supported by a successful advertising campaign „you will know which insurance company is a good one when something happens“ with its main message: “In Generali Slovensko we do not hide or run away from our clients“.

Focus on quality throughout the company, together with its marketing strategy, has been positively reflected in improved knowledge of the brand and clients' perception as a transparent insurance company with quality service. The findings of last year's survey show that clients consider the company to be one that solves insurance events faster with greater professionalism and a fairer approach than other companies. These attributes are becoming the most significant factors that clients consider when selecting their insurer.

The word „Quality“ is frequently used, not only in connection with services. In Generali Slovensko it has also been projected in our product portfolio; clients may select from a wide scale of competitive life and non-life insurance products which are, just in case, flexible in various life situations. Practical assistance services that complete the puzzle of client care, even if the event is not connected with insurance, add value to these products.

Generali Slovensko is available to its clients at more than 130 sales points all over Slovakia. Its products are available in VÚB branches due to our co-operation with major partners in the brokerage business. For those clients who prefer modern distribution channels, we offer insurance by telephone and via the Internet.

Simply just in case, Generali Slovensko is here with high quality service and practical insurance solutions that are easily accessible through various communication channels.

THE COMPANY'S HISTORY GENERALI SLOVENSKE

- 1. 10. 2008** Česká poistovňa-Slovensko and Generali poistovňa merged and formed Generali Slovensko poistovňa, a. s
- 17. 1. 2008** Česká poistovňa-Slovensko and Generali poistovňa became part of the Generali PPF Holding Group
- 1996** Generali poistovňa was established on the Slovak market as a subsidiary of Assicurazioni Generali S.p.A
- 1993** Česká poistovňa-Slovensko was established on the Slovak market as a subsidiary of Česká pojišťovna, a.s.
- 1831** Assicurazioni Generali S.p.A., founded in Trieste

COMPLETE PRODUCT OFFER

COMPLETE OFFER OF 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'

Variable life insurance 'DYNAMIK Plus' (from 1 June 2010 the name changed to DYNAMIK +)

Variable life insurance 'SLNEČNICA' (Sunflower) (from 1 October 2010 the name changed to 'SLNEČNICA+')

Variable life insurance 'DYNAMIK Plus Junior' (from 1 February 2011 the name changed to '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'

Life insurance of regular expenses 'ŽELEZNÁ REZERVA'

Variable life insurance ZFP Život (introduced on 1 June 2010)

Variable life insurance ZFP Dôchodok (introduced on 1 July 2010)

Variable life insurance DYNAMIK Flexi (Introduced on 1 July 2010)

Variable life insurance DYNAMIK Flexi Junior (introduced on 1 July 2010)

Risk life insurance Allegro (introduced on 1 September 2010)

MOTOR OWN DAMAGE INSURANCE PRODUCTS AND OBLIGATORY MTPL INSURANCE

Car accident insurance 'AUTOŽOLÍK'

Car accident insurance 'AUTOSEKÁČ'

Fleet insurance – motor own damage insurance

Car accident insurance 'AUTOŽOLÍK'

Car accident insurance 'AUTOSEKÁČ'

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

Fleet insurance – motor own damage insurance

PRODUCTS FOR ASSETS AND LIABILITIES 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'

THE OBLIGATORY MTPL INSURANCE

The obligatory MTPL insurance – 'AUTOMATIK štandard'

The obligatory MTPL insurance – 'AUTOMATIK plus'

Fleet insurance – the obligatory MTPL insurance

TRAVEL INSURANCE PRODUCTS

Insurance of Travel to Other Countries – ‘Travel Trip’
 Insurance of Travel to Other Countries – ‘Travel Globus’
 Insurance of Travel to Other Countries – ‘Travel 365’
 Insurance of Travel to Other Countries – ‘Travel Biznis’
 Mountain Search and Rescue Insurance – ‘Out&Active’ (sale terminated in 2010)

New products since 2010:

- Short term travel insurance DOVOLENKÁR
- Annual travel insurance SVETOBĚŽNÍK
- Corporate travel insurance
- Mountain rescue insurance SR ŠPORTTURISTA

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 – All risks insurance
 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
 Damage and third party liability insurance of vessels
 Damage and third party liability insurance of planes

ENTREPRENEURS THIRD PARTY LIABILITY INSURANCE

Third party general insurance for damage
 Road haulier third part liability insurance
 Professional damage insurance

AGRICULTURAL RISK INSURANCE

Insurance of agricultural plants
 Insurance of livestock

FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



Vladimír Bezděk
Ing. VLADIMÍR BEZDĚK, M. A.

Chairman of the Board of Directors
and CEO of Generali Slovensko, a.s.

Dear clients, shareholders and business partners

We present to you the annual report for 2010 of the third major insurance company in the Slovak market (having a 9.5% share), an insurance company that completed the 2010 financial year with an after tax profit of EUR 7.8 million. Join me in looking back over the year and the key events that our company - with 1.1 million insurance contracts - witnessed during the period. Let me introduce the year 2010 to you.

With regard to insurance claims, last year's floods incurred the worst damage for the past 20 years. We paid out damages amounting to over EUR 7.52 million. However, due to the amount of media coverage of the flooding and the damage to homes it caused, we recorded a higher recognition of the need for property insurance, or the revision of insurance by our clients. This trend has also been reflected in our statistical analysis, and we recorded a 28% year-on-year increase in both buildings and contents insurance.

In the area of non-life insurance, we were less successful with regard to car insurance, where the past year's adverse market conditions continued.

In life insurance, we recorded a higher rate of contract cancellations and requests for suspension of premium payments or partial surrender of policies, due to the recession. As a consequence of the reduction in disposal income, some people also sought to realise assets by cashing in their policies. On the other hand however, we recorded increased interest in our higher risk life insurance, such as savings, since following the crisis life insurance has been perceived as more of a risk mitigation tool than previously.

In 2010, we implemented several significant changes within the Company which will affect our future operations and results. Our Slovak sales network has also undergone a re-organisation: we have designed and prepared for implementation changes in internal processes, we have instigated a project dealing with the final merger of systems into a single unified one, and we have re-established and launched co-operation with major partners in the area of life insurance sales.

The objective of Generali Slovensko for the future is to strengthen our market position and achieve stable financial results. Actions taken in late 2010 should lead to the achievement of our goals. Last year, our company started to attain the profile of an insurance company that does not hide or run away from its clients, but one that builds on service quality - not only in the field of settlements and overall insurance administration - but also in the conclusion of contracts. This is an area where we continuously seek to improve our services and procedures. Only a professional and flexible approach, combined with an emphasis on clients' and business partners' knowledge, can lead to success in the market.

I wish to express my thanks to our clients for their trust in our company, as well as to our business partners for their co-operation and ambition to increase our success. Last, but not least, my thanks go to all my colleagues in Generali Slovensko for their assistance and efforts in achieving our common objectives.

COMPANY BODIES

BOARD OF DIRECTORS



Ing. VLADIMÍR BEZDĚK, M. A.
Chairman



PaedDr. ROMAN HOLČEK
Member



Ing. JOZEF TANZER
Member



Ing. TIBOR ZALABAI
Member

TOP MANAGEMENT

JIŘÍ FILLA

Deputy Director of Sales
Department

Ing. TIBOR ZALABAI

Deputy Director of Informatics
and Operations

SUPERVISORY BOARD

KLÁRA STARKOVÁ

Chairman since 10 July 2009

Ing. VLADIMÍR BEZDĚK, M. A. PaedDr. ROMAN HOLČEK

CEO GS

Deputy Director of Insurance
Techniques

Ing. JOZEF TANZER

Deputy Director of Finance and
Insurance Events

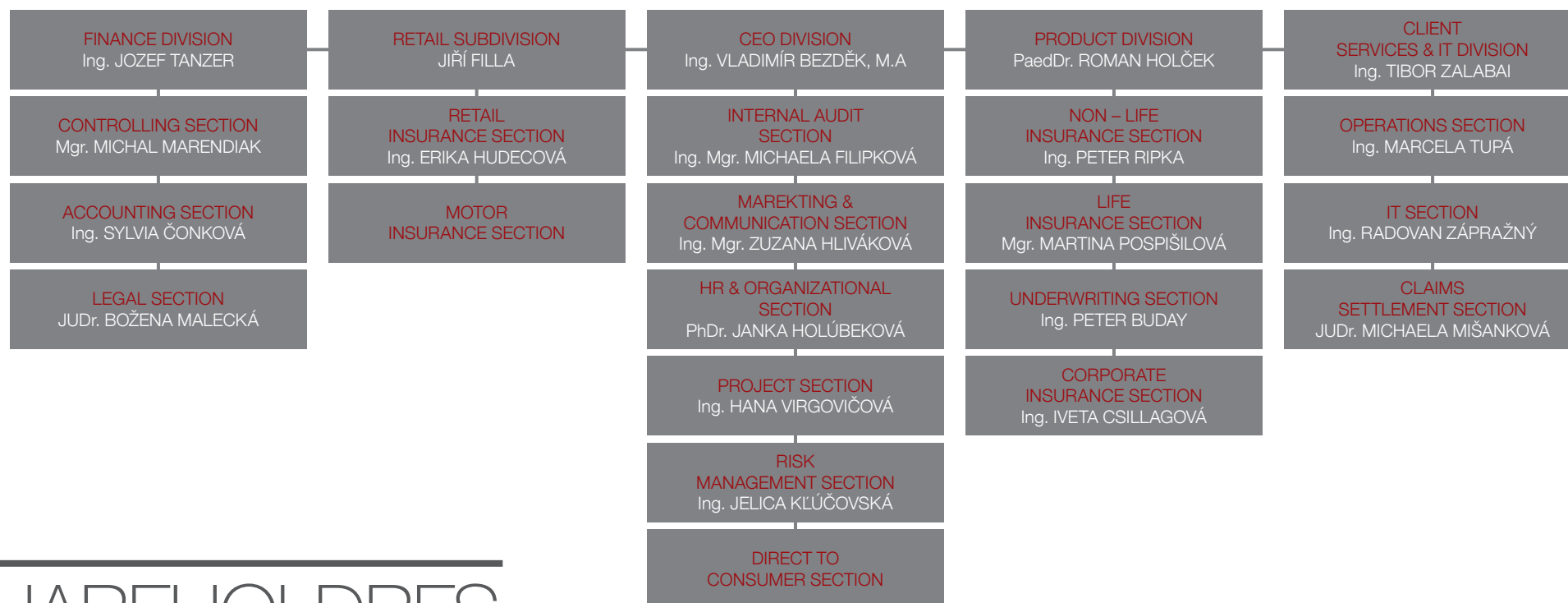
Dr. LORENZO KRAVINA

Member since 1 October 2008

Mgr. JANA ŠEDÍKOVÁ

Member since 2 December 2008

CORPORATE STRUCTURE AT 31.12.2010



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 one of the leaders 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. Since the merger on 1 October 2008, the shareholders of the company were Generali Slovensko poisťovne, a.s., Generali PPF Holding B.V. that held 42,467 shares, ie. 56.62% share in the registered capital, and CP Strategic Investments B.V., that held 32,533 shares, ie. 43.38% share in the registered capital. At 30 October 2009, CP Strategic Investments B.V., cancelled its share in the registered capital and transferred all of its 32,533 shares to Generali PPF Holding B.V. and, as a result, Generali Slovensko, a.s. stopped to be its subsidiary. With effect from 30 October 2009 the sole shareholder in Generali Slovensko, a.s. is Generali PPF Holding, B.V. having its seat at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands, entry No. 34275688, holding 75,302 of the company's shares ie. a 100% share in the registered capital and voting rights of the company.

REPORT OF THE BOARD OF DIRECTORS

ON BUSINESS ACTIVITIES AND ASSETS AND LIABILITIES OF THE COMPANY

In 2010, 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. If viewed from the Company's perspective, year 2010 can be characterised as a year of intensified marketing to clients and increased pressure on quality of products and services. In 2010, the Slovak insurance market was primarily affected by the most intensive floods in past years. Another factor influencing the market was insurance fraud, which was more intensive due to the stagnating economy. The volume of written premiums from obligatory motor third party liability insurance and car accident insurance recorded the largest drop of past periods.

Activities of the company were very much influenced by the change in senior management, and the subsequent change in corporate structure, which is expected to improve the effectiveness of the management of the company. One of the major aims during the year was to strengthen the company's position in the insurance market and deal with the remarkable impact of the economic crisis. In 2010, we further focused on process improvement in order to improve effectiveness and quality of offered products and services.

The Board of Directors has been responsible for the preparation of ordinary financial statements for 2010, audited by PricewaterhouseCoopers Slovensko, s.r.o., who issued an opinion on these financial statements.

The gross written premium for 2010 totalled € 195.5 million, of which € 106.7 million related to non-life insurance and € 88.8 million related to life insurance. With these results, the Company successfully defended its position as the third major insurer on the Slovak insurance market.

In life insurance, the Company recorded a year-on-year decrease in the commonly paid premium by 5.9%, and in one-off paid premiums there was a 16% growth.

In non-life insurance, the personal insurance segment (house or apartment insurance, and household insurance)

recorded a good result: it increased by 7.6%. A fall trend was recorded in motor vehicle insurance: in motor third party liability insurance and car accident insurance a drop was recorded of 5% and 9.8% respectively.

Despite the floods, and thanks to reinsurance coverage, in May 2010 our Company recorded a net damage rate Net Combined Ratio at 58.1%. We pursued our costs saving policy in 2010, as well.

The Board of Directors proposes the following distribution of the Company's profit after tax of € 7,810 thousand shown in the ordinary separate financial statements for 2010:

a/ € 781 thousand – appropriation to the legal reserve fund according to § 13, Section 2 of the Company's Statutes; and

b/ € 7,029 thousand – transfer to retained earnings.

The profit generated by the Company and maintained on the account 'Retained earnings', in the amount of € 10,000,000 will be distributed to shareholders in the form of dividends.



Ing. JOZEF TANZER

Member of the Board of Directors and Deputy CFO

REPORT OF THE SUPERVISORY BOARD

ON THE FINDINGS OF REVIEW OF THE ORDINARY FINANCIAL STATEMENTS FOR 2010,
AUDIT OPINION AND BOARD OF DIRECTOR'S PROPOSAL ON PROFIT DISTRIBUTION AND DIVIDENDS PAYMENT

In accordance with § 9, Section 1a) 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 2010, the Auditor's Report, and the proposal of the Board of Directors for the distribution of the Company's profit and for dividend payment.

In 2010, the Supervisory Board carried out its rights and duties arising to it from 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 instructions.

The ordinary separate financial statements for 2010 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 2010, prepared and submitted by the Board of Directors, has accepted the proposal of the Board of Directors for the distribution of the Company's profit generated in 2010 and for the payment of dividends, and has reviewed the Report of the Board of Directors on the Company's business activities and its net asset position for 2010, without raising any objections to any of these documents.

As proposed by the Board of Directors, the Company's profit of € 7,809,705.97 shown in the ordinary individual financial statements for 2010 will be distributed as follows:
a/ € 1,028,735.37 will be appropriated to retained earnings; and
b/ € 10,000,000 will be paid in the form of dividends.

The Supervisory Board recommends that the General Meeting approve the ordinary individual financial statements for the 2010 financial year and distribute the result in a manner as proposed by the Board of Directors.



KLÁRA STARKOVÁ

Chairman of the Board of Directors



Dr. LORENZO KRAVINA

Member of the Supervisory Board



Ing. PETER GALO

Member of the Supervisory Board*

*Appointed as a member of Supervisory Board on 19 April 2011 after termination of membership of Mgr. Jana Šedíková in Supervisory Board.

FINANCIAL **PART**

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)



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 financial statements of Generali Slovensko poisťovňa, a.s. ("the Company") at 31 December 2010, on which we issued an unqualified Auditor's Report on 10 March 2011.

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 2010 is consistent with the audited financial statements referred to above.

Management's Responsibility for the Annual Report

The Company's management 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 verification performed provides 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 2010 is consistent, in all material respects, with the audited financial statements referred to above.

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



Ing. Eva Hupková
SKAU licence No. 672

Bratislava, 17 May 2011

Our report has been prepared in Slovak and in English language. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
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The company's ID (ICO) No. 35739547.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (ČD PH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Odborného súdu Bratislava 1, poisťovníč 6.16611/8, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/8, Section: Sro.

REPORT OF INDEPENDENT AUDITORS



INDEPENDENT AUDITOR'S REPORT

To the Shareholder, 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 comprise the balance sheet at 31 December 2010 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management 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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Generali Slovensko poisťovňa, a.s. standing alone at 31 December 2010, 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.
PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161
Bratislava, 10 March 2011



Eva Hupková
Eva Hupková
SKAU licence No.: 672

Our report has been prepared in Slovak and in English languages. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
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The company's ID (IČO) No. 35799847.
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. 16611/8, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/8, Section: Sro.

SEPARATE BALANCE SHEET

| | NOTE | AT 31 DECEMBER 31. 12. 2010 | AT 31 DECEMBER 31. 12. 2009 |
|---|------|-----------------------------|-----------------------------|
| ASSETS | | | |
| PROPERTY, PLANT AND EQUIPMENT | 5 | 3 592 | 3 849 |
| INTANGIBLE ASSETS | 6 | 55 401 | 60 403 |
| INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES | 7 | 17 416 | 17 416 |
| FINANCIAL ASSETS | | | |
| - TERM DEPOSITS | 8 | 8 044 | 15 133 |
| - AVAILABLE FOR SALE ASSETS | 8 | 247 755 | 261 150 |
| - ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | 8 | 129 442 | 101 098 |
| REINSURANCE ASSETS | 9 | 41 994 | 46 637 |
| LOANS AND RECEIVABLES | 10 | 18 177 | 20 484 |
| DEFERRED ACQUISITION COSTS | 11 | 15 013 | 16 539 |
| TAX RECEIVABLES | | 973 | - |
| OTHER NON-FINANCIAL ASSETS | | 1 060 | 1 105 |
| CASH AND CASH EQUIVALENTS | 13 | 5 038 | 2 629 |
| TOTAL ASSETS | | 543 905 | 546 443 |
| EQUITY | | | |
| SHARE CAPITAL | | 25 000 | 24 900 |
| LEGAL RESERVE FUND | | 2 627 | 1 600 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION RESERVE | | 1 366 | 2 619 |
| RETAINED EARNINGS | | 69 405 | 82 622 |
| TOTAL EQUITY | 14 | 98 398 | 111 741 |
| LIABILITIES | | | |
| INSURANCE CONTRACTS | 15 | 397 439 | 372 864 |
| DEPOSITS FROM REINSURERS | 16 | 3 583 | 4 507 |
| TRADE AND OTHER LIABILITIES | 17 | 36 379 | 46 449 |
| DEFERRED TAX LIABILITIES | 12 | 8 106 | 9 133 |
| CORPORATE INCOME TAX | | - | 1 749 |
| TOTAL LIABILITIES | | 445 507 | 434 702 |
| TOTAL EQUITY AND LIABILITIES | | 543 905 | 546 443 |



Ing. VLADIMÍR BEZDĚK, M. A.
Chairman of the Board of Directors



Ing. JOZEF TANZER
Member of the Board of Directors

SEPARATE INCOME STATEMENT

| | NOTE. | AT 31 DECEMBER 2010 | AT 31 DECEMBER 2009 |
|---|-----------|---------------------|---------------------|
| GROSS EARNED PREMIUM | | 196 137 | 205 394 |
| EARNED PREMIUM CEDED TO REINSURERS | | -49 557 | -49 098 |
| NET EARNED PREMIUM | 18 | 146 580 | 156 296 |
| INCOME FROM FINANCIAL INVESTMENTS | 19 | 24 619 | 27 038 |
| GAINS/(LOSSES) FROM DERIVATIVE FINANCIAL INSTRUMENTS | 19 | -2 531 | 394 |
| IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS | 20 | - | -4 |
| COMMISSION FROM REINSURERS | | 10 821 | 10 877 |
| OTHER INCOME | 21 | 1 466 | 1 478 |
| NET INCOME | | 180 955 | 196 079 |
| INSURANCE BENEFITS IN LIFE INSURANCE | | 70 523 | 69 900 |
| INSURANCE BENEFITS IN LIFE INSURANCE CEDED TO REINSURERS | | -347 | 123 |
| INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES IN NON-LIFE INSURANCE | | 52 634 | 63 804 |
| INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES CEDED TO REINSURERS IN NON-LIFE INSURANCE | | -19 374 | -23 313 |
| NET INSURANCE BENEFITS AND CLAIMS | 22 | 103 436 | 110 514 |
| COMMISSIONS AND OTHER ACQUISITION COSTS | 23,25 | 46 144 | 43 111 |
| INVESTMENT MANAGEMENT EXPENSES | 24,25 | 874 | 972 |
| ADMINISTRATION COSTS | 25 | 20 904 | 27 802 |
| TOTAL EXPENSES | | 171 358 | 182 399 |
| PROFIT BEFORE TAXES | | 9 597 | 13 680 |
| CORPORATE INCOME TAX | 26 | -1 787 | -3 407 |
| PROFIT AFTER TAXES | | 7 810 | 10 273 |

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

| | NOTE. | AT 31 DECEMBER 2010 | AT 31 DECEMBER 2009 |
|---|-----------|---------------------|---------------------|
| PROFIT AFTER TAX | | 7 810 | 10 273 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| GAIN/ (LOSS) FROM REVALUATION OF AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET OF DEFERRED TAX | | -1 253 | 6 353 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | -1 253 | 6 353 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 14 | 6 557 | 16 626 |

SEPARATE STATEMENT OF CHANGES IN EQUITY

| | NOTE | SHARE CAPITAL | LEGAL RESERVE FUND | REVALUATION OF ASSETS AVAILABLE FOR SALE | RETAINED EARNINGS | TOTAL |
|--|------|------------------|-----------------------|---|----------------------|---------|
| EQUITY AT 1 JANUARY 2009 | | 24 895 | 1 605 | -3 734 | 72 349 | 95 115 |
| OTHER COMPREHENSIVE INCOME FOR 2009 | | - | - | 6 353 | - | 6 353 |
| PROFIT AFTER TAXES | | - | - | - | 10 273 | 10 273 |
| TOTAL COMPREHENSIVE INCOME FOR 2009 | | - | - | 6 353 | 10 273 | 16 626 |
| CONTRIBUTION TO SHARE CAPITAL | 14 | 5 | -5 | - | - | - |
| | | 5 | -5 | - | - | - |
| EQUITY AT 31 DECEMBER 2009 | | 24 900 | 1 600 | 2 619 | 82 622 | 111 741 |
| OTHER COMPREHENSIVE LOSS FOR 2010 | | - | - | -1 253 | - | -1 253 |
| PROFIT AFTER TAXES | 14 | - | - | - | 7 810 | 7 810 |
| TOTAL COMPREHENSIVE INCOME AND LOSSES FOR 2010 | | - | - | -1 253 | 7 810 | 6 557 |
| DIVIDENDS | 14 | - | - | - | -20 000 | -20 000 |
| LEGAL RESERVE FUND FROM CAPITAL CONTRIBUTIONS | 14 | - | 1 027 | - | -1 027 | - |
| CONTRIBUTION TO SHARE CAPITAL | 14 | 100 | - | - | - | 100 |
| | | 100 | 1 027 | - | -21 027 | -19 900 |
| EQUITY AT 31 DECEMBER 2010 | | 25 000 | 2 627 | 1 366 | 69 405 | 98 398 |

SEPARATE CASH FLOW STATEMENT

INDIRECT METHOD

| | NOTE. | AT 31 DECEMBER 2010 | AT 31 DECEMBER 2009 |
|---|-------|---------------------|---------------------|
| CASH- FLOWS FROM OPERATING ACTIVITIES | | | |
| PROFIT/ (LOSS) BEFORE TAX | | 9 597 | 13 680 |
| ADJUSTMENTS: | | | |
| DEPRECIATION AND AMORTIZATION OF FIXED ASSETS | 5, 6 | 7 218 | 7 815 |
| IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS | 20 | - | 4 |
| CREATION/ RELEASE OF BAD DEBT PROVISION | | -1 534 | 1 458 |
| WRITE-OFFS OF RECEIVABLES | | 2 379 | 713 |
| (GAINS) FROM REVALUATION OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | -8 740 | -12 864 |
| INTEREST INCOME | 19 | -9 892 | -10 329 |
| DIVIDEND INCOME | 19 | -409 | -534 |
| (GAINS) FROM SALE OF FIXED ASSETS | | -46 | -81 |
| INTEREST RECEIVED | | 10 130 | 9 508 |
| DIVIDENDS RECEIVED | | 409 | 534 |
| (INCREASE) IN FINANCIAL ASSETS | | -674 | -38 671 |
| (INCREASE)/ DECREASE IN REINSURANCE ASSETS | | 4 643 | -7 422 |
| (INCREASE)/ DECREASE IN LOANS, RECEIVABLES AND OTHER ASSETS | | 1 506 | -1 047 |
| DECREASE IN DEFERRED ACQUISITION COSTS | | 1 526 | 191 |
| INCREASE IN INSURANCE CONTRACTS | | 24 390 | 55 010 |
| DECREASE IN REINSURANCE PAYABLES | | -924 | -1 922 |
| DECREASE IN TRADE AND OTHER PAYABLES | | -10 070 | -10 964 |
| TAX PAID | | -5 287 | -3 206 |
| NET CASH FROM OPERATING ACTIVITIES | | 24 222 | 1 873 |

| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
|---|-----------|----------------|----------------|
| ACQUISITION OF FIXED ASSETS | 5, 6 | -2 047 | -2 574 |
| PROCEEDINGS FROM SALE OF FIXED ASSETS | | 134 | 134 |
| CAPITAL CONTRIBUTION TO SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES | 7 | - | -325 |
| NET CASH FROM INVESTING ACTIVITIES | | -1 913 | - 2 765 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| DIVIDENDS PAID | 14 | -20 000 | - |
| CONTRIBUTION TO SHARE CAPITAL | 14 | 100 | - |
| NET CASH FROM FINANCING ACTIVITIES | | -19 900 | - |
| NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS | | 2 409 | -892 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 2 629 | 3 521 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 13 | 5 038 | 2 629 |

NOTES

TO THE SEPARATE

FINANCIAL

STATEMENTS

by niečo

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just in case, we have been a good insurance company 365 days a year

YOU'LL RECOGNIZE A GOOD INSURANCE COMPANY
BY THE OVERALL RESULT FOR THE YEAR

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

2011

GENERAL INFORMATION

Generali Slovensko poisťovňa, a. s., ("the Company") is a universal insurance company seated and operating in Slovakia. The Company provides both life and non-life insurance, such as insurance related to death, disability, health, property, and liability for damages. The Company does business in Slovak Republic and employs 670 people (2009: 692).

The Company was established on 18 October 1996 and written into the Commercial Register of the Bratislava I District Court on 12 February 1997. The Company is a joint-stock company; its current registered office is at Plynárska 7/C, 824 79 Bratislava, Slovakia. The Company's shares are not listed on stock exchange. The Company's corporate ID (IČO): 35 709 332; its tax ID No. is 2021000487

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 Abruzzi 2, Trieste, Italy.

Assicurazioni Generali S.p.A., Trieste, Italy is listed on the Italian Stock Exchange in Milan, Italy. The Company, together with its subsidiaries and joint ventures, is included in the consolidated financial statements prepared by Assicurazioni Generali S.p.A. These consolidated financial statements are available directly at the registered address of the company stated above.

MEMBERS OF THE COMPANY'S STATUTORY AND SUPERVISORY BODIES ACCORDING TO THE COMMERCIAL REGISTER AS AT 31 DECEMBER 2010:

BOARD OF DIRECTORS

| TITLE, NAME, AND SURNAME | FUNCTION | PERIOD |
|---------------------------|----------|-------------------------|
| Ing. VLADIMÍR BEZDĚK M.A. | CHAIRMAN | SINCE 26 OCTOBER 2010 |
| Ing. ANTONÍN NEKVINDA | CHAIRMAN | UNTIL 24 SEPTEMBER 2010 |
| Ing. JOZEF TANZER | MEMBER | |
| Mgr. MONIKA GRELOVÁ | MEMBER | UNTIL 4 MARCH 2010 |
| PaedDr. ROMAN HOLČEK | MEMBER | |
| Ing. TIBOR ZALABAI | MEMBER | |

SUPERVISORY BOARD

| TITLE, NAME, AND SURNAME | FUNCTION |
|--------------------------|----------|
| KLÁRA STARKOVÁ | CHAIRMAN |
| Dr. LORENZO KRAVINA | MEMBER |
| Mgr. JANA ŠEDÍKOVÁ | MEMBER |



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

02.1 BASIS OF PREPARATION

The Company's financial statements as at 31 December 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"). These separate financial statements have been authorized for issue by the Company's Management on 10 March 2011.

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 as at 31 December 2010. The ultimate parent company Assicurazioni Generali S.p.A., Piazza Duca degli Abruzzi 2, Trieste, Italy, will prepare the consolidated financial statements under IFRS as adopted by the EU for the whole Group.

As 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/08/2007) about the relationship between IAS regulations and the 4th and 7th Company Law Directives. The European Commission is of the opinion that, if the 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 as at 31 December 2010, 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 finds out 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 2010

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). IFRIC 12 applies to contracts with the public sector associated with the development, financing and infrastructure maintenance.

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. IFRIC 12 was adopted by the EU in March 2008.

The amendment to IFRIC 9 Reassessment of Embedded Derivatives and the amendment to IAS 39 - Financial Instruments: accounting and valuation (effective for annual accounting periods beginning after July 1, 2009, i.e. from January 1, 2010). 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. It is agreed that if an entity is unable of the separate evaluation of the embedded derivative that should be separated while the reclassification of hybrid contract from category at fair value through profit or loss, such reclassification is not allowed. In such circumstances, the separation of an embedded derivative on the reclassification of a hybrid (combined) financial asset out of the fair value through profit or loss category is prohibited. The amendment has been adopted by the EU on 30 November 2009.

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 on 26th November 2009.

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. IFRIC 18 has been adopted by the EU on 27 November 2009.

Amendment to IAS 27, Consolidated and individual financial statements (amendment from January 2008 effective for annual financial periods beginning 1 July 2009 or later). 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 amendment has been adopted by the EU on 3 June 2009.

Amendment to 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 amendment has been adopted by the EU on 3 June 2009. 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. This amendment was adopted by the European Union 15th September 2009.

Amendment to 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 on 25th November 2009.

Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards (effective from 1 January 2010 or later). This amendment relates to the derogation from the general rules of IFRS in the initial transition to IFRSs, in the area of leasing, the mining industry and liabilities of disposal and reclamation. This amendment was approved by the European Union on 23 June 2010.

Amendment to IFRS 2, Share-based Payment (effective from 1 January 2010 and later). This amendment clarifies the reporting requirements of the subsidiary, which services received partially or wholly paid by the parent company or another company within the group. This amendment also incorporates a modification to IFRS 2, previously contained in IFRIC 8 and IFRIC 11, which also replaces these two interpretations. This amendment was approved by the European Union on 23 March 2010.

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 recognized 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. This amendment was adopted by the European Union on 23 March 2010.

The International Accounting Standards Board (IASB) and the American Council of Financial Accounting Standards Board (FASB) finished on 28th September 2010 the first phase of a joint project compilation improved conceptual framework for IFRS and U.S. generally accepted accounting practices (GAAP). Work on the project conceptual framework takes place in several stages and after completion of each chapter, the relevant paragraphs in the Framework for the preparation and submission of financial statements, published in 1989 will be replaced. This project aims to create a solid foundation for future accounting standards, which are based on internally consistent and internationally harmonized principles. Chapter 1-Purpose Financial Reporting and Chapter 3 - The qualitative characteristics of useful financial information have yet been published. Individual chapters are effective from the date of issue.

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:

The amendment to IAS 24, Disclosure of related parties (effective from 1 January 2011 or later). This amendment introduces a partial exemption from the requirements for disclosure in the financial statements of entities in which state exercises some influence and contains a modified definition of related party. This amendment was adopted by the European Union 19th July 2010.

The amendment to IAS 32, Financial Instruments: Presentation (effective from 1 February 2010 or later). This amendment changes the accounting treatment of the rights of shareholders proportionally share capital

increase of joint stock company, if this increase is reflected in it as the functional currency of the issuer. Before that amendment was necessary to charge the law as financial derivatives. This amendment was approved by the European Union on 23 December 2009.

Adjustment IFRS 1, First application of International Financial Reporting Standards (effective from 1 July 2010 or later). This adjustment is called limited exemption from disclosure of comparative information required by IFRS 7 for entities that prepare its first financial statements under IFRS. Under this arrangement the entities that use IFRS for the first time for disclosure of data for the comparative period regulate standards as required by IFRS 7, have the same exception, as the entities that already use IFRS in the past. This arrangement was approved by the European Union on 30 June 2010.

IFRS 9, Financial Instruments, Part 1: Classification and Valuation (effective from January 1, 2013). IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. A subsequent amendment to IFRS 9 in October 2010 regulates the classification and valuation of financial liabilities. Key features are as follows:

- 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.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through equity rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements of IAS 39 for classification and valuation of financial liabilities were carried over without change to IFRS 9. The main change will be the entity's obligation to disclose the effects of changes in credit risk of financial liabilities at fair value, which change is recognized in the income statement, in other comprehensive income.

Currently, the impact of the new standard on financial statements is being assessed by the Company. IFRS 9 has not yet been approved by the European Union.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 has been updated, that (i) allows to use the value of tangible and intangible

assets set under previous accounting standards as an acquisition cost, if this property was previously used in the operation which was subject to price regulation, (ii) allows to use revaluation of tangible assets caused by an event as an acquisition cost, even if that were revalued during the period covered by the first financial statements prepared under IFRS and (iii) requires that an entity that prepares IFRS financial statements for the first time, explained the changes in accounting procedures or the use of exemptions in IFRS 1, if they occurred between compiling interim financial statements and the making of the first full IFRS financial statements, IFRS 3 has been changed so that (i) requires valuation of fair value (if there is not required other way of valuation by other IFRS standard) of the share of minority shareholders, which is not an ownership or which does not provide a right for proportional part of the equity in case of liquidation, (ii) provides guidance on accounting of payment agreements on the basis of an equity instrument if these payment agreements of purchased company were not replaced in a business combination or voluntarily replaced by other agreements and (iii) states that the contingent payments arising from business combinations that occurred before the effective date of the revised IFRS 3 (issued in January 2008) will be accounted according to the rules in the previous version of IFRS 3: IFRS 7 has been amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis interactions between qualitative and quantitative disclosures about the nature and extent of financial risks (ii) removing the obligation for disclosure of financial asset value with agreed changes of the terms and conditions that would otherwise be overdue or impaired, (iii) the replacement of requirement to disclosure of fair value of back-up of receivables by more general disclosure of its financial impact and (iv) stating that the entity should disclose realized back-up of receivable, owned by the balance sheet date and not the amount of safeguarding the received during the accounting period; IAS 1 was amended to clarify that the statement of changes in equity contains profit or loss for the period, other aggregate profit and the total aggregate profit and transactions with owners, and that the analysis of other aggregate profit by items may be published in Annex of financial statement; IAS 27 was amended to clarify the transitional provisions for amendments to IAS 21, 28 and 31 which were caused by the revision of IAS 27 (issued in January 2008), IAS 34 was amended that there have been added additional examples of significant events and transactions that require disclosure in the interim financial statement, including transfers between levels in the hierarchy of fair values, changes in classification of financial assets or changes in economic environment, which affect the fair value of financial assets of the entity; and IFRIC 13 was amended to clarify the fair value of points assigned to customers. Group and The Bank do not expect that these changes will have a significant impact on the financial statement.

These changes have not yet been adopted by the European Union.

Adjustment IFRS 7 Financial Instruments: Disclosures - transfers of financial assets (effective from 1 July 2011 or later). Adaptation of standards expands disclosure requirements on transactions involving the transfer of financial assets. These adjustments should clear up risks to which the entity is exposed in case of transactions by which financial asset are transferred, but the transferor retains a degree of continuing involvement associated with this asset. Adaptation also introduces a definition of transfer and the continued participation for disclosure purposes. The standard treatment has not been approved by the European Union.

IFRIC 19, Extinguishing Financial Liabilities with equity Instruments (effective for annual periods beginning on 1 July 2010 or later). This Interpretation clarifies the requirements of IFRS if an entity extinguish obligation by own shares, but requests valuation of issued shares at their fair value. This interpretation was approved by the European Union on 23 July 2010.

The amendment to IFRIC 14, Advance payments in minimum contributions to the pension plan (effective for annual periods beginning 1 January 2011 or later). This amendment will have limited impact, because it will be only related to those companies that have set a minimum level of contribution to the defined benefit pension plans. Remove unintended consequences caused by IFRIC 14, which relates to voluntarily pre-paid posts with a minimum threshold. This interpretation was approved by the European Union on 19 July 2010.

Amendments to IAS 12, Income Taxes (effective from 1 January 2012). This standard requires that an entity recognize deferred tax for assets, depending on fact whether it is expected settlement of accounting value of the asset by sale or use, What may be difficult in cases when the assets are valued at fair value under IAS 40, investment property. The updated standard provides a practical solution to this problem by setting assumption that accounting value of assets will normally settle by sale. These adjustments have not yet been adopted by the European Union.

Unless otherwise stated above, the new standards and interpretations will not have a significant impact on the financial statements.

02.2 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.

02.3 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.

B) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated into the functional currency

using the exchange rates prevailing at the balance sheet date. 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 valuation variances from revaluation of securities classified as financial assets available for sale.

02.4 INTANGIBLE ASSETS

A) VALUE OF BUSINESS ACQUIRED (VOBA)

Insurance liabilities assumed and insurance assets acquired in a business combination from a party that is under common control are measured at fair value at the date of acquisition.

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 (persistence, 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. The procedure is described in Note 2.17.

B) SOFTWARE

Costs incurred for licenses 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.

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02.5 PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT TANGIBLE ASSETS)

A) ACQUISITION COSTS

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

02.6 REINSURANCE CONTRACTS

The Company cedes to the reinsurers the shares on risk arising from insurance activities for reducing possible net losses. Assets, liabilities, income and expenses resulting from reinsurance contracts are presented separately from the assets, liabilities, income and expenses arising from related insurance contracts as the reinsurance contracts do not free the Company from direct liabilities towards the insured. The rights arising from contracts where substantial insurance risk is transferred are recognized as reinsurance assets.

A reinsurance assets consist of short-term balances due from reinsurers (classified as loans and receivables), as well as long-term balances due from reinsurers (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.

02.7 FINANCIAL ASSETS AND LIABILITIES

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 the acquisition 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 upon initial recognition at fair value through profit or loss. A financial asset is classified as held-for-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 or if it so determined by the Company's management. It is also an asset if it is managed and whose 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 (so called '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 the whole 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. The exception is for the receivables arising from unit-linked insurance, where a valuation allowance is set up for the full amount of the receivable.

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 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 the first day profit, though.

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.

02.8 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. The exception is for the acquisition costs in life insurance for products with Zillmer provision, where acquisition costs are deferred up to maximum of the calculated amount of premium and acquisition costs in unit linked insurance, where the acquisition costs do not defer.

- For non-life insurance contracts, DAC are amortized over the terms of the insurance policies as premium earned in the same ratio as was the ratio of unearned premium to gross written premium.
- 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.

- For variable life insurance, total costs for commissions are deferred over the average discounted terms of the insurance policies (five years). Deferred acquisition costs consist only of 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.

02.9 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 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.

02.10 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.

02.11 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.

02.12 SHARE CAPITAL

Ordinary shares are classified as share capital 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.

02.13 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.

of the contract. The provision is increased by profits allocated to the insured.

A) LIFE INSURANCE PROVISIONS

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 replaced with zero. The Company used the same mortality tables, incident rates, guarantees, and expenses which were used by pricing the premium at inception

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.

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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 (unit-linked). It is increased by the premium subsequently paid, net of acquisition costs, and reduced by administrative charges, the risk premium and any surrender values and decrease by the termination of an insurance contract in any way.

The provision is calculated in participation units and its value is determined by multiplying the participation units and the current price at the date of compliance of the financial statements.

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 provision for insurance benefits from insured events that have been reported but not yet settled (RBNS) is set up when the insured event is reported in the amount of expected insurance benefit. If the insurance benefit is concerning the survival or death (i.e. relates to the termination of an insurance contract) simultaneously with the setting up of RBNS the technical provision for life insurance will release and the final expense on insurance benefit will be recognized.

For insurance benefits paid in installments or pension the RBNS provision has been set up as the current value of future payments at an interest discount rate of 3%.

The estimate of RBNS always includes an estimated amount of related internal and external loss adjustment expenses.

For additional life insurance as the part of RBNS a so-called IBNER provision is set up, i.e. a provision for insured events already incurred but poorly reported. The method of determining the amount of this provision is the same as for IBNER in non-life insurance (Note 2.13 b).

Provision for insurance benefits from insured events incurred but not reported at the date of compliance of the financial statements (IBNR) is set up on the basis of the estimates of insurance benefits from these events. For additional insurance in life insurance the provision is set up identically as for accidental insurance in non-life insurance (Note 2.13 b). In addition, IBNR is set up for insured events associated with the death based on the evaluation of the time lag between the death and its reporting to the insurance company and

an average risk capital for reported insured events.

The estimate of IBNR always includes an estimated amount of related internal and external loss adjustment expenses.

B) NON-LIFE INSURANCE PROVISIONS

UNEARNED PREMIUM RESERVE

The unearned premium reserve is set up in non-life insurance of that part of the written premium relating to future accounting periods. Its amount is calculated, using the pro-rata temporis method, as the total sum of technical provisions calculated by individual insurance contracts at the date of compliance of the financial statements.

The provision for unexpired risk is (would be) a part of the unearned premium technical reserve. 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 insured events and future costs that relate to valid insurance contracts (adequacy test).

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 provision for insurance benefits from insured events that have been reported but not yet settled (RBNS) is set up when the insured event is reported in the amount of expected insurance benefit. In the case that the amount of insurance benefit at time of reporting of insured event cannot be estimated based on the known facts yet, the typical average values for the particular type of insured events will be used as the first estimate, which assessment then will be improve at each subsequent supplement data on insured events. At the completion of an insured event the RBNS will be released and the final expense on insurance benefit will be recognized.

For insurance benefits paid in installments or pension the RBNS provision has been set up as the current value of future payments at an interest discount rate of 3% (2009: 3%).

The estimate of RBNS always includes an estimated amount of related internal and external loss adjustment expenses.

A so-called IBNER is set up as a part of RBNS in non-life insurance, i.e. a provision for insured events already incurred but poorly reported. The amount of this provision will be determined as the difference between the estimated ultimate loss and the following items: insurance benefits have been paid, the balance of RBNS and the estimate of IBNR.

The estimate of so-called ultimate loss is calculated by triangular method. The particular years of occurrence of insured events are stated in the lines of the triangle and in the columns the cumulative data about the payment

process of insurance benefits and the RBNS change in each subsequent accounting periods. The data triangle is adjusted by extremely high losses. The ultimate loss is determined from data on and over the diagonal by using weighted development coefficients.

Provision for insurance benefits from insured events incurred but not reported at the date of compliance of the financial statements (IBNR) is set up on the basis of the estimates of insurance benefits from these events. The estimate of IBNR will be determined by the triangle method from the specially modified triangle of cumulative data about the insured events, which contains in the lines data according the year of occurrence of an insured event and in the column data about the insurance benefits and the balance of RBNS concentrated at the first date of reporting the insured event. The data triangle is adjusted by extremely high losses. The estimate total amount of insurance benefit is determined from data on and over the diagonal by using weighted development

coefficients. IBNR will be then determined as the final value less the sum of the values on and over the diagonal.

The estimate of IBNR always includes an estimated amount of related internal and external loss adjustment expenses.

PROVISION FOR PAYMENT OF LIABILITIES TO THE SLOVAK BUREAU OF INSURERS (PROVISION FOR MTPL DEFICIT)

The Company has set up a provision for settling liabilities to the Slovak Bureau of Insurers due to claims from insured events incurred within the compulsory motor third-party liability insurance. Details are set out in Note 3.

02.14 RECEIVABLES AND PAYABLES RELATED TO INSURANCE CONTRACTS

Receivables and payables related to 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.

02.15 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.

02.16 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.

02.17 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.

Intangible assets that represent the value of acquired insurance portfolio in life and non-life insurance is an asset with definite useful life. The carrying value of this asset is tested for impairment when there are objective indicators that such reduction can occur. Indicator of the possible impairment loss is e.g. the change in assumptions used in the initial recognition of this asset. If necessary, the test is conducted by the "embedded value" methodology on the actual balance of the acquired portfolio using the current best estimates.

02.18 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, however the Company currently does not have such contracts.

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

- a) that are likely to be a significant portion of the total contractual benefits;
- b) whose amount or timing is contractually at the discretion of the Company; and
- c) that are contractually based on:
 - (i) the performance of a specified pool of contracts or a specified type of contract;
 - (ii) realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
 - (iii) the profit or loss of the Company, fund or other entity that issues the contract.

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

A) RECOGNITION AND MEASUREMENT

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

NON-LIFE INSURANCE CONTRACTS

These contracts include casualty, property, and personal insurance contracts, in general called non-life 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. Changes in liabilities are charged to the income statement.

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 or at the end of each calendar year.

VARIABLE LIFE INSURANCE CONTRACTS

Accounting policies for these contracts are the same as for life insurance contracts with fixed and guaranteed terms regarding premium and insurance benefits.

The liability is determined by the so-called method of the current account, i.e. the liability will be increased by applicable fees from insurance. The liability on a monthly basis will be reduced by risk premium, administrative and other agreed fees, if appropriate less surrender values. The liability will be increased also by the guaranteed agreed percentage, which is declared by the Company, or by the guaranteed agreed interest rate, based on the type of a particular product.

Some variable life insurance products enable to allocate a part of the premium to the accounts of the insured, which are stated in participation units of the insured. These parts of liabilities comply with accounting policies valid for unit-linked insurance.

Change in variable life insurance liabilities is recorded in the income statement.

LIFE INSURANCE CONTRACTS LINKED TO INVESTMENT FUNDS (UNIT-LINKED)

Accounting policies for these contracts are the same as for life insurance contracts with fixed and guaranteed terms regarding premium and insurance benefits.

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 (the technical provision for covering the risk of investing funds in the name of the insured) is adjusted for all changes in the fair value of the underlying assets.

These contracts insure events associated with human life (such as death or survival) over a long duration. The technical provision 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 and represents the fair value of client's units at the balance sheet date.

The provision will be increased by the premium paid, net of acquisition costs, and reduced by administrative charges, the risk premium and any surrender values and decrease by the termination of an insurance contract in any way. The provision is calculated in participation units and its value is determined by multiplying the participation units and the current price at the date of compliance of the financial statements.

Claims and loss adjustment expenses are charged to the income statement when incurred, based on the estimated liability for compensation owed to the insured or the policyholders. 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 liabilities from unpaid losses are estimated using the estimates for individual cases reported to the Company and the statistical analysis of losses, which occurred but have not been reported.

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.

According to IFRS 4 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 NON-LIFE INSURANCE

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.

The adequacy of provisions in non-life insurance is tested by comparison with an alternative calculation of the amount of the ultimate loss using the triangle of insurance benefits paid. If this calculated loss is less than the ultimate loss determined by accounting policies, the provision is sufficient, otherwise the provision will be set up through the income statement.

LIFE INSURANCE

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.

02.19 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

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.

02.20 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 2009: 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 2009: 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 PLANS

Furthermore, provision for defined benefit plans is included, such as termination indemnities and other employee

lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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.

02.21 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.

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just in case, we have been a good insurance company 365 days a year

SERVICE

24 HOURS A DAY, SEVEN DAYS A WEEK

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

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CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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, that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within 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.

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 after introduction of new product/risk), 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 9,229 thousand (2009: EUR 11,018 thousand). The MTPL provision is reviewed at each balance sheet date and is reduced by the contribution made by all SIB participants during the year and adjusted in accordance with the estimated actual share in MTPL provision.

ESTIMATE OF FUTURE INSURANCE BENEFITS ARISING FROM LONG-TERM INSURANCE CONTRACTS

The valuation of liabilities from life insurance consists of 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

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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 provision adequacy test in life insurance is determined by the method of discounted cash flows. The future cash flows for life insurance products with fixed and guaranteed terms are: premium, insurance benefits, administrative expenses, loss adjustment expenses, investment costs. The carrying value of cash flows will be compared with the value of the technical provisions in life insurance increased by an appropriate unearned premium reserve and decreased by deferred acquisition costs. If the carrying value of cash flows is higher, the Company will set up an appropriate technical provision through the income statement. The future cash flows for variable life and unit-linked insurance products are: the charges applied by the Company from premium and the account of the insured, insurance benefits in excess of the projected account of the insured, administrative expenses, loss adjustment expenses, investment costs. The carrying value of cash flows will be compared with the deferred acquisition costs. If the carrying value of cash flows is lower, the Company will set up an appropriate technical provision through the income statement or release the deferred acquisition costs.

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

The Company uses statistical method (Chain-Ladder) in calculation of subrogation income assuming the history obtained regresses is relevant for the future.

CURRENT VOLATILITY ON GLOBAL FINANCIAL MARKETS

In 2010 the macroeconomic development and improvement of liquidity in the Slovak Republic and abroad became stable. After a decline recorded in 2009, the world's largest economies recorded moderate growth with significant differences between countries. On the other hand, in 2010 several developed countries significantly experienced debt crisis and expected saving policies were presented which increase the risks of future economic growth and uncertainty of the future development of financial markets. The Management cannot reliably estimate the potential impact of deepening financial crisis and worsening economic situation in the country with respect to the future financial situation of the Company. On the basis of the analysis the Management undertook steps to ensure the Company's liquidity.

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 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.

04.1 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

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:

- implementation of the economic capital model, based on internal models;
- to harmonize asset-liability management ("ALM") approaches adopted at all organizational levels within the Generali Group; and
- identification, measurement and evaluation of 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: market risk, liquidity risk, credit risk, insurance risk, and operational risk.

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.

04.1.1 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. This instrument is mainly applied by the Company for the so-called risk insurance.

The tables below show the concentration of insurance risk in life insurance within groups per Sum at Risk (SaR), as well as impact of reinsurance to mitigate risk exposure.

SAR* FOR MORTALITY AT THE END OF 2010

| INTERVAL SAR (IN THOUSAND EUR) | INTERVAL TOTAL | NUMBER OF LIVES | AVERAGE AGE | TOTAL AFTER REINSURANCE |
|--------------------------------|------------------|-----------------|-------------|-------------------------|
| LESS THAN 7 | 582 587 | 300 975 | 40 | 582 587 |
| 7 TO 15 | 303 123 | 30 272 | 37 | 303 123 |
| 15 TO 30 | 216 567 | 10 622 | 36 | 216 567 |
| 30 TO 50 | 166 466 | 4 396 | 35 | 166 466 |
| MORE THAN 50 | 184 392 | 2 308 | 36 | 159 655 |
| COLLECTIVE AGREEMENTS | 97 875 | 34 | - | - |
| TOTAL | 1 551 010 | 348 607 | - | 1 428 398 |

SAR* FOR MORTALITY AT THE END OF 2009

| INTERVAL SAR (IN THOUSAND EUR) | INTERVAL TOTAL | NUMBER OF LIVES | AVERAGE AGE | TOTAL AFTER REINSURANCE |
|--------------------------------|------------------|-----------------|-------------|-------------------------|
| LESS THAN 7 | 623 011 | 311 293 | 40 | 623 011 |
| 7 TO 15 | 324 055 | 31 889 | 38 | 324 055 |
| 15 TO 30 | 240 535 | 11 644 | 36 | 240 535 |
| 30 TO 50 | 186 234 | 4 884 | 36 | 186 234 |
| MORE THAN 50 | 227 993 | 3 055 | 36 | 227 993 |
| COLLECTIVE AGREEMENTS | 80 197 | 32 | - | - |
| TOTAL | 1 682 025 | 362 797 | - | 1 601 828 |

*Amount of the insurance in risk is calculated for one life for all relevant contracts.

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just in case, we have been a good insurance company 365 days a year.

WE ARE NEITHER HIDING NOR, RUNNING FROM YOU

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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Important risks included in risk premiums in life insurance are lapse risk and loss risk. 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. It is also the aim of the Company to project the commissions systems to motivate agents and brokers to care for the portfolio.

RISK SENSITIVITY ANALYSIS ON THE PARAMETERS CHANGE OF RISK PREMIUM IN LIFE INSURANCE (FROM PROVISION ADEQUACY TEST):

| | 2010 | | 2009 | |
|-----------------------|--|---------------------------|--|---------------------------|
| | SUM OF LIABILITIES FROM THE ADEQUACY TEST* | PROVISION INSUFFICIENCY** | SUM OF LIABILITIES FROM THE ADEQUACY TEST* | PROVISION INSUFFICIENCY** |
| MORTALITY RISK | | | | |
| PRESENT VALUE | 110 414 | 2 172 | 100 539 | 2 745 |
| MORTALITY +10% SHIFT | 110 966 | 2 196 | 101 447 | 2 772 |
| MORTALITY - 10% SHIFT | 109 860 | 2 147 | 99 655 | 2 723 |
| LAPSE RISK | | | | |
| PRESENT VALUE | 110 414 | 2 172 | 100 539 | 2 745 |
| GRADIENT +25% SHIFT | 112 590 | 2 610 | 102 698 | 2 951 |
| GRADIENT - 25% SHIFT | 108 078 | 1 775 | 99 467 | 2 550 |
| LOSS RISK | | | | |
| PRESENT VALUE | 110 414 | 2 172 | 100 539 | 2 745 |
| EXPENSES +10% SHIFT | 112 098 | 2 347 | 102 979 | 2 993 |
| EXPENSES - 10% SHIFT | 108 730 | 2 015 | 98 623 | 2 554 |

* does not agree with booked technical reserves in these financial statements, they are calculated as described in 2.13

** deficiency of 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. Cash flows from long-term life insurance contracts, where the investment risk is borne by the policy holder, represent the difference between the charges and the cost sum and benefits excessive the fund value. Any incidental deficiency of provisions for the contracts, where the investment risk is borne by the policy holder, is a part of the technical provision for life insurance and in the same amount is taken into account in the sum of liabilities in the provision adequacy test. 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. When analyzing lapses the product and the distribution channel were taken into the account. 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.

04.1.2 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 Company also test the provision adequacy for unearned premium and in the case of its deficiency the deferred acquisition costs will be released and eventually the provision for unexpired risk will be set up. The reserve risk represents the risk that the amount of provisions for insurance benefits will be not sufficient in comparison to the insurance benefits. The Company analyzes historical data regarding the frequency and the amount of insurance benefits and use different types of triangular methods to estimate the amount of provisions for insurance benefits and test of its adequacy.

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 compulsory 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.

Due to repeated flood conditions in various parts of Slovakia in 2010 the Company was exposed to increased number of claims related to property insurance.

IMPACT OF NATURAL DISASTERS ON THE FREQUENCY AND THE AMOUNT OF LOSSES IN THIS SEGMENT

| | BEFORE REINSURANCE | | AFTER REINSURANCE | |
|---|--------------------|-------|-------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| MEAN VALUE OF THE AMOUNT OF LOSSES* - PROPERTY | 2 484 | 2 349 | 1 274 | 1 447 |
| MEAN VALUE OF THE AMOUNT OF LOSSES * - DISASTERS | 2 364 | 1 785 | 555 | 279 |
| NUMBER OF CLAIMS PER 100 CONTRACTS / INSURED PREMISES [IN %] | 4,16% | 3,27% | 4,16% | 3,27% |

*Amount of losses is the sum of claims and RBNS at the end of the year

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. The Company annually reviews the established underwriting limits, which are mandatory for all risk subscribers in life and non-life insurance.

CONCENTRATION RISK IN GENERAL INSURANCE

Just as in life, even in non-life insurance the Company is exposed to risk of several major damage due to the lack of risk diversification. The following table shows the diversification of insurance risks under variable probable maximum loss (PML) and the number of insured objects to PML at various intervals.

PML IN ASSETS AT THE END OF 2010

| INTERVAL (IN THS. EUR) | TOTAL INTERVAL (IN THS. EUR) | NUMBER OF OBJECTS | TOTAL AFTER REINSURANCE |
|------------------------|------------------------------|-------------------|-------------------------|
| LESS THAN 25 | 640 352 | 69 727 | 370 998 |
| 25 – 100 | 3 828 309 | 68 932 | 2 220 498 |
| 100 - 1 000 | 5 230 187 | 23 500 | 3 178 498 |
| 1 000 - 10 000 | 8 538 740 | 2 981 | 6 358 467 |
| 10 000 - 50 000 | 6 548 147 | 341 | 4 763 743 |
| MORE THAN 50 000 | 15 478 686 | 101 | 5 514 271 |
| TOTAL | 40 264 421 | 165 582 | 22 406 475 |

PML IN ASSETS AT THE END OF 2009

| INTERVAL (IN THS. EUR) | TOTAL INTERVAL (IN THS. EUR) | NUMBER OF OBJECTS | TOTAL AFTER REINSURANCE |
|------------------------|------------------------------|-------------------|-------------------------|
| LESS THAN 25 | 584 053 | 55 441 | 338 364 |
| 25 – 100 | 3 362 257 | 60 674 | 1 953 206 |
| 100 - 1 000 | 4 799 115 | 20 438 | 2 918 634 |
| 1 000 - 10 000 | 8 211 179 | 2 839 | 5 984 012 |
| 10 000 - 50 000 | 6 160 173 | 297 | 3 810 626 |
| MORE THAN 50 000 | 15 921 059 | 103 | 3 528 029 |
| TOTAL | 39 037 836 | 139 792 | 18 532 871 |

RESERVE RISK

The reserve risk 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 (and earlier). 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 information about frequency and average amount of unpaid claims.

The difference between the ultimate cost of claims and cumulative claims paid for 2010 determines the claims provision related to accident years from 2004 (and earlier) to 2010.

| | 2004 AND EARLIER | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | TOTAL |
|--|------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| ESTIMATE OF ULTIMATE CUMULATIVE CLAIM COSTS: | | | | | | | | |
| AT THE END OF THE ACCIDENT YEAR | 71 780 | 45 199 | 50 430 | 56 796 | 87 964 | 69 133 | 73 915 | |
| ONE YEAR LATER | 74 384 | 49 053 | 55 348 | 62 243 | 86 390 | 60 615 | | |
| TWO YEARS LATER | 70 044 | 49 609 | 53 617 | 60 863 | 82 762 | | | |
| THREE YEARS LATER | 69 100 | 49 620 | 53 126 | 58 634 | | | | |
| FOUR YEARS LATER | 68 933 | 49 016 | 51 632 | | | | | |
| FIVE YEARS LATER | 69 583 | 48 336 | | | | | | |
| SIX YEARS LATER | 67 199 | | | | | | | |
| ESTIMATE OF ULTIMATE CUMULATIVE CLAIM COSTS AT 31 DECEMBER 2010 | 67 199 | 48 336 | 51 632 | 58 634 | 82 762 | 60 615 | 73 915 | 443 093 |
| CUMULATIVE PAYMENTS AT 31 DECEMBER 2010 | -63 430 | -45 560 | -47 884 | -55 415 | -74 503 | -49 926 | -42 185 | -378 903 |
| PROVISION SHOWN ON THE BALANCE SHEET | 3 769 | 2 776 | 3 748 | 3 219 | 8 259 | 10 689 | 31 730 | 64 190 |

04.2 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, which negatively affected investments.

As at 31 December 2010, the value of assets denominated in foreign currencies totalled EUR 19,047 thousand (2009: EUR 16,843 thousand) and the value of liabilities denominated in foreign currencies amounted to zero (2009: EUR 0 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 Euro on the Company's profit/(loss) is therefore insignificant.

| BALANCE AS AT 31 DECEMBER 2010 | | | | |
|--|--------|--------|--------|--------|
| CURRENCY RISK SENSIVITY (OPEN FOREIGN CURRENCY POSITION) | USD | CZK | HUF | |
| CHANGE IN THE EXCHANGE RATE | +/-10% | +/-10% | +/-10% | +/-10% |
| PROFIT OR LOSS | +/-0 | +/-0,1 | | +/-1,7 |

| BALANCE AS AT 31 DECEMBER 2009 | | | | |
|--|---------|--------|--------|--------|
| CURRENCY RISK SENSIVITY (OPEN FOREIGN CURRENCY POSITION) | USD | CZK | HUF | |
| CHANGE IN THE EXCHANGE RATE | +/-10% | +/-10% | +/-10% | +/-10% |
| PROFIT OR LOSS | +/-25,6 | +/-0 | | - |

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 its sensitivity to changes in yield curve (the total or partial). The Company regularly monitors whether the set investment policy and properly respected.

The Company is exposed mismatch of assets and liabilities of the reasons accounting procedures applied, particularly for life insurance products with a guaranteed interest rate. Financial location of technical provisions is classified in the category available for sale ("AFS"), with the impact on the balance sheet values, but with no direct impact on profit or loss (excluding implementation). By contrast, the technical liabilities are primary calculated on the basis of the no changeable assumptions and are adjusted only upwards of a possible deficiency. As a result, the sensitivity to changes in interest rates on the liabilities side effects only if the provisions become insufficient. Change is accounted through the income statement. The impact of changes in interest rates on the balance sheet and income statement is presented in the following sensitivity analysis.

| INTEREST RATE SENSIVITY (DOES NOT INCLUDE FINANCIAL POSITION ON BEHALF OF THE INSURED) | | | | |
|--|---|--|-----------------------------------|---|
| AS AT | BONDS BOOK VALUE (DECREASE)/ INCREASE | TECHNICAL PROVISIONS BOOK VALUE (DECREASE)/ INCREASE | IMPACT ON THE INCOME STATEMENT | IMPACT ON THE STATEMENT OF COM- PREHENSIVE INCOME |
| 31.12.2010 | | | | |
| IMPACT OF CHANGE OF + 100 BP | -11 506 | -994 | 994 | -10 512 |
| IMPACT OF CHANGE OF - 100 BP | 12 941 | 1 814 | -1 814 | 11 127 |
| 31.12.2009 | | | | |
| IMPACT OF CHANGE OF + 100 BP | -12 461 | -1 220 | 1 220 | -11 241 |
| IMPACT OF CHANGE OF - 100 BP | 14 063 | 1 724 | -1 724 | 12 339 |

Technical provisions show sensitivity to changes in interest rates only if the provision for insufficiency is changed due to their changes. Provision for insufficiency arises if it is called, the minimum required value of the liability adequacy test is higher than the book value of technical provisions. Discounting future cash flows in determining the minimum required value is based on the forward curve in the range of 1.5 to 4.7% less security premium. This security premium is applied as an approximation value embedded options and guarantees, as the Company uses a deterministic model of future cash flows. The basis for deriving the curve are euro swap rates valid on the date of valuation.

The Company is exposed to interest rate risk and indirectly through financial assets invested in investment funds that invest in further coupon securities. The Company pursues the impact of such risk based on "look through" principle. Financial asset in investment funds is the property of the Company for products, which bear the investment risk insurance. It is included in the category valued at fair value through profit and loss, if the change in value of liabilities, which to the change in prices over investment units directly reflects the value of the related asset, is also charged through the profit and loss account. Therefore, the Company is not exposed to significant interest rate risk in this product segment.

In non-life insurance area the Company is exposed to interest rate risk mainly only by the financial assets, because of technical provisions in non-life insurance are not discounted and do not contain either financial options and guarantees.

The only exception is the provision for claims in the form of annuities in MTPL, which are not significant yet.

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.

| PRICE CHANGE SENSITIVITY (DOES NOT INCLUDE FINANCIAL POSITION IN POLICYHOLDERS' CURRENCY) | | |
|---|---------------|----------------------------|
| BALANCE AS AT 31 DECEMBER 2010 IMPACT ON | PROFIT/(LOSS) | OTHER COMPREHENSIVE INCOME |
| PRICE CHANGE | -/+ 10% | -/+ 10% |
| PROFIT OR LOSS | - | -/+ 1 935 |
| BALANCE AS AT 31 DECEMBER 2009 IMPACT ON | PROFIT/(LOSS) | OTHER COMPREHENSIVE INCOME |
| PRICE CHANGE | -/+ 10% | -/+ 10% |
| PROFIT OR LOSS | - | -/+ 541 |

04.3 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 following tables show the estimated amount and timing of cash flows from financial assets and financial liabilities:

| 2010 | ESTIMATED CASH FLOWS (UNDISCOUNTED) | | | | | |
|------------------|-------------------------------------|----------------|---------------|---------------|---------------|---------------|
| | TOTAL | 0-5 YEARS | 5-10 YEARS | 10-15 YEARS | 15-20 YEARS | > 20 YEARS |
| BONDS | 314 311 | 156 971 | 69 661 | 19 208 | 48 454 | 20 017 |
| TERM DEPOSITS | 8 044 | 8 044 | - | - | - | - |
| DERIVATES | -40 | 206 | -246 | - | - | - |
| SHARES | 19 355 | 19 355 | - | - | - | - |
| INVESTMENT FUNDS | 129 478 | 129 478 | - | - | - | - |
| TOTAL | 471 148 | 314 054 | 69 415 | 19 208 | 48 454 | 20 017 |

| 2010 | ESTIMATED CASH FLOWS (UNDISCOUNTED) | | | | | |
|---|-------------------------------------|----------------|---------------|---------------|---------------|---------------|
| | TOTAL | 0-5 YEARS | 5-10 YEARS | 10-15 YEARS | 15-20 YEARS | > 20 YEARS |
| LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS* | 137 103 | -3 918 | 12 836 | 34 081 | 26 925 | 67 179 |
| UNIT-LINKED PRODUCTS* | 127 894 | 127 887 | 7 | - | - | - |
| NON-LIFE INSURANCE | 102 277 | 94 704 | 3 323 | 2 060 | 1 383 | 807 |
| DEPOSITS FROM REINSURERS | 3 583 | 3 583 | - | - | - | - |
| TRADE AND OTHER LIABILITIES | 36 379 | 36 379 | - | - | - | - |
| TOTAL | 407 236 | 258 635 | 16 166 | 36 141 | 28 308 | 67 986 |

*Cash flows from variable life contracts are adequately distributed to the part unit-linked insurance and contracts with fixed terms, based on the nature of the liability

WEIGHTED DURATION OF BONDS: 5.57 YEARS

AVERAGE MATURITY OF LIABILITIES: 4.97 YEARS

| 2009 | ESTIMATED CASH FLOWS (UNDISCOUNTED) | | | | | |
|------------------|-------------------------------------|----------------|---------------|---------------|---------------|---------------|
| | TOTAL | 0-5 YEARS | 5-10 YEARS | 10-15 YEARS | 15-20 YEARS | > 20 YEARS |
| BONDS | 343 076 | 177 480 | 81 450 | 15 975 | 47 242 | 20 929 |
| TERM DEPOSITS | 15 133 | 15 133 | - | - | - | - |
| DERIVATES | 176 | -360 | 536 | - | - | - |
| SHARES | 19 446 | 19 446 | - | - | - | - |
| INVESTMENT FUNDS | 101 492 | 101 492 | - | - | - | - |
| TOTAL | 479 323 | 313 191 | 81 986 | 15 975 | 47 242 | 20 929 |

| 2009 | ESTIMATED CASH FLOWS (UNDISCOUNTED) | | | | | |
|---|-------------------------------------|----------------|--------------|---------------|---------------|---------------|
| | TOTAL | 0-5 YEARS | 5-10 YEARS | 10-15 YEARS | 15-20 YEARS | > 20 YEARS |
| LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS* | 161 829 | -8 546 | 3 678 | 41 298 | 31 711 | 93 686 |
| UNIT-LINKED PRODUCTS* | 99 340 | 99 340 | - | - | - | - |
| 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 | 425 373 | 246 286 | 7 708 | 43 488 | 32 963 | 94 927 |

*Cash flows from variable life contracts are adequately distributed to the part unit-linked insurance and contracts with fixed terms, based on the nature of the liability

WEIGHTED DURATION OF BONDS: 4.97 YEARS

AVERAGE MATURITY OF LIABILITIES: 5.36 YEARS

06



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04.4 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.

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. In respect with exposure to credit risk the Company regularly monitors whether the limits have not been exceeded.

THE COMPANY'S CREDIT RISK EXPOSURE IS AS FOLLOWS:

| AS AT 31 DECEMBER 2010 | | | | | |
|------------------------|--------------------------------------|--------------------|-----------------------|--------------------|------------------------|
| CREDIT RISK | AT FAIR VALUE THROUGH PROFIT OR LOSS | BONDS | | | |
| | | AVAILABLE FOR SALE | LOANS AND RECEIVABLES | REINSURANCE ASSETS | CASH AND TERM DEPOSITS |
| AAA | - | 13 278 | - | - | - |
| AA+ | - | 2 422 | - | - | - |
| AA | - | 1 191 | - | - | - |
| AA- | - | 13 334 | - | 1 596 | 346 |
| A+ | - | 141 217 | 930 | 977 | 6 153 |
| A | - | 23 794 | - | 4 669 | 449 |
| A- | - | 13 645 | - | 14 | 1 734 |
| BBB+ | - | 3 332 | - | - | - |
| BBB | - | 7 682 | - | - | 4 166 |
| BBB- | - | 4 297 | - | - | 27 |
| BB+ | - | 1 034 | - | - | - |
| BB | - | 797 | - | - | - |
| BB- | - | 2 377 | - | - | - |
| CCC | 4 | - | - | - | - |
| WITHOUT RATING | - | - | 17 247 | 34 699* | 207 |
| TOTAL | 4 | 228 400 | 18 177 | 41 994 | 13 082 |

*of which EUR 33,225 thousand represents the share GP Reinsurance EAD (Note 28)

| AS AT 31 DECEMBER 2009 | BONDS | | | | |
|------------------------|--------------------------------------|--------------------|-----------------------|--------------------|------------------------|
| CREDIT RISK | AT FAIR VALUE THROUGH PROFIT OR LOSS | AVAILABLE FOR SALE | LOANS AND RECEIVABLES | REINSURANCE ASSETS | CASH AND TERM DEPOSITS |
| 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 |

* of which EUR 33,599 thousand represents the share GP Reinsurance EAD (Note 28)

THE MAXIMUM CREDIT RISK EXPOSURE IS SHOWN IN THE FOLLOWING TABLE:

| AS AT 31 DECEMBER 2010 | NOT YET DUE, NOT IMPAIRED | OVERDUE, NOT IMPAIRED | | | ZNEHODNOTENÉ | TOTAL |
|---|---------------------------|-----------------------|--------------|-------------------|------------------|----------------|
| | | 0 – 3 MONTHS | 3 – 6 MONTHS | 6 MONTHS – 1 YEAR | MORE THAN 1 YEAR | |
| FINANCIAL ASSETS AVAILABLE FOR SALE (WITHOUT SHARES) | | | | - | - | 228 400 |
| FINANCIAL INSTRUMENTS AT FAIR VALUE AT PROFIT AND LOSS (WITHOUT SHARES AND BONDS) | -40 | - | - | - | 4 | -36 |
| CASH AND TERM DEPOSITS | 13 082 | - | - | - | - | 13 082 |
| LOANS AND RECEIVABLES* | 4 563 | 9 848 | 984 | 1 247 | 1 535 | 18 177 |
| REINSURANCE ASSETS | - | 41 994 | - | - | - | 41 994 |
| TOTAL | 246 005 | 51 842 | 984 | 1 247 | 1 539 | 301 617 |

* Receivables classified as 'Overdue, not impaired' are receivables individually impaired, which have been collectively assessed for impairment based on the groups with similar credit risk characteristics.

| AS AT 31 DECEMBER 2009 | NOT YET DUE, NOT IMPAIRED | OVERDUE, NOT IMPAIRED | | | IMPAIRED | TOTAL |
|---|------------------------------|-----------------------|--------------|-------------------|---------------------|----------------|
| | | 0 – 3 MONTHS | 3 – 6 MONTHS | 6 MONTHS – 1 YEAR | MORE THAN 1 YEAR | |
| FINANCIAL ASSETS AVAILABLE FOR SALE (WITHOUT SHARES) | 241 704 | - | - | - | - | 241 704 |
| FINANCIAL INSTRUMENTS AT FAIR VALUE AT PROFIT AND LOSS (WITHOUT SHARES AND BONDS) | -398 | - | - | - | 4 | -394 |
| CASH AND TERM DEPOSITS | 17 762 | - | - | - | - | 17 762 |
| LOANS AND RECEIVABLES* | 4 844 | 9 970 | 2 217 | 2 021 | 1 432 | 20 484 |
| REINSURANCE ASSETS | - | 46 637 | - | - | - | 46 637 |
| TOTAL | 263 912 | 56 607 | 2 217 | 2 021 | 1 436 | 326 193 |

*Receivables classified as 'Overdue, not impaired' are receivables individually impaired, which have been collectively assessed for impairment based on the groups with similar credit risk characteristics.

FINANCIAL ASSETS OTHER THAN THOSE AVAILABLE FOR SALE ARE SHOWN AT NET VALUE; MOVEMENTS IN THE RESPECTIVE VALUATION ALLOWANCES WERE AS FOLLOWS:

| VALUATION ALLOWANCES FOR RECEIVABLES FROM THE INSURED | 2010 | 2009 |
|---|---------------|---------------|
| AS AT 1 JANUARY | 12 999 | 11 527 |
| WRITE-OFFS OF RECEIVABLES | -2 379 | -713 |
| CREATION | 678 | 2 185 |
| TOTAL | 11 298 | 12 999 |

| VALUATION ALLOWANCES FOR OTHER RECEIVABLES | 2010 | 2009 |
|--|--------------|--------------|
| AS AT 1 JANUARY | 1 005 | 1 019 |
| CREATION/(RELEASE) | 167 | -14 |
| TOTAL | 1 172 | 1 005 |

04.5 OPERATIONAL RISK

The Company defines operational risks as potential losses, including occasional costs, arising from the lack of or underperformance of internal processes, human resources, and systems. Reasons may arise from both internal and external factors. Due to the wide 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; and
- disclosure risks, arising from the capability of information systems to support internal decisions and to facilitate proper communication to external stakeholders.

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

04.6 CAPITAL MANAGEMENT

The Company considers its entire equity to be its capital in amount of 98,398 thousands EUR (2009:111,741 thousands EUR).

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.

| | 2010 | 2009 |
|--------------------------|--------|--------|
| ACTUAL SOLVENCY MARGIN | 78 590 | 92 025 |
| REQUIRED SOLVENCY MARGIN | 24 644 | 24 486 |

The Company in addition to regulatory requirements on capital monitors the amount and use of economic (risk) capital. For this purpose, the Company has implemented an internal model developed at the Group level during the year of 2010.

04.7 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

2010, 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 (Bootstrapping 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 reduces the uncertainty related to determining the fair value.

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

07



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IN 2010, THE COMPANY PERFORMED CLASSIFICATION OF FAIR VALUE VALUED FINANCIAL ASSETS AND LIABILITIES AS FOLLOWS:

| FAIR VALUE ESTIMATION AND FAIR VALUE HIERARCHY 31 DECEMBER 2010 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---------|---------|---------|---------|
| FINANCIAL ASSETS | | | | |
| DERIVATIVE FINANCIAL ASSETS | | | | |
| INTEREST SWAPS | - | -246 | - | -246 |
| FORWARDS | - | 33 | - | 33 |
| CURRENCY SWAPS | - | 173 | - | 173 |
| TOTAL | - | -40 | - | -40 |
| OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | | | |
| BONDS | - | 4 | - | 4 |
| INVESTMENT FUNDS | 129 478 | - | - | 129 478 |
| TOTAL | 129 478 | 4 | - | 129 482 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS | | | | |
| BONDS | 134 489 | 93 911 | - | 228 400 |
| SHARES | 19 355 | - | - | 19 355 |
| TOTAL | 153 844 | 93 911 | - | 247 755 |
| TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE | 283 322 | 93 875 | - | 377 197 |
| FAIR VALUE ESTIMATION AND FAIR VALUE HIERARCHY 31 DECEMBER 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 |
| INVESTMENT 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 |

In 2010 the Company transferred two bonds – HSBC FINANCE (EUR 1,285 thousand) and SD 206 (EUR 35,083 thousand) from level 1 to level 2 as no active market exist any more. At the same time the bond OTP BANK (EUR 795 thousand) was transferred to level 2 from level 1. In 2009 the Company did not transfer any financial assets and liabilities from level 2 to level 1.

There were no transfers of financial assets and liabilities from level 1 to level 2 in 2009.

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 | 138 | 342 | -203 |
| MATURITY 1 – 5 YEARS | 1 058 | 1 366 | -308 |
| MATURITY > 5 YEARS | 1 652 | 1 366 | 286 |

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT TANGIBLE ASSETS)

05

| | BUILDINGS | LAND | MOTOR VEHICLES | OFFICE EQUIP-MENT | MACHINERY AND EQUIP-MENT | TOTAL |
|--|--------------|------------|----------------|-------------------|--------------------------|--------------|
| AS AT 1 JANUARY 2009 | | | | | | |
| 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 |

| AS 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 |
| YEAR ENDED 31 DECEMBER 2010 | | | | | | |
| OPENING BALANCE | 1 552 | 102 | 923 | 75 | 1 197 | 3 849 |
| ADDITIONS | 103 | - | 357 | 109 | 491 | 1 060 |
| DISPOSALS – AT ACQUISITION COST | -1 | - | -377 | -94 | -81 | -553 |
| DEPRECIATION | -111 | - | -464 | -32 | -622 | -1 229 |
| DISPOSALS – ACCUMULATED DEPRECIATION | 1 | - | 293 | 94 | 77 | 465 |
| NET BOOK VALUE AT THE END OF THE REPORTING PERIOD | 1 544 | 102 | 732 | 152 | 1 062 | 3 592 |
| AS AT 31 DECEMBER 2010 | | | | | | |
| ACQUISITION COST | 1 770 | 102 | 1 794 | 835 | 5 480 | 9 981 |
| ACCUMULATED DEPRECIATION | -226 | - | -1 062 | -683 | -4 418 | -6 389 |
| NET BOOK VALUE | 1 544 | 102 | 732 | 152 | 1 062 | 3 592 |

The Company has its tangible assets insured by Allianz - Slovenská Poistovňa, a.s. up to EUR 15,335 thousand.

INTANGIBLE ASSETS



| | SOFTWARE | VOBA | OTHER INTANGIBLE ASSETS | TOTAL |
|---|--------------|---------------|-------------------------------|---------------|
| AS AT 1 JANUARY 2009 | | | | |
| 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 | - |
| AMORTIZATION CHARGE | - | - | - | - |
| NET BOOK VALUE AT THE END OF THE REPORTING PERIOD | -910 | -5 387 | - | -6 297 |
| AMORTIZATION CHARGE | - | - | - | - |
| NET BOOK VALUE | 2 299 | 58 104 | - | 60 403 |
| AS 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 |

| YEAR ENDED 31 DECEMBER 2010 | | | | |
|---|--------------|---------------|----------|---------------|
| OPENING BALANCE | 2 299 | 58 104 | - | 60 403 |
| ADDITIONS | 987 | - | - | 987 |
| AMORTIZATION CHARGE | - | - | - | - |
| NET BOOK VALUE AT THE END OF THE REPORTING PERIOD | -884 | -5 105 | - | -5 989 |
| AMORTIZATION CHARGE | - | - | - | - |
| NET BOOK VALUE | 2 402 | 52 999 | - | 55 401 |
| AS AT 31 DECEMBER 2010 | | | | |
| ACQUISITION COST | 4 634 | 64 989 | 4 | 69 627 |
| ACCUMULATED AMORTIZATION | -2 232 | -11 990 | -4 | -14 226 |
| NET BOOK VALUE | 2 402 | 52 999 | - | 55 401 |

The Company monitored whether there is any objective indication of impairment of the acquired portfolio of insurance contracts (VOBA) and deduced that such indications have not exist. VOBA is consistently lower than the difference between the book and the minimum required (as a result of the provision adequacy) value of

technical provisions in life and unit link insurance and there are no reasons in principle to review the assumptions used in determining the value of the portfolio.

INVESTMENTS

IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Investments in subsidiaries and joint ventures as at 31 December 2010 related to shares in the pension company VÚB Generali d.s.s., a. s., GSL Services, s.r.o. and insurance company Generali Belarus. VUB Generali d.s.s., a.s. and GSL Services, s.r.o. has a registered office in Slovak Republic. Generali Belarus has a registered office

in Belarus. As at 30 April 2009, Generali Consulting, s.r.o. merged with GSL Services, s.r.o., which became the legal successor.

| | 2010 | 2009 |
|--|--------|--------|
| 1 JANUARY | 17 416 | 17 091 |
| CAPITAL CONTRIBUTION TO GENERALI BELARUS | - | 325 |
| 31 DECEMBER | 17 416 | 17 416 |

| AS AT 31 DECEMBER 2010 | EQUITY SHARE | ACQUISITION COST | 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 |

| AS AT 31 DECEMBER 2009 | EQUITY SHARE | ACQUISITION COST | 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. | 100% | 7 | 7 |
| TOTAL | | 17 416 | 17 416 |



08



just in case, we have been a good insurance company 365 days a year

OUR ASSISTANCE SERVICES ARE NOT ONLY HERE
FOR LOCKED ENTRANCE DOOR

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

2011

FINANCIAL INFORMATION ON SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

| AS AT 31 DECEMBER 2010 | ASSETS | LIABILITIES | EQUITY | REVENUE | PROFIT/(LOSS) |
|----------------------------|----------|-------------|--------|---------|---------------|
| VUB GENERALI D.S.S., A.S.* | 12 749** | 379 | 12 370 | 3 097 | 1 179 |
| GENERALI BELARUS | 5 108 | 2 007 | 3 101 | 3 108 | 756 |
| GSL SERVICES, S.R.O. * | 191 | 733 | -542 | 621 | 17 |

*The data in the table is preliminary.

**of which fixed assets in the amount of EUR 12,036 thousand

| AS AT 31 DECEMBER 2009 | ASSETS | LIABILITIES | EQUITY | REVENUE | PROFIT/(LOSS) |
|---------------------------|---------|-------------|--------|---------|---------------|
| VUB GENERALI D.S.S., A.S. | 11 759* | 568 | 11 191 | 3 288 | 914 |
| GENERALI BELARUS | 3 164 | 831 | 2 333 | 1 784 | 427 |
| GSL SERVICES, S.R.O. | 165 | 725 | -559 | 398 | 49 |

* of which fixed assets in the amount of EUR 6,860 thousand

FINANCIAL ASSETS

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|---|------------------|------------------|
| TERM DEPOSITS | 8 044 | 15 133 |
| FINANCIAL ASSETS AVAILABLE FOR SALE | 247 755 | 261 150 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | 129 442 | 101 098 |
| TOTAL FINANCIAL ASSETS | 385 241 | 377 381 |

Effective interest rate of term deposits of the Company equaled at average to 0.31 % as at 31 December 2010 and 0.46 % as at 31 December 2009.

RECONCILIATION OF THE GROUP OF FINANCIAL ASSETS MONITORED BY MANAGEMENT OF THE COMPANY TO CATEGORIES USED IN BALANCE SHEET:

| FINANCIAL ASSETS AVAILABLE FOR SALE | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|---|------------------|------------------|
| GOVERNMENT BONDS | 146 779 | 147 600 |
| CORPORATE BONDS | 81 621 | 94 104 |
| TOTAL BONDS | 228 400 | 241 704 |
| SHARES | 19 355 | 19 446 |
| TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE | 247 755 | 261 150 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
| BOND FUNDS | 10 604 | 9 272 |
| EQUITY FUNDS | 26 491 | 19 238 |
| MIXED FUNDS | 89 839 | 70 868 |
| MONEY MARKET FUNDS | 2 544 | 2 114 |
| BONDS | 4 | 4 |
| DERIVATIVES | -40 | -398 |
| TOTAL | 129 442 | 101 098 |

Investment funds covering provision in covering risks from investing financial resources on behalf of the insured amounted to EUR 127,378 thousand, investment funds held by the Company amounted to EUR 2,100 thousand.

As at 31 December 2010, the effective interest rate of financial assets available for sale equaled at average to 3.91 % and as at 31 December 2009 to 4.14%.

MOVEMENTS IN FINANCIAL ASSETS ARE AS FOLLOWS:

| | AT FAIR VALUE THROUGH PROFIT OR LOSS | AVAILABLE FOR SALE |
|---|--------------------------------------|--------------------|
| AS AT THE BEGINNING OF 2009 | 68 538 | 221 568 |
| DISPOSALS (SALE AND MATURITY) | -2 653 | -111 042 |
| ACQUISITIONS | 22 350 | 139 061 |
| NET REVALUATION LOSSES (OTHER COMPREHENSIVE INCOME) | - | 10 832 |
| IMPAIRMENT | - | -4 |
| NET MOVEMENT IN FAIR VALUE (PROFIT OR LOSS) | 12 883 | -113 |
| CHANGE OF ACCRUED INTEREST INCOME | -20 | 848 |
| AS AT THE BEGINNING OF 2010 | 101 098 | 261 150 |
| DISPOSALS (SALE AND MATURITY) | -879 | -69 883 |
| ACQUISITIONS | 20 945 | 51 737 |
| NET REVALUATION GAINS (OTHER COMPREHENSIVE INCOME) | - | 4 620 |
| NET MOVEMENT IN FAIR VALUE (INCOME STATEMENT) | 8 278 | 368 |
| CHANGE OF ACCRUED INTEREST INCOME | - | -237 |
| AS AT THE END OF 2010 | 129 442 | 247 755 |

The fair value of financial assets with an existing market price as at 31 December 2010 has been determined by using the existing market price.

The fair value of financial assets for which no market price existed as at 31 December 2010 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).

| AS AT 31 DECEMBER 2010 | UNDERLYING VALUE DUE | | FAIR VALUE | |
|------------------------|----------------------|---------------|-----------------|---------------------|
| | WITHIN 1 MONTH | WITHIN 1 YEAR | WITHIN 10 YEARS | ASSETS(LIABILITIES) |
| INTEREST SWAPS | - | - | 10 000 | -246 |
| FUTURES | - | 17 000 | - | 33 |
| CURRENCY SWAPS | 19 586 | - | - | 173 |
| TOTAL | 19 586 | 17 000 | 10 000 | -40 |

| AS AT 31 DECEMBER 2009 | UNDERLYING VALUE DUE | | FAIR VALUE | |
|------------------------|----------------------|---------------|-----------------|-------------|
| | WITHIN 1 MONTH | WITHIN 1 YEAR | WITHIN 10 YEARS | ASSETS |
| INTEREST SWAPS | - | - | 10 000 | 88 |
| CURRENCY SWAPS | 16 513 | - | - | -486 |
| TOTAL | 16 513 | - | 10 000 | -398 |

REINSURANCE ASSETS



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

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|---|------------------|------------------|
| UNEARNED PREMIUM RESERVE (UPR) | 12 873 | 12 799 |
| PROVISION FOR CLAIMS REPORTED BUT NOT SETTLED (RBNS) AND LOSS ADJUSTMENT EXPENSES | 24 760 | 29 512 |
| PROVISION FOR CLAIMS INCURRED BUT NOT REPORTED (IBNR) | 2 471 | 2 215 |
| PROVISION FOR MTPL DEFICIT | 1 890 | 2 111 |
| TOTAL | 41 994 | 46 637 |

LOANS AND RECEIVABLES

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|-----------------------------|------------------|------------------|
| RECEIVABLES FROM CLIENTS | 17 017 | 19 437 |
| RECEIVABLES FROM REINSURERS | 140 | - |
| RECEIVABLES FROM AGENTS | 22 | 22 |
| LOANS TO EMPLOYEES | 10 | 12 |
| OTHER RECEIVABLES | 988 | 1 013 |
| TOTAL | 18 177 | 20 484 |

Receivables from clients, receivables from agents and other receivables are shown net of valuation allowance.

Overview of valuation allowances is shown in the table below. Estimated fair value of receivables does not differ materially from the book value.

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|---|------------------|------------------|
| VALUATION ALLOWANCE FOR RECEIVABLES FROM CLIENTS* | -11 298 | -12 999 |
| VALUATION ALLOWANCE FOR RECEIVABLES FROM AGENTS | -349 | -302 |
| VALUATION ALLOWANCE FOR OTHER RECEIVABLES | -823 | -703 |
| TOTAL | -12 470 | -14 004 |

*Of the total sum of provisions for receivables from clients a provision for receivables from unit link insurance amounted to EUR 3,301 thousand (2009: EUR 4,433 thousand). This provision is created in the whole amount of unpaid insurance premium, thereby reducing the accounting mismatch between posting of insurance premium and creation of technical reserves in life insurance.



keby niečo

09



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YOU'LL RECOGNIZE A GOOD INSURANCE COMPANY
ONLY WHEN SOMETHING BAD HAPPENS

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2011

DEFERRED ACQUISITION COSTS



| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|---|------------------|------------------|
| AT THE BEGINNING OF THE PERIOD | 16 539 | 16 730 |
| (DISPOSALS) OF DEFERRED ACQUISITION COSTS DURING THE YEAR (NOTE 26) | -1 526 | -191 |
| AT THE END OF THE PERIOD | 15 013 | 16 539 |

DEFERRED INCOME TAX



Deferred income taxes are calculated for all temporary differences under the balance sheet liability method, using the tax rate of 19% (2009: 19%), as follows:

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|---|------------------|------------------|
| DEFERRED TAX ASSETS | | |
| - WITH THE EXPECTED REALIZATION AFTER MORE THAN 12 MONTHS | 1 948 | 2 149 |
| - WITH THE EXPECTED REALIZATION WITHIN 12 MONTHS | 693 | 724 |
| | 2 641 | 2 873 |

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|--|------------------|------------------|
| DEFERRED TAX LIABILITIES | | |
| - WITH THE EXPECTED SETTLEMENT AFTER MORE THAN 12 MONTHS | -9 777 | -11 036 |
| - WITH THE EXPECTED SETTLEMENT WITHIN 12 MONTHS | -970 | -970 |
| | -10 747 | -12 006 |
| NET DEFERRED TAX LIABILITY | -8 106 | -9 133 |

Movements in the deferred income tax are as follows:

| YEAR ENDED | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|---|------------------|------------------|
| 1 JANUARY | -9 133 | -8 396 |
| INCOME RECOGNIZED IN THE INCOME STATEMENT (NOTE 15) | 778 | 760 |
| TAX CHARGED TO OTHER COMPREHENSIVE INCOME (NOTE 14) | 249 | -1 497 |
| 31 DECEMBER | -8 106 | -9 133 |

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

| | 1 JANUARY 2010 | INCOME STATEMENT | 31 DECEMBER 2010 |
|--|----------------|------------------|------------------|
| DEFERRED TAX ASSET | | | |
| IMPAIRMENT OF RECEIVABLES | 1 570 | -226 | 1 344 |
| EXPENSES DEDUCTIBLE AFTER HAVING BEEN PAID | 113 | -49 | 64 |
| EMPLOYEE BENEFITS | 5 | 1 | 6 |
| PROVISION FOR BONUSES | 203 | -6 | 197 |
| PROVISION FOR THE MTPL INSURANCE DEFICIT | 177 | - | 177 |
| IBNR | 805 | 48 | 853 |
| TOTAL | 2 873 | -232 | 2 641 |

| | 1 JANUARY 2010 | OTHER COMPREHENSIVE INCOME | INCOME STATEMENT | 31 DECEMBER 2010 |
|---|----------------|----------------------------|------------------|------------------|
| DEFERRED TAX LIABILITY | | | | |
| PROPERTY, PLANT AND EQUIPMENT | -349 | - | 41 | -308 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION | -617 | 249 | - | -368 |
| VOBA | -11 040 | - | 969 | -10 071 |
| TOTAL | -12 006 | 249 | 1 010 | -10 747 |

| | 1 JANUARY 2009 | INCOME STATEMENT | 31 DECEMBER 2009 |
|--|----------------|------------------|------------------|
| DEFERRED TAX ASSET | | | |
| IMPAIRMENT OF RECEIVABLES | 1 930 | -360 | 1 570 |
| 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 | 3 070 | -197 | 2 873 |

| | 1 JANUARY 2009 | OTHER COMPREHENSIVE INCOME | INCOME STATEMENT | 31 DECEMBER 2009 |
|---|----------------|----------------------------|------------------|------------------|
| DEFERRED TAX LIABILITY | | | | |
| PROPERTY, PLANT AND EQUIPMENT | -282 | - | -67 | -349 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION | 880 | -1 497 | - | -617 |
| VOBA | -12 064 | - | 1 024 | -11 040 |
| TOTAL | -11 466 | -1 497 | 957 | -12 006 |

CASH AND CASH EQUIVALENTS

1/3

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|------------------|------------------|------------------|
| BANK ACCOUNTS | 5 026 | 2 616 |
| CASH EQUIVALENTS | 12 | 13 |
| TOTAL | 5 038 | 2 629 |

Cash in banks and cash equivalents represent funds immediately available, which are intended to cover the operational needs of the Company. Term deposits are recognized under the financial assets if they are intended primarily to cover insurance liabilities.

EQUITY

SHARE CAPITAL

| | NUMBER OF SHARES | ORDINARY SHARES |
|---------------------------------------|------------------|-----------------|
| AS AT 1 JANUARY 2009 | 75 000 | 24 895 |
| ADJUSTMENT FOR TRANSITION TO THE EURO | - | 5 |
| AS AT 31 DECEMBER 2009 | 75 000 | 24 900 |
| SHARE CAPITAL CONTRIBUTION | 302 | 100 |
| AS AT 31 DECEMBER 2010 | 75 302 | 25 000 |

The Company issued 75,302 shares. All shares are held by Generali PPF Holding B.V., which represents a 100% share in the share capital.

The total amount of ordinary registered shares is 75,302 (at 31 December 2009: 75,000). The nominal value of a share is EUR 332 per share. All issued shares are fully paid. No shares are listed.

Generali PPF Holding, BV., with the registered seat Strawinskylaan 933, 1077XX Amsterdam, the Netherlands, as the sole shareholder of the Company subscribed 302 new shares with the nominal value of one share EUR 332, which increased the original share capital from the value of EUR 24,900,000 to EUR 25,000,264, i.e. by EUR 100,264. The sole shareholder paid the whole subscribed amount of the increased share capital. The

Company received the nominal value of subscribed shares in the amount of EUR 100,264 on 20 January 2010.

LEGAL RESERVE FUND

The Company creates a legal reserve fund in compliance with the Commercial Code in amount of 10% of net profit for the ordinary accounting period up to a minimum of 20% of the share capital. Legal reserve fund is used to cover losses of the Company and cannot be distributed.

Based on the decision of the General Meeting the legal reserve fund was increased by 10% of net profit for 2009 (in absolute value of EUR 1,027 thousand) from EUR 1,600 thousand as at 31 December 2009 to EUR 2,627 thousand.

14

| PROFIT / LOSS FROM PREVIOUS AND CURRENT YEARS | | |
|---|------------------|------------------|
| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
| PROFIT/(LOSS) FROM PREVIOUS YEARS | 61 595 | 72 349 |
| PROFIT/(LOSS) OF THE CURRENT YEAR | 7 810 | 10 273 |
| TOTAL | 69 405 | 82 622 |

The financial statements for 2009 were approved on the General Meeting held on 26 June 2010. The profit of EUR 10,273 thousand was transferred as follows:

- EUR 1,027 thousand to addition of legal reserve fund,
- EUR 9,246 thousand to undisturbed profit of previous years.

At the same time, the General Meeting decided on the payment of dividends in the amount of EUR 20,000 thousand. The dividends were paid on 14 July 2010.

| REVALUATION DIFFERENCES FROM SECURITIES AVAILABLE FOR SALE | |
|---|--------|
| AT THE BEGINNING OF 2009 | -3 734 |
| UNREALIZED LOSS FROM REVALUATION ATTRIBUTABLE TO POLICYHOLDERS, INCLUSIVE OF DEFERRED TAX | -33 |
| GAIN FROM THE AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION | 10 832 |
| GAIN FROM THE AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION – DEFERRED TAX | -2 058 |
| TRANSFERS TO NET PROFIT UPON SALE | -2 945 |
| TRANSFERS TO NET PROFIT UPON IMPAIRMENT | -4 |
| DEFERRED TAX UPON SALE | 561 |
| AT THE END OF 2009 | 2 619 |
| UNREALIZED LOSS FROM REVALUATION ATTRIBUTABLE TO POLICYHOLDERS, INCLUSIVE OF DEFERRED TAX | -185 |
| GAIN FROM THE AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION | 4 620 |
| GAIN FROM THE AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION – DEFERRED TAX | -878 |
| TRANSFERS TO NET PROFIT UPON SALE | -5 937 |
| DEFERRED TAX UPON SALE | 1 127 |
| AT 31 DECEMBER 2010 | 1 366 |

INSURANCE LIABILITIES

1/5

THE COMPANY HAS THE FOLLOWING TECHNICAL PROVISIONS ARISING FROM INSURANCE CONTRACTS:

| GROSS | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|--|------------------|------------------|
| - CLAIMS REPORTED BUT NOT SETTLED AND LOSS ADJUSTMENT EXPENSES | 62 543 | 70 704 |
| - CLAIMS INCURRED BUT NOT REPORTED | 6 961 | 6 450 |
| - PROVISION FOR UNEARNED PREMIUMS | 31 735 | 32 335 |
| - PROVISION FOR PROFIT SHARING AND PREMIUM REFUND | 340 | 232 |
| - PROVISION FOR THE DEFICIT IN MTPL INSURANCE (NOTE 3) | 9 229 | 11 018 |
| - LIFE INSURANCE PROVISION | 159 253 | 153 632 |
| - PROVISION FOR RISKS FROM INVESTING ON BEHALF OF THE INSURED | 127 378 | 98 493 |
| TOTAL INSURANCE LIABILITIES, GROSS | 397 439 | 372 864 |
| SHARE OF REINSURERS (REINSURANCE ASSETS) | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
| - CLAIMS REPORTED BUT NOT SETTLED AND LOSS ADJUSTMENT EXPENSES | 24 760 | 29 512 |
| - CLAIMS INCURRED BUT NOT REPORTED | 2 471 | 2 215 |
| - PROVISION FOR UNEARNED PREMIUMS | 12 873 | 12 799 |
| - PROVISION FOR PROFIT SHARING AND PREMIUM REFUND | - | - |
| - PROVISION FOR THE DEFICIT IN MTPL INSURANCE (NOTE 3) | 1 890 | 2 111 |
| - LIFE INSURANCE PROVISION | - | - |
| - PROVISION FOR RISKS FROM INVESTING ON BEHALF OF THE INSURED | - | - |
| TOTAL SHARE OF REINSURANCE ON INSURANCE LIABILITIES | 41 994 | 46 637 |

10



just in case, we have been a good insurance company 365 days a year

A GOOD PRICE
IS NOT THE ONLY THING WE OFFER

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| NET | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|--|------------------|------------------|
| - CLAIMS REPORTED BUT NOT SETTLED AND LOSS ADJUSTMENT EXPENSES | 37 783 | 41 192 |
| - CLAIMS INCURRED BUT NOT REPORTED | 4 490 | 4 235 |
| - PROVISION FOR UNEARNED PREMIUMS | 18 862 | 19 536 |
| - PROVISION FOR PROFIT SHARING AND PREMIUM REFUND | 340 | 232 |
| - PROVISION FOR THE DEFICIT IN MTPL INSURANCE (NOTE 3) | 7 339 | 8 907 |
| - LIFE INSURANCE PROVISION | 159 253 | 153 632 |
| - PROVISION FOR RISKS FROM INVESTING ON BEHALF OF THE INSURED | 127 378 | 98 493 |
| TOTAL NET LIABILITIES FROM INSURANCE | 355 445 | 326 227 |

MOVEMENTS IN LIABILITIES FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

A) PROVISIONS FOR INSURANCE CLAIMS (RBNS AND IBNR, INCLUDING LOSS ADJUSTMENT EXPENSES)

| NON-LIFE INSURANCE | | | | | | |
|--|------------------|----------------|---------------|------------------|----------------|---------------|
| YEAR ENDED | 31 DECEMBER 2010 | | | 31 DECEMBER 2009 | | |
| | GROSS | REINSURANCE | NET | GROSS | REINSURANCE | NET |
| RBNS | 67 788 | -29 512 | 38 276 | 55 697 | -20 797 | 34 900 |
| IBNR | 5 299 | -2 215 | 3 084 | 4 860 | -4 129 | 731 |
| TOTAL AT THE BEGINNING OF THE YEAR | 73 087 | -31 727 | 41 360 | 60 557 | -24 926 | 35 631 |
| INSURANCE CLAIMS PAID FOR CLAIMS SETTLED IN THE YEAR | -63 878 | 23 961 | -39 917 | -53 123 | 20 163 | -32 960 |
| CHANGE IN LIABILITIES | 54 981 | -19 373 | 35 608 | 65 653 | -26 964 | 38 689 |
| TOTAL AT THE YEAR'S END | 64 190 | -27 139 | 37 051 | 73 087 | -31 727 | 41 360 |
| RBNS | 58 400 | -24 668 | 33 732 | 67 788 | -29 512 | 38 276 |
| IBNR | 5 790 | -2 471 | 3 319 | 5 299 | -2 215 | 3 084 |
| TOTAL AT THE YEAR'S END | 64 190 | -27 139 | 37 051 | 73 087 | -31 727 | 41 360 |

LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS:

| YEAR ENDED | 31 DECEMBER 2010 | | | 31 DECEMBER 2009 | | |
|---|------------------|-------------|--------------|------------------|-------------|--------------|
| | GROSS | REINSURANCE | NET | GROSS | REINSURANCE | NET |
| RBNS | 2 417 | - | 2 417 | 2 040 | -119 | 1 921 |
| IBNR | 803 | - | 803 | 1 130 | -384 | 746 |
| TOTAL AT THE BEGINNING OF THE YEAR | 3 220 | - | 3 220 | 3 170 | -503 | 2 667 |

| | | | | | | |
|--|--------------|------------|--------------|--------------|----------|--------------|
| INSURANCE CLAIMS PAID FOR CLAIMS SETTLED IN THE YEAR | -23 492 | 40 | -23 452 | -17 916 | - | -17 916 |
| CHANGE IN LIABILITIES | 24 652 | -132 | 24 520 | 17 966 | 503 | 18 469 |
| TOTAL AT THE YEAR'S END | 4 380 | -92 | 4 288 | 3 220 | - | 3 220 |
| RBNS | 3 566 | -92 | 3 474 | 2 417 | - | 2 417 |
| IBNR | 814 | - | 814 | 803 | - | 803 |
| TOTAL AT THE YEAR'S END | 4 380 | -92 | 4 288 | 3 220 | - | 3 220 |

CONTRACTS WHERE THE RISK FROM INVESTING BEARS THE INSURED:

| YEAR ENDED | 31 DECEMBER 2010 | | | 31 DECEMBER 2009 | | |
|--|------------------|-------------|------------|------------------|-------------|--------------|
| | GROSS | REINSURANCE | NET | GROSS | REINSURANCE | NET |
| RBNS | 499 | - | 499 | 608 | - | 608 |
| IBNR | 348 | - | 348 | 436 | - | 436 |
| TOTAL AT THE BEGINNING OF THE YEAR | 847 | - | 847 | 1 044 | - | 1 044 |
| INSURANCE CLAIMS PAID FOR CLAIMS SETTLED IN THE YEAR | -10 281 | - | -10 281 | -6 052 | - | -6 052 |
| CHANGE IN LIABILITIES | 10 368 | - | 10 368 | 5 855 | - | 5 855 |
| TOTAL AT THE YEAR'S END | 934 | - | 934 | 847 | - | 847 |
| RBNS | 577 | - | 577 | 499 | - | 499 |
| IBNR | 357 | - | 357 | 348 | - | 348 |
| TOTAL AT THE YEAR'S END | 934 | - | 934 | 847 | - | 847 |

B) PROVISIONS FOR UNEARNED PREMIUMS

NON-LIFE INSURANCE

| YEAR ENDED | 31 DECEMBER 2010 | | | 31 DECEMBER 2009 | | |
|------------------------------|------------------|----------------|---------------|------------------|----------------|---------------|
| | GROSS | REINSURANCE | NET | GROSS | REINSURANCE | NET |
| AT THE BEGINNING OF THE YEAR | 28 912 | -12 749 | 16 163 | 29 613 | -11 195 | 18 418 |
| CHANGE | -254 | -70 | -324 | -701 | -1 554 | -2 255 |
| AT THE YEAR'S END | 28 658 | -12 819 | 15 839 | 28 912 | -12 749 | 16 163 |

LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS

| YEAR ENDED | 31 DECEMBER 2010 | | | 31 DECEMBER 2009 | | |
|------------------------------|------------------|-------------|--------------|------------------|-------------|--------------|
| | GROSS | REINSURANCE | NET | GROSS | REINSURANCE | NET |
| AT THE BEGINNING OF THE YEAR | 3 423 | -50 | 3 373 | 3 694 | -39 | 3 655 |
| CHANGE | -346 | -4 | -350 | -271 | -11 | -282 |
| AT THE YEAR'S END | 3 077 | -54 | 3 023 | 3 423 | -50 | 3 373 |

C) PROVISION FOR MTPL DEFICIT

| YEAR ENDED 31 DECEMBER | 31 DECEMBER 2010 | | | 31 DECEMBER 2009 | | |
|------------------------------|------------------|---------------|--------------|------------------|---------------|--------------|
| | GROSS | REINSURANCE | NET | GROSS | REINSURANCE | NET |
| AT THE BEGINNING OF THE YEAR | 11 018 | -2 111 | 8 907 | 13 190 | -2 550 | 10 640 |
| PAYMENTS TO MTPL | -1 116 | 221 | -895 | -1 211 | 439 | -772 |
| RELEASE DURING THE YEAR | -673 | - | -673 | -961 | - | -961 |
| AT THE YEAR'S END | 9 229 | -1 890 | 7 339 | 11 018 | -2 111 | 8 907 |

D) PROVISION FOR LIFE INSURANCE

| YEAR ENDED | 31 DECEMBER 2010 | | | 31 DECEMBER 2009 | | |
|---|------------------|-------------|----------------|------------------|-------------|----------------|
| | GROSS | REINSURANCE | NET | GROSS | REINSURANCE | NET |
| AT THE BEGINNING OF THE YEAR | 153 632 | - | 153 632 | 143 217 | - | 143 217 |
| INCREASE FROM PREMIUMS | 25 884 | - | 25 884 | 27 422 | - | 27 422 |
| RELEASE FOR PAYMENTS ON DEATH, SURRENDER AND OTHER TERMINATIONS IN THE YEAR | -19 854 | - | -19 854 | -16 578 | - | -16 578 |
| CHANGE – PROVISION FOR THE SHARE ON PROFIT (DPF) | -20 | - | -20 | 63 | - | 63 |
| CHANGE – LIABILITY ADEQUACY TEST | -574 | - | -574 | -525 | - | -525 |
| CHANGE – DEFERRED LIABILITIES TO THE INSURED (DPF) | 185 | - | 185 | 33 | - | 33 |
| AT THE YEAR'S END | 159 253 | - | 159 253 | 153 632 | - | 153 632 |

DEFERRED LIABILITIES TO THE INSURED – MOVEMENTS:

| | |
|--|------------|
| AT THE BEGINNING OF 2009 | -17 |
| ADJUSTMENT FROM UNREALIZED GAINS AND LOSSES ON ASSETS AVAILABLE FOR SALE (NOTE 14) | 33 |
| AT THE END OF 2009 | 16 |
| ADJUSTMENT FROM UNREALIZED GAINS AND LOSSES ON ASSETS AVAILABLE FOR SALE (NOTE 14) | 185 |
| AT THE END OF 2010 | 201 |

TECHNICAL PROVISION FOR LIFE INSURANCE – BREAKDOWN BY COMPONENTS:

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|---|------------------|------------------|
| TECHNICAL PROVISION FOR LIFE INSURANCE | 159 253 | 153 632 |
| PROVISION FOR GUARANTEED BENEFITS | 156 777 | 150 814 |
| PROVISION FOR UNALLOCATED SHARE ON PROFIT | 103 | 57 |
| PROVISION FROM LIABILITY ADEQUACY TEST | 2 172 | 2 745 |
| DEFERRED LIABILITY TO POLICYHOLDERS | 201 | 16 |

E) PROVISION ON BEHALF OF THE INSURED WHEN INVESTMENT RISK IS BORNE BY POLICYHOLDERS

| YEAR ENDED | 31 DECEMBER 2010 | | | 31 DECEMBER 2009 | | |
|--|------------------|-------------|----------------|------------------|-------------|---------------|
| | GROSS | REINSURANCE | NET | GROSS | REINSURANCE | NET |
| AT THE BEGINNING OF THE YEAR | 98 493 | - | 98 493 | 63 134 | - | 63 134 |
| INSURANCE PREMIUM LESS THE CHARGES | 30 373 | - | 30 373 | 29 214 | - | 29 214 |
| INSURANCE CLAIMS FROM DEATH, SURRENDER, AND OTHER TERMINATIONS IN THE YEAR | -9 417 | - | -9 417 | -7 217 | - | -7 217 |
| CHANGE IN VALUATION OF INVESTMENT FUNDS SHARES | 7 929 | - | 7 929 | 13 362 | - | 13 362 |
| AT THE YEAR'S END | 127 378 | - | 127 378 | 98 493 | - | 98 493 |

DEPOSITS FROM REINSURERS

Deposits received from reinsurers relate to amounts of ceded insurance provisions. In favor of the reinsurer the interest rate applies on the deposits. The effective interest rate is determined based on current money-market interest rates.

The deposits relate to the reinsuring companies Generali Holding Vienna AG and Assicurazioni Generali S.p.A.

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|--------------------------------------|------------------|------------------|
| FROM THE UNEARNED PREMIUM RESERVE | 109 | 123 |
| FROM PROVISIONS FOR INSURANCE CLAIMS | 3 474 | 4 384 |
| TOTAL | 3 583 | 4 507 |

The effective interest rate of the Company's deposits from reinsurers amounts to 3% (2009: 3%) at average.

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just in case, we have been a good insurance company 365 days a year

WE SETTLE YOUR CLAIMS QUICKLY AND IN A PROFESSIONAL WAY

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

2011

TRADE AND OTHER PAYABLES

| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|--|------------------|------------------|
| FINANCIAL AND INSURANCE LIABILITIES: | | |
| PAYABLES TO CLIENTS | 12 020 | 9 650 |
| PAYABLES – BROKERS AND AGENTS | 1 915 | 1 930 |
| PAYABLES – CO-INSURANCE | 105 | 187 |
| PAYABLES FROM REINSURANCE | 9 820 | 22 397 |
| AMOUNTS DUE TO RELATED PARTIES | 68 | 91 |
| PAYABLES - SUPPLIERS | 234 | - |
| ACCRUALS: | | |
| COMMISSIONS | 1 578 | 2 158 |
| CONTRIBUTION TO THE EMERGENCY MEDICAL SERVICE (8% FROM MPTL PREMIUM) | 2 068 | 2 338 |
| GENERAL EXPENSES – NOT SETTLED RENTAL, SERVICES AND OTHER EXPENSES | 1 951 | 1 891 |
| DEFERRED COMMISSION FROM REINSURERS | 2 963 | 2 993 |
| TOTAL FINANCIAL LIABILITIES | 32 722 | 43 635 |



| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
|--|------------------|------------------|
| NON-FINANCIAL LIABILITIES: | | |
| PAYABLES – EMPLOYEES | 865 | 690 |
| PAYABLES – SOCIAL SECURITY | 403 | 354 |
| ACCRUALS – PERSONAL COST | 1 400 | 1 521 |
| PROVISIONS FOR EMPLOYEE BENEFITS | 30 | 23 |
| OTHER PROVISIONS | 589 | - |
| VAT AND OTHER TAXES | 370 | 226 |
| TOTAL NON-FINANCIAL LIABILITIES | 3 657 | 2 814 |
| TOTAL LIABILITIES | 36 379 | 46 449 |

All liabilities are within due date.

| LIABILITIES TO EMPLOYEES ALSO INCLUDE LIABILITIES FROM THE SOCIAL FUND: | | |
|--|------------------|------------------|
| | 31 DECEMBER 2010 | 31 DECEMBER 2009 |
| OPENING BALANCE | 6 | 60 |
| CREATION FROM SALARIES | 109 | 104 |
| CREATION OF NON-TAXABLE | 35 | - |
| USE | -138 | -158 |
| CLOSING BALANCE | 12 | 6 |

NET INSURANCE PREMIUM

| | GROSS AMOUNT | | REINSURANCE SHARE | | NET AMOUNT | |
|--|----------------|----------------|-------------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| WRITTEN PREMIUM IN NON-LIFE INSURANCE | 106 716 | 111 694 | -49 326 | -50 218 | 57 390 | 61 476 |
| WRITTEN PREMIUM IN LIFE INSURANCE | 88 821 | 92 728 | -305 | -443 | 88 516 | 92 285 |
| TOTAL WRITTEN PREMIUM | 195 537 | 204 422 | -49 631 | -50 661 | 145 906 | 153 761 |
| NON-LIFE INSURANCE, CHANGE IN UNEARNED PREMIUM RESERVE | 254 | 701 | 71 | 1 554 | 325 | 2 255 |
| LIFE INSURANCE, CHANGE IN UNEARNED PREMIUM RESERVE | 346 | 271 | 3 | 9 | 349 | 280 |
| TOTAL CHANGE IN PREMIUM RESERVE | 600 | 972 | 74 | 1 563 | 674 | 2 535 |
| EARNED PREMIUM IN NON-LIFE INSURANCE | 106 970 | 112 395 | -49 255 | -48 664 | 57 715 | 63 731 |
| EARNED PREMIUM IN LIFE INSURANCE | 89 167 | 92 999 | -302 | -434 | 88 865 | 92 565 |
| TOTAL INSURANCE PREMIUM | 196 137 | 205 394 | -49 557 | -49 098 | 146 580 | 156 296 |

FINANCIAL INVESTMENTS

INCOME/(EXPENSES)

| | 2010 | 2009 |
|--|--------------|---------------|
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | |
| INTEREST INCOME FROM SECURITIES (COUPON) | 16 | 45 |
| AMORTIZATION DISCOUNT/ PREMIUM | 1 | 11 |
| UNREALIZED GAIN/ LOSS FROM OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | -1 | -25 |
| REALIZED GAIN/ LOSS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | - | -6 |
| NET CHANGE IN FAIR VALUE OF INVESTMENTS ON BEHALF OF POLICY HOLDERS | 8 115 | 13 362 |
| TOTAL | 8 131 | 13 387 |
| UNREALIZED NET PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS | 163 | -465 |
| REALIZED NET PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS | -2 694 | 859 |
| | -2 531 | 394 |
| TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | 5 600 | 13 781 |



| FINANCIAL ASSETS AVAILABLE FOR SALE | | |
|--|---------------|---------------|
| INTEREST INCOME FROM SECURITIES (COUPON) | 9 837 | 10 166 |
| AMORTIZATION DISCOUNT/ PREMIUM | -94 | -95 |
| REALIZED NET GAIN/ LOSS FROM FINANCIAL ASSETS AVAILABLE FOR SALE | 5 853 | 2 256 |
| REALIZED NET FX GAIN/ LOSS FROM EQUITY FINANCIAL ASSETS AVAILABLE FOR SALE | 84 | 523 |
| REALIZED NET FX GAIN/ LOSS FROM DEBT FINANCIAL ASSETS AVAILABLE FOR SALE | -234 | 166 |
| UNREALIZED NET GAIN/ LOSS FROM FINANCIAL ASSETS AVAILABLE FOR SALE | 462 | -18 |
| DIVIDEND INCOME | 409 | 534 |
| TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE | 16 317 | 13 532 |
| TERM DEPOSITS | | |
| INTEREST INCOME | 39 | 119 |
| TOTAL | 39 | 119 |
| OTHER INCOME | | |
| | 132 | - |
| TOTAL | 22 088 | 27 432 |

IMPAIRMENT OF FINANCIAL ASSETS **AVAILABLE-FOR-SALE**

20

Except for expenses and revenues from financial assets available for sale disclosed in Note 19, the Company did not recognize any loss from the impairment of financial assets available for sale in 2010 (in 2009 loss was in the amount EUR 4 thousand).

OTHER REVENUE

21

Other revenue includes commission from the management companies of investment funds in the amount of EUR 378 thousand (2009: EUR 372 thousand), proceeds from the claims processing for foreign partners in the amount of EUR 376 thousand (2009: EUR 226 thousand), proceeds from sale of assets in the amount of EUR 134 thousand (2009: EUR 133 thousand).

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just in case, we have been a good insurance company 365 days a year

WE ARE SIMPLY
A GOOD INSURANCE COMPANY 365 DAYS A YEAR

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 2011

NET INSURANCE BENEFITS AND CLAIMS

| | GROSS AMOUNT | | REINSURANCE SHARE | | NET AMOUNT | |
|---|----------------|----------------|-------------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| INSURANCE BENEFITS AND CLAIMS PAID | 91 057 | 71 308 | -24 217 | -20 131 | 66 840 | 51 177 |
| LOSS ADJUSTMENT EXPENSES | 6 649 | 6 074 | - | -32 | 6 649 | 6 042 |
| CHANGE IN PROVISIONS FOR INSURANCE BENEFITS AND CLAIMS | -7 645 | 12 383 | 4 496 | -6 298 | -3 149 | 6 085 |
| CHANGE IN PROVISIONS FOR PROFIT SHARING AND PREMIUM REFUND | 108 | 30 | - | - | 108 | 30 |
| CHANGE IN MTPL DEFICIT PROVISION | -1 789 | -2 172 | 220 | 439 | -1 569 | -1 733 |
| PROFIT SHARING | 458 | 340 | - | - | 458 | 340 |
| CHANGE IN THE TECHNICAL PROVISION FOR LIFE INSURANCE | 5 434 | 10 382 | - | - | 5 434 | 10 382 |
| CHANGE IN THE PROVISION FOR UNIT-LINKED INSURANCE CONTRACTS | 28 885 | 35 359 | - | - | 28 885 | 35 359 |
| OTHER COSTS FOR INSURANCE BENEFITS | - | - | -220 | 2 832 | -220 | 2 832 |
| TOTAL | 123 157 | 133 704 | -19 721 | -23 190 | 103 436 | 110 514 |

COMMISSIONS AND OTHER ACQUISITION COSTS

23

| | COMMISSIONS | | ACCRUALS | | OTHER ACQUISITION COSTS | | TOTAL | |
|--------------------|---------------|---------------|--------------|------------|-------------------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| NON-LIFE INSURANCE | 15 564 | 10 131 | 16 | -199 | 11 394 | 7 969 | 26 974 | 17 901 |
| LIFE INSURANCE | 11 176 | 17 824 | 1 510 | 390 | 6 484 | 6 996 | 19 170 | 25 210 |
| TOTAL | 26 740 | 27 955 | 1 526 | 191 | 17 878 | 14 965 | 46 144 | 43 111 |

INVESTMENT MANAGEMENT EXPENSES

24

Investment management expenses include all costs of managing financial investments, including staff costs of asset managers in the amount of EUR 874 thousand (2009: EUR 972 thousand).

EXPENSES BY NATURE

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

| | 2010 | 2009 |
|--|---------------|---------------|
| WAGES AND SALARIES | 10 599 | 10 321 |
| REMUNERATION PAID TO THE BOARD OF DIRECTORS – SHORT-TERM EMPLOYEE BENEFITS | 705 | 693 |
| PENSION COSTS (MEMBERS OF THE BOARD OF DIRECTORS) | 20 | 22 |
| OTHER SOCIAL COSTS (MEMBERS OF THE BOARD OF DIRECTORS) | 30 | 32 |
| SOCIAL COSTS (EMPLOYEES) | 3 603 | 3 648 |
| ■ OUT OF WHICH PENSION COSTS | 1 352 | 1 367 |
| OTHER PERSONNEL COSTS, OF WHICH: | 141 | 112 |
| ■ DEFINED BENEFIT PLAN (CHANGE OF PROVISION) | 7 | -3 |
| ■ DEFINED BENEFIT PLAN (TERMINATION BENEFITS) | 134 | 115 |
| TOTAL PERSONNEL COSTS | 15 098 | 14 828 |

| | | |
|---|---------------|---------------|
| ADVERTISING AND PROMOTIONAL ACTIVITIES | 4 054 | 4 102 |
| RENTAL | 2 417 | 2 473 |
| IT EXPENSES | 4 477 | 3 768 |
| POSTAL AND TELECOMMUNICATION SERVICES | 2 323 | 1 608 |
| OFFICE COSTS | 659 | 574 |
| ADVISORY | 212 | 466 |
| AUDIT INCLUDING THE MID-YEAR REVIEW | 179 | 204 |
| TRAVEL COSTS | 438 | 562 |
| TRAINING COURSES | 355 | 378 |
| DEPRECIATION AND AMORTIZATION (NOTE 5 AND 6) | 7 218 | 7 815 |
| COSTS OF INVESTMENTS MANAGEMENT (NOTE 24) | 874 | 972 |
| COMMISSIONS (INCLUDING ACCRUALS) | 28 266 | 28 161 |
| CHANGE IN THE VALUATION ALLOWANCE FOR RECEIVABLES (NOTE 10) | -1 534 | 1 458 |
| ASSISTANCE SERVICES | 625 | 676 |
| CONTRIBUTIONS TO SKP | 1 704 | 1 813 |
| OTHER | 557 | 2 027 |
| TOTAL COSTS OTHER THAN INSURANCE CLAIMS AND BENEFITS | 67 922 | 71 885 |

The members of the Supervisory Board received no income for their membership in the Supervisory Board in 2010.

INCOME TAX

26

| | | |
|---------------------------|--------------|--------------|
| | 2010 | 2009 |
| TAX DUE | 2 914 | 4 300 |
| UNDER ACCRUED INCOME TAX | - | 3 |
| TAX FROM PREVIOUS PERIODS | -349 | -135 |
| DEFERRED TAX (NOTE 12) | -778 | -761 |
| TOTAL TAX EXPENSES | 1 787 | 3 407 |

Reconciliation of the effective tax rate:

| | 2010 | 2009 |
|--|--------------|--------------|
| PROFIT BEFORE TAXES | 9 597 | 13 680 |
| INCOME TAX CALCULATED USING 19% TAX RATE | 1 823 | 2 599 |
| TAX NON-DEDUCTIBLE EXPENSES | 313 | 940 |
| ADDITIONAL TAX FOR THE YEAR | -349 | -132 |
| TOTAL TAX EXPENSE | 1 787 | 3 407 |

INFORMATION ABOUT EMPLOYEES

27

| | 2010 | 2009 |
|-------------------|------------|------------|
| TOP MANAGEMENT | 5 | 5 |
| MIDDLE MANAGEMENT | 35 | 33 |
| OTHER EMPLOYEES | 630 | 654 |
| TOTAL | 670 | 692 |

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 Company (for Board of Director's remuneration see Note 25).

ULTIMATE CONTROLLING ENTITY:

Assicurazioni Generali, S.p.A., Trieste

SUBSIDIARIES AND JOINT VENTURES:

GSL Services, s.r.o. Bratislava
VÚB Generali, d.s.s., a.s., Bratislava

ASSOCIATES:

Generali Belarus

OTHER RELATED ENTITIES:

Generali Holding Vienna, AG, Vienna
Generali Versicherung, AG, Vienna
Generali Pojišťovna, a.s., Praha
Generali PPF Asset Management a.s., Praha
Europäische Reiseversicherung, AG, Vienna
Generali IARD S.A., Paris
AachenMünchener Versicherung AG, Aachen
Generali Towarzystwo Ubezpieczeń, Varšava
GP Reinsurance EAD, Bulharsko
Česká pojišťovna, a.s., Praha
Generali Zavarovalnica, Ljubljana
Generali-Provid. Biztosító/N
Generali IT, s.r.o., Bratislava

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| RELATED PARTIES W/O REINSURANCE 2010 | RECEIVABLES | PAYABLES | EXPENSES | INCOME |
|--|-------------|-----------|--------------|-----------|
| ASSICURAZIONI GENERALI, S.P.A., TRIESTE | - | - | - | - |
| GENERALI HOLDING VIENNA AG, VIENNA | - | 68 | 873 | - |
| GENERALI VERSICHERUNG AG, VIENNA | 11 | - | - | 2 |
| GENERALI POJIŠŤOVNA, A.S., PRAGUE | - | - | - | - |
| VÚB GENERALI, D.S.S., A.S., BRATISLAVA | 15 | - | - | 43 |
| GENERALI CONSULTING, S.R.O., BRATISLAVA | 676 | - | - | - |
| GENERALI IT, S.R.O., BRATISLAVA | 3 | - | - | 10 |
| GENERALI PPF ASSET MANAGEMENT A.S., PRAGUE | - | - | 682 | - |
| GENERALI PPF HOLDING B.V., AMSTERDAM | - | - | 8 | - |
| EUROPÄISCHE REISEVERSICHERUNG AG, VIENNA | 13 | - | - | - |
| PPF BANKA A.S., PRAGUE | - | - | 10 | - |
| COMPANY'S BOARD OF DIRECTORS | - | - | - | - |
| TOTAL | 718 | 68 | 1 573 | 55 |

| RELATED PARTIES – REINSURERS' SHARE | 2010 | | | | |
|--|-------------|---------------|-------------------------------|---------------|---------------|
| | RECEIVABLES | PAYABLES* | REINSURANCE SHARE ON RESERVES | EXPENSES | INCOME |
| ASSICURAZIONI GENERALI, S.P.A., TRIESTE | - | 461 | 316 | 699 | 256 |
| GENERALI HOLDING VIENNA, AG, VIENNA | - | 3 794 | 4 013 | 1 | 34 |
| GENERALI VERSICHERUNG, AG, VIENNA | 85 | - | 155 | 724 | 703 |
| GENERALI RÜCKVERSICHERUNG, AG, VIENNA | - | - | - | 6 | 1 |
| GENERALI IARD S.A., PARIS | - | - | 2 | 75 | 10 |
| GENERALI FRANCE S.A., PARIS | - | 1 | - | - | - |
| AACHENMÜNCHENER VERSICHERUNG AG, AACHEN | 1 | - | 141 | 20 | 8 |
| GENERALI TOWARZYSTWO UBEZPIECZEN, WARSAW | - | - | 7 | 13 | 1 |
| GP REINSURANCE EAD | - | 8 949 | 33 225 | 40 443 | 31 673 |
| ČESKÁ POJIŠŤOVNA, A.S., PRAHA | - | 138 | 944 | 554 | 414 |
| GENERALI ZAVAROVALNICA, LJUBLJANA | - | - | - | 5 | 1 |
| GENERALI-PROVID. BIZTOSÍTÓ/N | - | - | 3 | 22 | 2 |
| TOTAL | 86 | 13 343 | 38 806 | 42 562 | 33 103 |

*including deposits from reinsurers

| 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 | 673 | - | - | 6 |
| GENERALI IT, S.R.O., BRATISLAVA | 12 | - | - | 27 |
| GENERALI PPF ASSET MANAGEMENT A.S., PRAGUE | - | 18 | 652 | - |
| EUROPÄISCHE REISEVERSICHERUNG AG, VIENNA | - | - | - | - |
| COMPANY'S BOARD OF DIRECTORS | - | - | - | - |
| TOTAL | 702 | 110 | 1 992 | 125 |

| RELATED PARTIES – REINSURERS' SHARE | 2009 | | | | |
|--|-------------|---------------|-------------------------------|---------------|---------------|
| | RECEIVABLES | PAYABLES* | REINSURANCE SHARE ON RESERVES | EXPENSES | INCOME |
| ASSICURAZIONI GENERALI, S.P.A., TRIESTE | 186 | 679 | 115 | 764 | 185 |
| GENERALI HOLDING VIENNA, AG, VIENNA | - | 5 330 | 5 141 | 188 | 1 313 |
| GENERALI VERSICHERUNG, AG, VIENNA | - | 807 | 87 | 1 192 | 139 |
| GENERALI IARD S.A., PARIS | - | 54 | 1 | 64 | 8 |
| AACHENMÜNCHENER VERSICHERUNG AG, AACHEN | - | 3 | 7 | 20 | 3 |
| GENERALI TOWARZYSTWO UBEZPIECZEN, WARSAW | - | - | - | 3 | - |
| GP REINSURANCE EAD | - | 16 782 | 33 599 | 41 009 | 28 022 |
| ČESKÁ POJIŠŤOVNA, A.S., PRAHA | - | 2 645 | 1 312 | 582 | 1 615 |
| GENERALI-PROVID. BIZTOSÍTÓ/N | - | 34 | 12 | 36 | 2 |
| TOTAL | 186 | 26 334 | 40 274 | 43 858 | 31 287 |

*including deposits from reinsurers

At 31 December 2010, all balances due to or from companies mentioned above related to reinsurance, advisory and management services. The 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, which is due on request. The Company recorded an allowance for this receivable in the amount of EUR 673 thousand (2009: EUR 673 thousand). All

other balances were short-term balances and 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.

CONTINGENT LIABILITIES AND CONTINGENT RECEIVABLES

At 31 December 2010, the Company neither provided, nor received any guarantee.

In connection with its insurance business, the Company faces several lawsuits. These relate particularly to refused insurance benefits (e.g. 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 created again in case of a review of the commitment when a suit against the Company is filed. In this case, it is created again as a provision for insurance benefit that considers the sued amount and potential related charges.

The number of lawsuits is adequate to the scope of insurance 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 many areas of Slovak tax law allow more than one interpretation (especially transfer pricing), the tax authorities may decide to tax certain business activities of the Company in which the Company believes that it should not be taxed. Tax authorities has not controlled the taxable periods 2005, 2006, 2007 for the former Generali poisťovňa, a.s., for the periods 2006, 2007 and 2008 for the former Česká poisťovňa – Slovensko, akciová spoločnosť and years 2008, 2009 and 2010 for Generali Slovensko poisťovňa, 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. The taxable periods, which have not been controlled by tax authorities, may be subject of tax inspection up to 2015 – five years after the end of the year, in which the Company was obliged to file a tax return.



POST BALANCE SHEET EVENTS

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After the date of compilation of financial statements no significant events have occurred that would require change in the financial statements at 31 December 2010 or disclosure in the financial statements.

SOLEMN DECLARATION

I hereby declare that the information disclosed in the Annual Report of Generali Slovensko poistovna, a. s. for 2010 is true and fair and that no significant circumstances have been omitted or misrepresented.

Bratislava 2011



Ing. JOZEF TANZER

Member of the Board of Directors and Deputy Chief Executive Officer

CONTACTS

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The company belongs to the Generali Group, listed in the Italian Insurance Groups Register maintained by ISVAP under No. 26.