ANNUAL REPORT
2011

GENERALI GROUP

GENERALI
SLOVENSKO

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Company Profile

keby niečo
GENERALI SLOVENSKO
GENERALI GROUP

Business name:	Generali Slovensko poisťovňa, a. s.
Legal form:	Joint Stock Company
Registered office:	until 31 August 2011 – Plynárenská 7/C, 824 79 Bratislava after 1 September 2011 – Lamačská cesta 3/A, 841 04 Bratislava
Registered number:	35709332
Commercial Register:	District Court of Bratislava I, Section Sa, File No. 1325/B
Date of registration:	12 February 1997
Share capital:	€25,000,264
Shareholders:	Generali PPF Holding, B.V. (100%)

The Generali Slovensko insurance company is part of one of the largest insurance groups in Central and Eastern Europe – the Generali PPF Holding – giving the insurance company's clients the benefit of a strong international background. The Generali PPF Holding manages business in 14 countries of Central and Eastern Europe and provides services to more than 13 million customers in the region.

In 2011, the Generali Slovensko insurance company retained the position of the third strongest universal insurance company in the market with strong financial capital to meet its obligations to clients.
The strategic goals of the company included focus on improving the quality of processes associated with the establishment and administration of insurance and claim adjustment. These objectives were intended to be achieved through the introduction of modern technologies and focus on high professionalism and expertise of employees.

The innovative approach of the insurance company was reflected in the product area where clients could choose from a wide range of competitive products of life and non-life insurance. The added value in this field has been and is the practical assistance services which complete the puzzle of client care in situations not necessarily involving a claim.

All actions implemented led to the successful achievement and building of the insurance company's positioning. As a good insurance company that provides fair attitude and high quality financial advice, first class service in insurance administration and claim adjustment as well as practical modern services which make the communication and availability of the insurance company more comfortable for the client when needed.
It also defended the position of the third best known brand with declared strengthening of potential clients' relation to Generali Slovensko.

Promising young athletes Dušan Antalík and Klaudia Medlová

Significant events in 2011 included the relocation of the headquarters to new premises, which emphasize the Generali Slovensko brand identity.

The Generali Slovensko insurance company also invested in the development of sports talent of two promising young athletes, Dušan Antalík, a BMX rider, and Klaudia Medlová, a snowboarder and a potential member of the national team at the Olympic Games.

The Generali Slovensko insurance company has long been a stable partner in cultural and charitable projects in Slovakia. Generali Slovensko has a long tradition of supporting the Summer Shakespeare Festival. The 11th edition of this brilliant theatre festival in the open was seen by 13,000 spectators.

2011 Summer Shakespeare Festival: Robert Roth and Mária Kráľovičová in Richard III.

Lion Haldír

Other projects last year supported by Generali Slovensko included the Night of Literature, a literary marathon, sponsorship support for a rare South African lion named Haldir in Bratislava ZOO, or charity project "Strong Help Little Ones" where we contributed towards helping abandoned children.

History of Generali Slovensko

1 October 2008	Generali Slovensko poisťovňa, a. s., established by a merger of Generali Poisťovňa, a. s., and Česká poisťovňa Slovensko, joint-stock company
17 January 2008	The Generali financial group and PPF combined to form the Generali PPF Holding group
1996	Generali Poisťovňa, a. s., established in the Slovak market as a subsidiary of Assicurazioni Generali
1993	Foundation of Česká poisťovňa – Slovensko, joint-stock company, in the Slovak market as a subsidiary of Česká pojišťovna
1831	Establishment of Assicurazioni Generali in Trieste

Complete Range of Products

LIFE INSURANCE PRODUCTS

BeneFit accident insurance
AKTIV+ accident insurance
ŠKOLÁK (schoolchild) group accident insurance
DYNAMIK+ variable life insurance
SLNEČNICA+ (sunflower) variable life insurance
JUNIOR+ variable life insurance
ISTOTA, ISTOTA Plus (guarantee) risk life insurance
SLNIEČKO (sunshine) capital life insurance
KAPITÁL, OPTIMAL capital life insurance
ŽELEZNÁ REZERVA (iron reserve) life insurance of regular expenses

TRAVEL INSURANCE PRODUCTS

DOVOLENKÁR (holidaymaker) short-term travel insurance
SVETOBEŽNÍK (globetrotter) annual travel insurance
Corporate Travel Insurance travel insurance for business trips
ŠPORTURISTA insurance for rescue in the mountains of Slovakia
AU-pair/Študent annual travel insurance

MOTOR VEHICLE ACCIDENT INSURANCE AND MANDATORY LIABILITY INSURANCE PRODUCTS

AUTOŽOLÍK motor vehicle accident insurance
AUTOSEKÁČ motor vehicle accident insurance
AUTOPROTEKT motor vehicle accident insurance
Fleet insurance – motor vehicle accident insurance

Additional insurance to motor vehicle accident insurance:

- Windscreen insurance
- Custom equipment insurance
- Luggage and personal items insurance
- Passenger accident insurance
- Replacement vehicle insurance
- "Kasko Plus" assistance service insurance

"AUTOMATIK štandard" compulsory motor vehicle liability insurance
"AUTOMATIK plus" compulsory motor vehicle liability insurance
"Flotilové poistenie" (fleet insurance) compulsory motor vehicle liability insurance

PROPERTY AND LIABILITY INSURANCE PRODUCTS

“Môj dom” (my house) home insurance (until 30 September 2009)
“Môj byt” (my apartment) apartment insurance (until 30 September 2009)
“Moja domácnost” (my household) household equipment insurance (until 30 September 2009)
“Moje bývanie” (my housing) insurance package (until 30 September 2009)
“DOMino” comprehensive property insurance (from 1 July 2011)

- Immovable property insurance
- Household insurance
- Liability insurance

“Poistenie psa” (dog insurance) pet insurance

BUSINESS LIABILITY INSURANCE PRODUCTS

General third party liability insurance
Road carrier’s liability insurance
Professional liability insurance
Liability insurance for damage caused by the employee to the employer
Group liability insurance for damage caused by the employees to the employer

BUSINESS PROPERTY INSURANCE PRODUCTS

Natural disaster insurance or all risks insurance
Fire business interruption insurance
Insurance against burglary or robbery and fraud
Insurance of machinery and equipment
Insurance of business interruption due to breakdown of machinery and electronic equipment
Electronic equipment insurance
Machinery insurance
Construction and assembly insurance
Consignment insurance
Vessel accident and liability insurance
Aircraft accident and liability insurance

AGRICULTURAL RISK INSURANCE

Crop insurance
Insurance of livestock

Chairperson's Statement

Ladies and Gentlemen, shareholders and business partners,

We are presenting the Annual Report for 2011. It mirrors the most important events and achievements of our management, based on which Generali Slovensko defended the position of the third strongest insurance company in the Slovak market in 2011. An insurance company, which ended 2011 with an after tax profit of €1.4 million and reached a 9.1% market share. Let us return for a while to 2011. We started the year with a new organisational structure, which was being shaped during the year and brought improvements especially in business and product development. We completed an extremely important project of migration of non-life operating systems, we merged both our internal business networks and streamlined the placement of our sales points in Slovakia, renewed and strengthened cooperation with relevant partners in selling life insurance or co-operation with VÚB banka, a strategic partner, and last but not least, implemented a very demanding project of relocating the headquarters to new prestigious premises, which visually embody the quality, modernity, and practicality of our insurance company. The headquarters inspired a redesign of the agencies, which are being gradually remodelled as reduced versions of the headquarters. Another plus, this time for our products, was the results of the "Zlatá minca 2011" competition. In addition to the Discovery of The Year award, we took prominent places in other categories as well. We tried to translate the stimuli and current requirements of the market into product portfolio additions, launching innovative products of property, motor vehicle, and accident insurance. An important fact is also that the Generali Slovensko insurance company retained the position of the third best known brand with a significant strengthening of perception compared to number two in the market and with increased preferences of potential clients. I could continue recapitulating positive aspects of the last year, but the evaluation must also include challenges as yet unmet. Adverse development was recorded in motor vehicle insurance and agricultural insurance, especially due to the deterioration of profitability of these market segments. More than ever we will focus our attention on quality, speed, and flexibility of services that Generali Slovensko provides to its clients and business partners. We will be completing the migration of life operating systems, allowing us to significantly increase the efficiency of our work.

If we want to be successful in 2012, to strengthen the market position, and to achieve the projected financial results, all activities undertaken in the past year as well as new challenges should be helping us meet these goals. Equally important will be the continuation of the building but also the fulfillment of our positioning in practice. As a good insurance company that provides fair attitude and high quality financial advice, first class service in insurance administration and claim adjustment as well as practical modern services which make the communication and availability of the insurance company more comfortable for the client when needed.

In conclusion, let me thank all our clients for their trust in our company and our business partners for cooperation. My thanks also go to all colleagues in Generali Slovensko who in any way contributed to achieving our shared goals.

Boards of the Company

Board of Directors from left: J. Tanzer, E. Štefániková, V. Bezděk, S. Uma

Board of Directors

Ing. Vladimír Bezděk, M.A.
Chairperson

Ing. Jozef Tanzer
Member

Ing. Eva Štefániková
Member

Ing. Stanislav Uma
Member

Supervisory Board

Klára Starková
Chairperson since 10 July 2009

Luisa Coloni
Member since 27 May 2011

Peter Galo
Member since 19 April 2011

Organisational Structure as at 31 December 2011

Division of the Director General

Ing. Vladimír BEZDĚK, M.A.

Internal Audit Section
Ing. Mgr. Michaela Filipková

Marketing and Communications Section
Ing. Mgr. Zuzana Hliváková

Project Office Section
Ing. Hana Virgovičová

Human Resources and Organisation Section
PhDr. Janka Holúbeková

Risk Management Section
Ing. Jelica Kľúčovská

Non-Life Insurance Section
Ing. Peter Ripka

Life Insurance Section
RNDr. Branislav Jendroľ

Sales Division

Ing. Eva ŠTEFÁNIKOVÁ

Agency Management Section
Mgr. Mariana Rybárová

External Sales Section

Underwriting and Brokerage Business Section
Ing. Peter Buday

Sales Support Section
Ing. Ivan Michalík

Sales Training Section
Mgr. Hana Vázalová

Finance and Claims Section

Ing. Jozef TANZER

Economic Section
Mgr. Michal Marendiak

Claims Section
JUDr. Michaela Mišanková

IT and Operations Division

Ing. Stanislav UMA

IT Section
Ing. Radovan Zápražný

Operations Section
Ing. Marcela Tupá

Shareholders

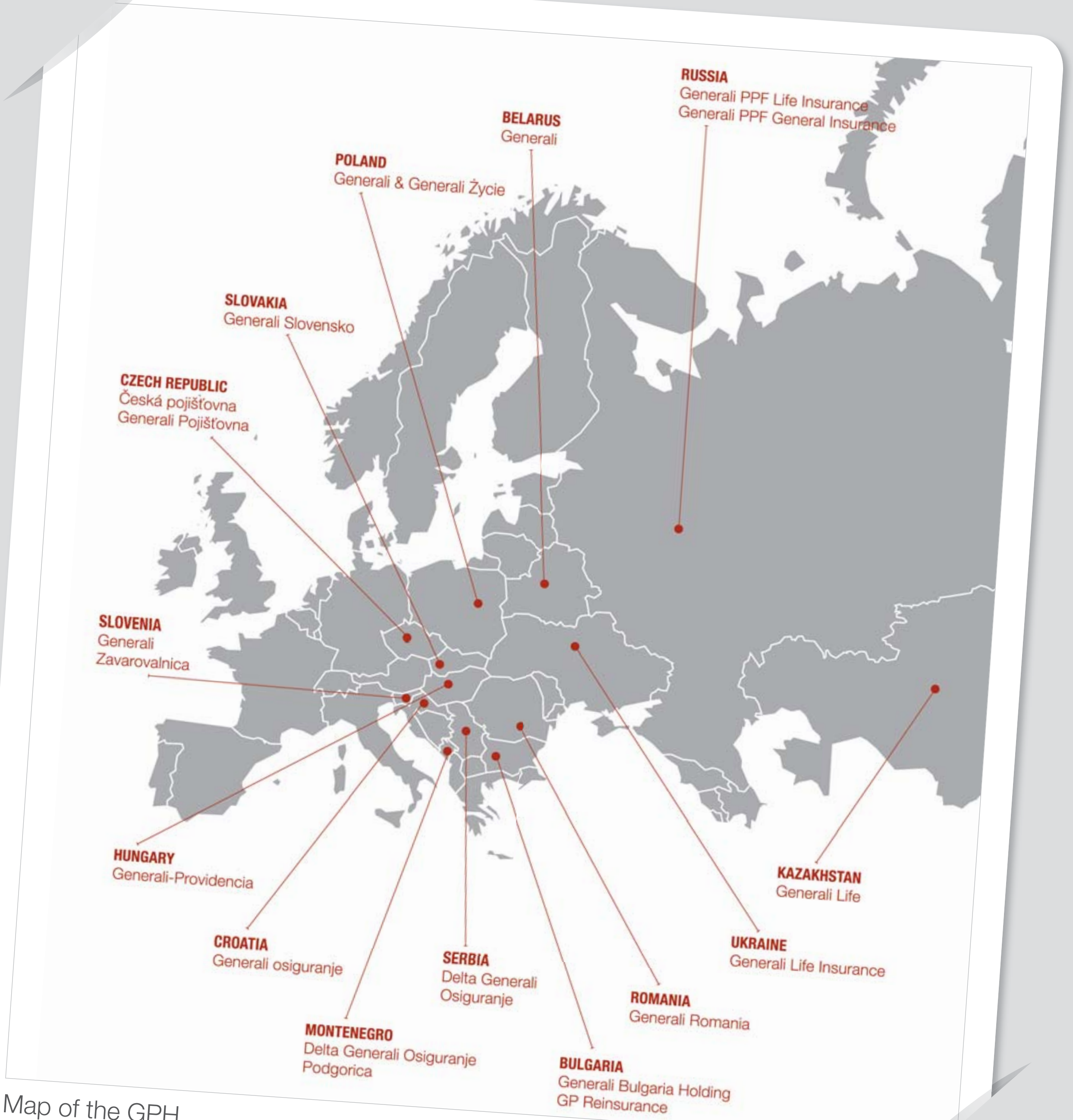
Since its inception, Generali Slovensko has been part of Generali PPF Holding, B.V., which operates in 14 countries – Belarus, Bulgaria, Czech Republic, Croatia, Kazakhstan, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Serbia, Montenegro, and Ukraine.

Through its subsidiaries, it manages assets of nearly €12 billion and provides its services to approximately 10 million customers, making it a leader in the insurance industry in the Central and Eastern European region. The final agreement on the Generali PPF Holding between Assicurazioni Generali and the PPF Group N.V. was signed on 10 July 2007. The creation of a joint holding company was the most important step of both groups' expansion strategy in one of the regions with the greatest potential in the insurance industry. The greatest benefit of the Generali PPF Holding is the cultural diversification in the multinational environment. The future is seen in growth, innovation, and customer satisfaction. Generali PPF Holding is a group of individuals acting as one in making their vision a reality.

The GPH building

Since the merger on 1 October 2008, the shareholders of Generali Slovensko poisťovňa, a. s., were Generali PPF Holding BV, holding a total of 42,467 shares, i.e., 56.62% of the share capital, and CP Strategic Investments B.V., holding a total of 32,533 shares, i.e., 43.38% of the share capital.

Effective as at 30 October 2009, CP Strategic Investments B.V. withdrew its shareholding and transferred all of its 32,533 shares in Generali Slovensko poisťovňa, a. s., to Generali PPF Holding B.V., as a result of which Generali Slovensko ceased to be its subsidiary. With effect from 30 October 2009, the sole shareholder of Generali Slovensko poisťovňa, a. s., owning 75,302 shares, i.e., 100% of share capital and voting rights in the company, is Generali PPF Holding B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands, registration number: 34275688.


RUSSIA
Generali PPF Life Insurance
Generali PPF General Insurance
BELARUS
Generali
POLAND
Generali & Generali Życie
SLOVAKIA
Generali Slovensko
CZECH REPUBLIC
Česká pojišťovna
Generali Pojišťovna
SLOVENIA
Generali
Zavarovalnica
HUNGARY
Generali-Providencia
CROATIA
Generali osiguranje
MONTENEGRO
Delta Generali Osiguranje
Podgorica
SERBIA
Delta Generali
Osiguranje
BULGARIA
Generali Bulgaria Holding
GP Reinsurance
ROMANIA
Generali Romania
UKRAINE
Generali Life Insurance
KAZAKHSTAN
Generali Life

Map of the GPH

Report of the Board of Directors on the State of Affairs and Assets of the Company for 2011

During 2011, the Board of Directors of Generali Slovensko poisťovňa, a. s. (the "Company") exercised its rights and obligations arising under the Articles of Association and generally binding legal regulations, regularly informed the Supervisory Board of the Company's business activities, as well as of the overall development of the insurance market in the Slovak Republic.

One of the goals during calendar year 2011 was to strengthen the Company's position in the Slovak insurance market and to cope with the effects of the financial and economic crisis whose effects are noticeable in the insurance market as well. The year 2011 was focused mainly on process improvement in order to improve the quality of products and services offered and to maintain the upward trend in cost effectiveness.

The Board of Directors is responsible for preparing the regular individual financial statements for 2011. The financial statements have been examined by PricewaterhouseCoopers Slovensko, s.r.o., an audit firm, which stated that the financial statements are representative of the financial position of the Company, its financial performance, and cash flows for the year 2011. On the basis of comparable statistical information processed by the Slovak Association of Insurance Companies, the insurance market in Slovakia, with a comparable group of companies, has grown year on year in 2011 by a total of 1.3%, while gross written premiums of the Company in 2011 decreased by -2.7%, the Company losing 0.4 percentage point of market share. In non-life insurance, the Company has seen stagnation, the insurance market on a comparable basis growing by 0.8%. The Slovak life insurance market saw only a slight increase of 0.5% in regularly paid life insurance; the gross written premiums of the Company grew at the market level by 0.2%. For single premium payments, the Company has seen a decline in gross written premium of -64.7% compared to 2010.

In non-life insurance, a good result was achieved by the private property insurance segment (home/apartment/household insurance), namely an increase in gross written premium of 7.2%. The downward trend in motor vehicle insurance continued, especially in the compulsory insurance, which has seen a decline in gross written premiums at -7.3%; the motor vehicle accident insurance slightly dropped by -0.7% in gross written premiums. The Company achieved a net non-life insurance loss ratio of 62.6%.

In 2011, the Company achieved total gross premiums written of 190.3 million euros, of which non-life insurance accounts for 106.7 million euros and life insurance amounts to 83.6 million euros. These results reaffirmed the Company's third position in the Slovak insurance market in gross premiums written.

The Board of Directors proposes to divide the after tax profit of €1,412.8 thousand reported in the regular individual financial statements for 2011 as follows:
a) use part of the profit amounting to €141.3 thousand to replenish the reserve fund under the provision of Section 13(2) of the Company's Articles of Association,
b) transfer the amount of €1,271.5 thousand to the next period to the "retained profit from previous periods" account.

In 2012, the company will be focused mainly on maintaining profitability, increasing effectiveness, carefully monitoring the operational spending, improving processes, and customer-oriented approach.

This report was approved by the Board of Directors on 3 May 2012.

Ing. Vladimír Bezděk M.A.
Chairperson the Board

Ing. Eva Štefániková
Member of the Board

Ing. Jozef Tanzer
Member of the Board

Ing. Stanislav Uma
Member of the Board

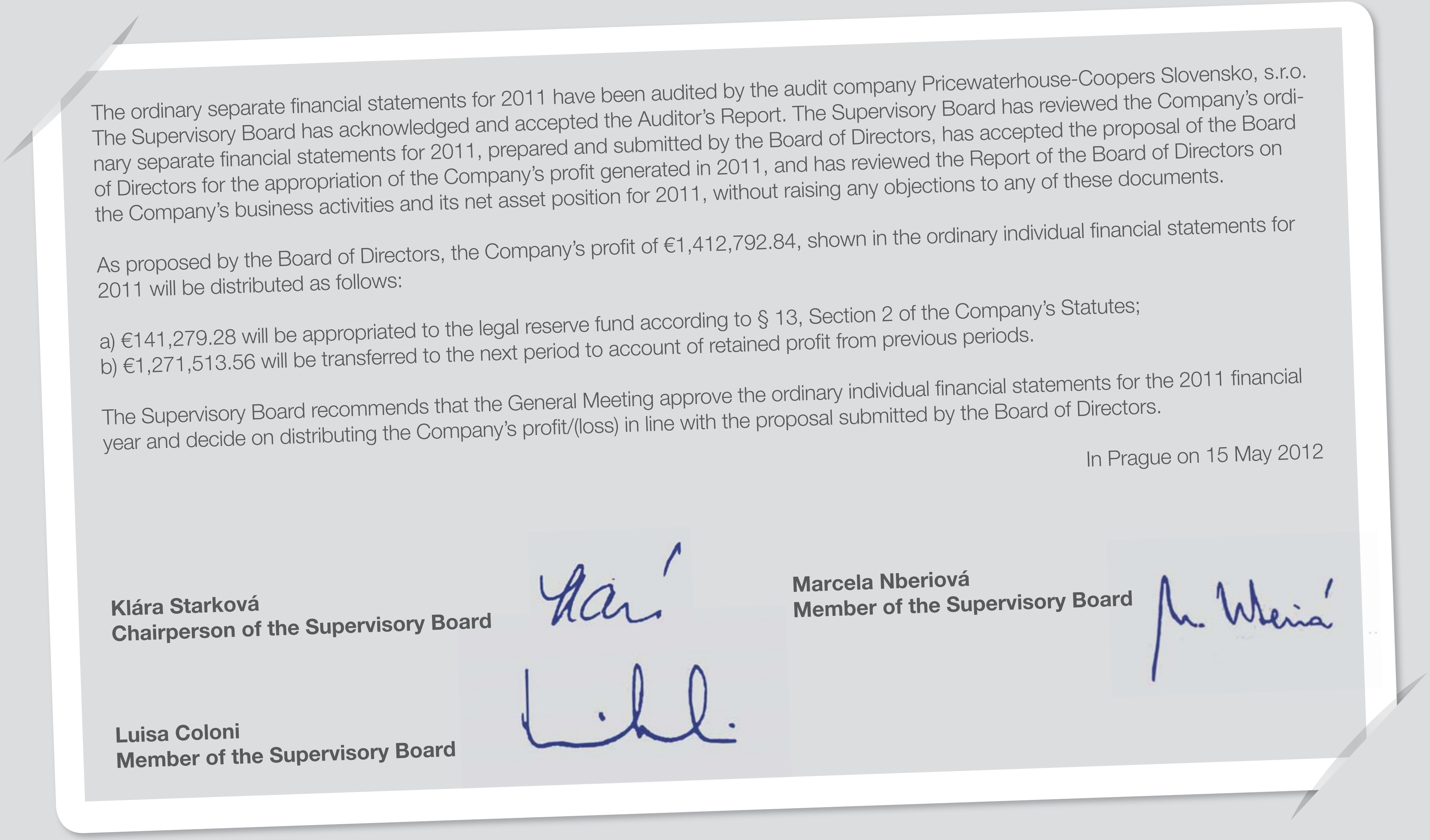
Report of the Supervisory Board of the company Generali Slovensko poisťovňa, a. s.

Lamačská cesta 3/A, 841 04 Bratislava, ID No: 35 709 332, registered with the District Court Bratislava I, Section: Sa, File No. 1325/B ("company")

on the results of its supervisory activities re-garding the ordinary separate financial state-ments for 2011, the Auditor's Report, and the proposal of the Board of Directors for the ap-propriation of the Company's profit

In accordance with § 9, Section 1, Letter a) of the Company's Statutes, the Supervisory Board has approved this report on the results of its supervisory activities, regarding the ordinary separate financial statements for 2011, the Auditor's Report, and the proposal of the Board of Directors for the appropriation of the Company's profit.

In 2011, the Supervisory Board carried out its rights and duties in line with the Company's statutes and the generally binding legal regulations. The Board of Directors regularly informed the Supervisory Board about the Company's business activities and its net asset position, and the Supervisory Board supervised the activities of the Board of Directors. The Supervisory Board hereby declares that the Company's business activities were carried out in line with the law, the Company's statutes, and the General Meeting resolutions.



The ordinary separate financial statements for 2011 have been audited by the audit company Pricewaterhouse-Coopers 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 2011, prepared and submitted by the Board of Directors, has accepted the proposal of the Board of Directors for the appropriation of the Company's profit generated in 2011, and has reviewed the Report of the Board of Directors on the Company's business activities and its net asset position for 2011, without raising any objections to any of these documents.

As proposed by the Board of Directors, the Company's profit of €1,412,792.84, shown in the ordinary individual financial statements for 2011 will be distributed as follows:

a) €141,279.28 will be appropriated to the legal reserve fund according to § 13, Section 2 of the Company's Statutes;
b) €1,271,513.56 will be transferred to the next period to account of retained profit from previous periods.

The Supervisory Board recommends that the General Meeting approve the ordinary individual financial statements for the 2011 financial year and decide on distributing the Company's profit/(loss) in line with the proposal submitted by the Board of Directors.

In Prague on 15 May 2012

Klára Starková
Chairperson of the Supervisory Board

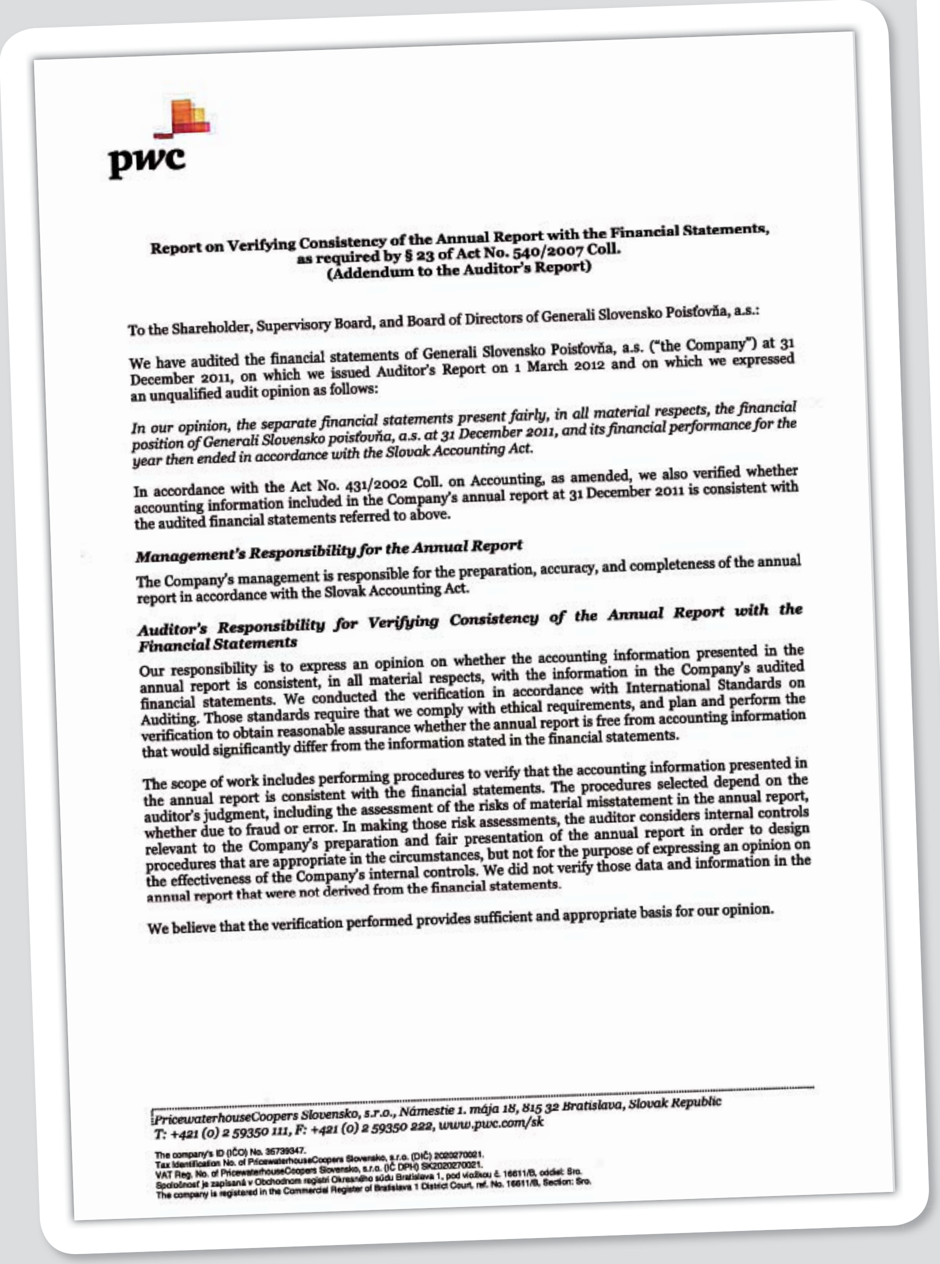
Marcela Nberiová
Member of the Supervisory Board

Luisa Coloni
Member of the Supervisory Board

Financial Section

Report on the Verification of the Annual Report Compliance with the Financial Statements in accordance with Section 23 of Act No 540/2007

(Addendum to Auditor's Report)



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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 2011, on which we issued Auditor's Report on 1 March 2012 and on which we expressed an unqualified audit opinion as follows:

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Generali Slovensko poisťovňa, a.s. at 31 December 2011, and its financial performance for the year then ended in accordance with the Slovak Accounting Act.

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 2011 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

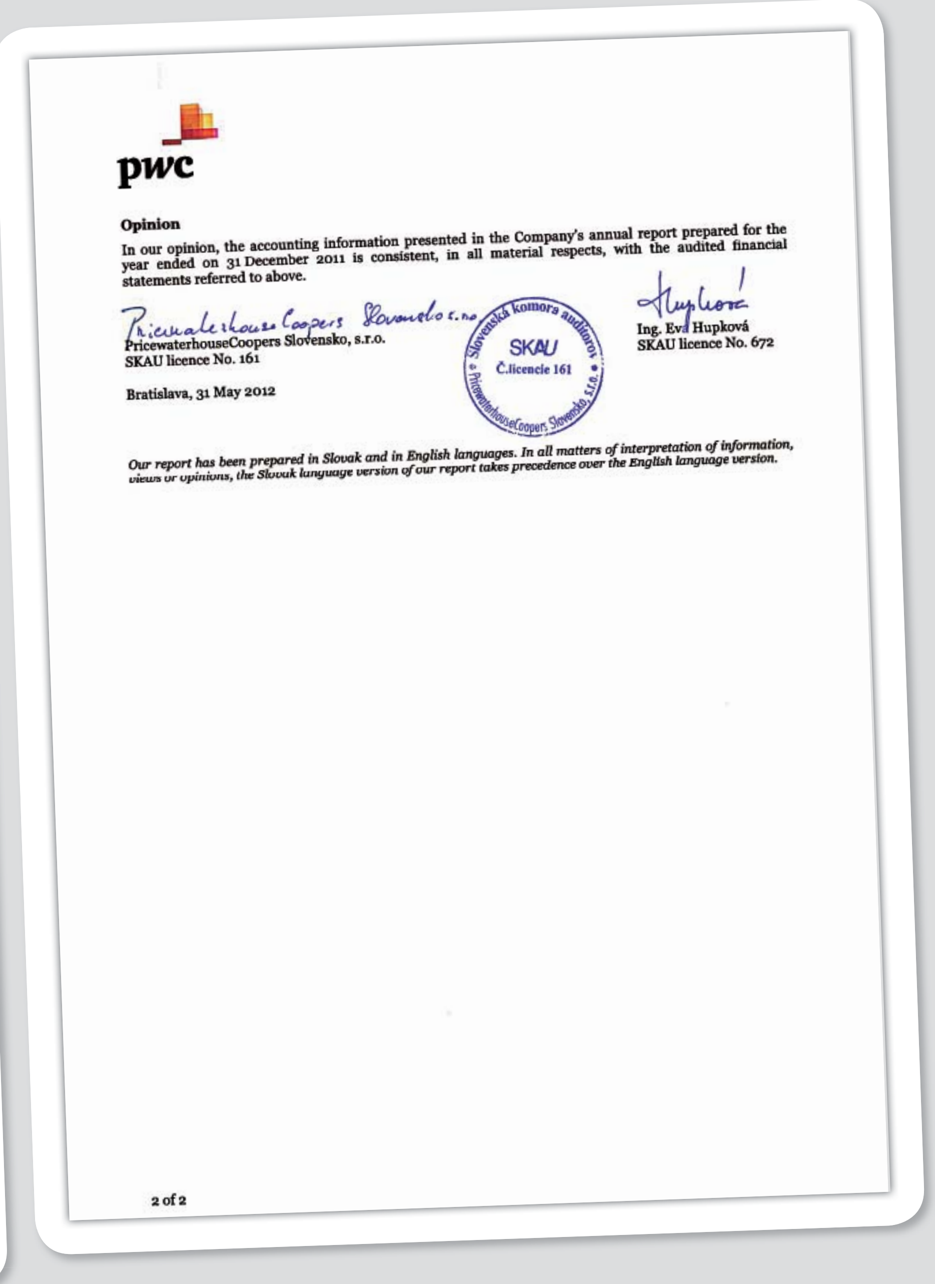
Our responsibility is to express an opinion on whether the accounting information presented in the annual report is consistent, in all material respects, with the information in the Company's audited financial statements. We conducted the verification in accordance with International Standards on Auditing. 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.

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

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



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Opinion

In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2011 is consistent, in all material respects, with the audited financial statements referred to above.

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

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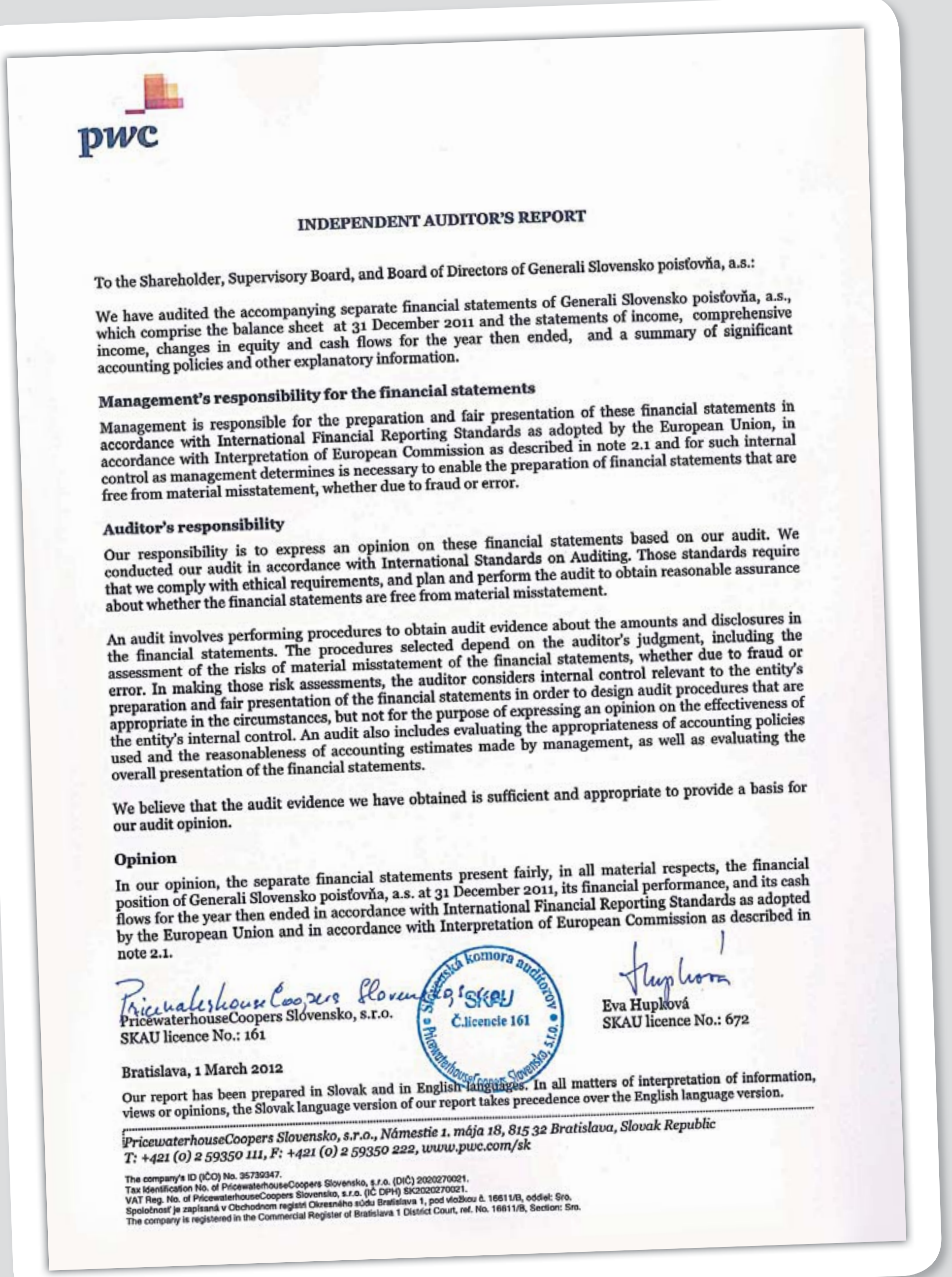
Hupková
Ing. Eva Hupková
SKAU licence No. 672

Bratislava, 31 May 2012

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.

2 of 2

Independent Auditor’s Report



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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 2011 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, in accordance with Interpretation of European Commission as described in note 2.1 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 control 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 control. 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 separate financial statements present fairly, in all material respects, the financial position of Generali Slovensko poisťovňa, a.s. at 31 December 2011, 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 in accordance with Interpretation of European Commission as described in note 2.1.

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Eva Hupková
SKAU licence No.: 672

Bratislava, 1 March 2012

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.

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

Generali Slovensko poisťovňa, a. s.

Separate financial statements at 31 December 2011 prepared in accordance with International Financial Reporting Standards, as adopted by the European Union

Ing. Vladimír Bezděk M.A. Chairman of the Board of Directors	Ing. Jozet Ianzer Member of the Board of Directors	Ing. Sylvia Čonková Person responsible for accounting	Ing. Silvia Kompišová Person responsible for the financial statements

Separate Balance Sheet

	Note	At 31 December 2011	At 31 December 2010
ASSETS			
Tangible assets	5	4,853	3,592
Intangible assets	6	50,561	55,401
Other non-financial assets		2,485	1,060
Investments in subsidiaries and joint ventures	7	17,416	17,416
Financial assets			
- term deposits	8	25,496	8,044
- available for sale assets	8	213,771	247,755
- assets at fair value through profit or loss	8	129,961	129,442
Reinsurance assets	9,15	43,881	41,994
Loans and receivables	10	17,229	18,177
Deferred acquisition costs	11	18,100	15,013
Tax receivables		-	973
Cash and cash equivalents	13	3,468	5,038
TOTAL ASSETS		**527,221**	**543,905**
EQUITY			
Share capital		25,000	25,000
Legal reserve fund		3,408	2,627
Available-for-sale financial assets revaluation reserve		(9,572)	1,366
Profit for the year and retained earnings		60,036	69,405
TOTAL EQUITY	14	**78,872**	**98,398**
LIABILITIES			
Technical liabilities from insurance contracts	15	395,758	397,439
Deposits from reinsurers	16	414	3,583
Trade and other liabilities	17	40,798	36,379
Financial liabilities			
- derivatives	8	1,582	–
- carried at amortized cost	8	5,001	–
Deferred tax liabilities	12	4,796	8,106
TOTAL LIABILITIES		**448,349**	**445,507**
TOTAL EQUITY AND LIABILITIES		**527,221**	**543,905**

The notes on pages 29 to 113 are an integral part of these financial statements.
(All amounts are in thousands of EUR, unless stated otherwise.)

Ing. Vladimír Bezděk, M.A.
Chairman of the Board of Directors

Ing. Jozef Tanzer
Member of the Board of Directors

Separate Income Statement

	Note	2011	2010
Gross earned premium		190,642	196,137
Earned premium ceded to reinsurers		(49,905)	(49,557)
NET EARNED PREMIUM	18	**140,737**	**146,580**
Income/(loss) from financial investments	19	(119)	24,619
(Losses) from derivative financial instruments	19	(4,277)	(2,531)
Impairment of available-for-sale financial assets	20	(529)	–
Commission from reinsurers		10,483	10,821
Other income	21	2,943	1,466
		149,238	**180,955**
Insurance benefits and claims liquidation expenses in life insurance		43,481	70,523
Insurance benefits in life insurance ceded to reinsurers		144	(347)
Insurance benefits and claims liquidation expenses in non-life insurance		65,160	52,634
Insurance benefits and claims settlement expenses ceded to reinsurers in non-life insurance		(32,202)	(19,374)
NET INSURANCE BENEFITS AND CLAIMS	22	**76,583**	**103,436**
Commissions and other acquisition costs	23,25	41,341	46,144
Investment management expenses	24,25	669	874
Administration costs		27,129	20,904
	25	**145,722**	**171,358**
PROFIT BEFORE TAXES		**3,516**	**9,597**
Income tax	26	(2,103)	(1,787)
PROFIT AFTER TAXES		**1,413**	**7,810**

The notes on pages 29 to 113 are an integral part of these financial statements.
(All amounts are in thousands of EUR, unless stated otherwise.)

Separate Statement of Comprehensive Income

	Note	At 31 December 2011	At 31 December 2010
Profit after taxes		**1,413**	**7,810**
Other comprehensive income/(loss)			
Loss from revaluation of available-for-sale financial assets, from transfers to net profit when sold and impaired, net of deferred tax		(10,938)	(1,253)
Other comprehensive income/(loss)		**(10,938)**	**(1,253)**
Total comprehensive income/(loss)	14	**(9,525)**	**6,557**

The notes on pages 29 to 113 are an integral part of these financial statements.
(All amounts are in thousands of EUR, unless stated otherwise.)

Separate Statement of Changes in Equity

	Note	Share capital	Legal reserve fund	Revaluation of assets available for sale	Retained earnings and profit for the year	Total
Equity at 1 January 2010		**24,900**	**1,600**	**2,619**	**82,622**	**111,741**
Other comprehensive losses for 2010		–	–	(1,253)	–	(1,253)
Profit after taxes		–	–	–	7,810	7,810
Total comprehensive incomes/(losses) for 2010		**–**	**–**	**(1,253)**	**7,810**	**6,557**
Dividends	14	–	–	–	(20,000)	(20,000)
Contributions to legal reserve fund	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**
Other comprehensive losses for 2011		–	–	(10,938)	–	(10,938)
Profit after taxes	14	–	–	–	1,413	1,413
Total comprehensive incomes/(losses) for 2011		**–**	**–**	**(10,938)**	**1,413**	**(9,525)**
Dividends	14	–	–	–	(10,000)	(10,000)
Contributions to legal reserve fund	14	–	781	–	(781)	–
		–	**781**	**–**	**(10,781)**	**(10,000)**
Equity at 31 December 2011		**25,000**	**3,408**	**(9,572)**	**60,036**	**78,872**

The notes on pages 29 to 113 are an integral part of these financial statements.
(All amounts are in thousands of EUR, unless stated otherwise.)

Separate Cash Flow Statement – indirect method

	Note	At 31 December 2011	At 31 December 2010
Cash-flows from operating activities			
Profit/(Loss) before tax		3,516	9,597
Adjustments for:			
Depreciation and amortization of tangible and intangible assets	5,6	6,858	7,218
Impairment losses	20	529	–
Creation/Release of bad debt provisions		(1,023)	(1,534)
Write-offs of receivables		1,693	2,379
(Gains)/losses from revaluation of financial assets at fair value through profit or loss	19	14,394	(8,740)
Interest income	19	(9,845)	(9,892)
Interest expense		1	–
Dividend income	19	(436)	(409)
(Gains) from sales/disposals of tangible assets		(80)	(46)
Interest received		10,319	10,130
Dividends received		436	409
(Increase)/Decrease in financial assets		(13,640)	(674)
(INCREASE)/DECREASE IN REINSURANCE ASSETS		(1,887)	4,643
(Increase)/Decrease in loans, receivables and other assets		(1,147)	1,506
(Increase)/Decrease in deferred acquisition costs		(3,087)	1,526
Increase/(Decrease) in insurance contracts		(1,096)	24,390
Increase/(Decrease) in reinsurance payables		(3,169)	(924)
Increase/(Decrease) in trade and other payables		4,419	(10,070)
Increase/(Decrease) in financial liabilities		1,582	–
Income tax paid		(1,707)	(5,287)
Net cash from operating activities		**6,630**	**24,222**
Cash flows from investing activities			
Acquisition of tangible and intangible assets	5,6	(3,375)	(2,047)
Proceedings from sale of tangible assets		175	134
Net cash from investing activities		**(3,200)**	**(1,913)**
Cash flows from financing activities			
Dividends paid	14	(10,000)	(20,000)
Loans received	8	5,000	–
Contribution to share capital	14	–	100
Net cash from financing activities		**(5,000)**	**(19,900)**
Net increase/(decrease) in cash and cash equivalents		(1,570)	2,409
Cash and bank accounts at the beginning of the year		5,038	2,629
Cash and cash equivalents at the end of the year	13	**3,468**	**5,038**

The notes on pages 29 to 113 are an integral part of these financial statements.
(All amounts are in thousands of EUR, unless stated otherwise.)

Generali Slovensko poisťovňa, a. s.

Notes to the separate financial statements

1. General information

Generali Slovensko poisťovňa, a. s., ("the Company") is a universal insurance company seated in Slovak Republic. The Company provides 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 660 people (at 31 December 2010: 670).

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 established and seated in Slovak Republic. The Company's registered office address is: Lamačská cesta 3/A, 841 04 Bratislava, Slovak Republic. The Company's shares are not listed on stock exchange. The Company's corporate ID (IČO): 35709332; its tax ID No. is 2021000487.

Members of the Company's statutory and supervisory bodies according to the Commercial Register as at 31 December 2011:

BOARD OF DIRECTORS:		
Title, Name, Surname	**function**	**period until – since**
Ing. Vladimír Bezděk, M.A.	Chairman	
Ing. Jozef Tanzer	Member	
PaedDr. Roman Holček	Member	until 24 August 2011
Ing. Tibor Zalabai	Member	until 24 August 2011
Ing. Eva Štefániková	Member	since 1 April 2011
Ing Stanislav Uma	Member	since 10 October 2011

SUPERVISORY BOARD:		
Title, Name, Surname	**function**	**period until – since**
Klára Starková	Chairman	
Dr. Lorenzo Kravina	Member	until 27 May 2011
Luisa Coloni	Member	since 27 May 2011
Mgr. Jana Šedíková	Member	until 27 February 2011
Ing. Peter Galo	Member	since 19 April 2011

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 ultimate parent company and ultimate controlling party is Assicurazioni Generali S.p.A., Piazza Duca degli Abruzii 2, Trieste, Italy.

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

(All amounts are in thousands of EUR, unless stated otherwise.)

2. Summary of significant accounting policies

2.1 Basis of preparation of the financial statements

The Company's separate financial statements as at 31 December 2011 (further on "financial statements") have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS").

These financial statements have been prepared as separate financial statements in accordance with § 17 a), 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 2011. The Company Generali PPF Holding B.V., with registered office at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands, will prepare the consolidated financial statements under IFRS as adopted by the EU.

As at the day, on which these separate financial statements were approved, the 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 fourth and seventh 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, it can prepare and issue them independently from preparing and filing the consolidated financial statements.

In the consolidated financial statements, subsidiaries, 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 2011, 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 these financial statements are shown in thousands of Euros ("EUR") and amounts are rounded to the nearest thousand (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 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 will 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 2011

Adoption of new or revised standards and interpretations, described below has no significant impact on the financial statements (unless stated otherwise):

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 the state exercises some influence, and contains a modified definition of related party. This amendment was adopted by the European Union on 19 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' proportional share capital increase of joint stock company, if this increase is reflected in it as the functional currency of the issuer. Previously this amendment was necessary in order to change the law regarding 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 their 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 regulated standards as required by IFRS 7, have the same exception as the entities that had already used IFRS in the past. This arrangement was approved by the European Union on 30 June 2010.

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 the use of 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 the use of 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, explains the changes in accounting procedures or the use of exemptions in IFRS 1, if they occurred between the compilation of 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 no other way of valuation by another IFRS standard is required) of the share of minority shareholders, which is not an ownership or which does not provide a right for a proportion 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 the 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 on 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 to the terms and conditions, that would otherwise be overdue or impaired, (iii) the replacement of the 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 such 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. These changes were adopted by the European union on 18 February 2011.

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 extinguishes obligation by own shares, but requests value 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 a pension plan - (effective for annual periods beginning 1 January 2011 or later). This amendment will have limited impact, because only those companies that have set a minimum level of contribution to a pension plan with a pre-defined benefit will be affected. It removes 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.

New or revised standards and interpretations that are

mandatory for accounting periods beginning on or after 1 January 2012, and which the Company has not early adopted:

None of the below stated standards, interpretations and amendments to the issued standards was voluntarily applied before its effective date when preparing financial statements as of 31 December 2011.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity‘s balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment to the standard has not been approved by the European Union.

The Amendment to IFRS 1, Removal of Fixed dates for First-time Adopters of IFRS (effective for annual periods beginning on or after 1 July 2011). The amendment brings the following changes for entities that prepare their financial statements under the IFRS for the first-time:

- replaces references to a fixed date of 1 January 2004 with ‘the date of transition to IFRSs’, thus eliminating the need for entities adopting IFRSs for the first time to retrospectively restate derecognition transactions that occurred before the date of transition to IFRSs as required by IAS 39.
- First-time adopters may not need to restate valuation differences that arose at the date of initial recognition, when relating transaction took place before the date of transition to IFRSs.

This amendment has not been adopted by the European Union.

The Amendment to IFRS 1, Severe Hyperinflation (effective for annual periods beginning on or after 1 July 2011). This amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. This amendment has not been adopted by the European Union.

IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective from January 1, 2012). IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard 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 payments of principal and interest only (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 other comprehensive income 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 in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company. IFRS 9 has not been approved by the European Union.

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

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The standard has not been approved by the European Union.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Venturers". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The standard has not been approved by the European Union.

IFRS 12, Disclosure of Interests in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in Company activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The standard has not been approved by the European Union.

IFRS 13, Fair Value Measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard has not been approved by the European Union.

IAS 27 (2011), Separate Financial Statements, (effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The amendment to the standard has not been approved by the European Union.

IAS 28 (2011), Investments in Associates and Joint Ventures, (effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amendment to the standard has not been approved by the European Union.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment to the standard has not been approved by the European Union.

Amendments to IAS 1, Presentation of Financial Statements (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two Companies, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Company expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances. The amendment to the standard has not been approved by the European Union.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The amendment to the standard has not been approved by the European Union.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments. The amendment to the standard has not been approved by the European Union.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amendment to the standard has not been approved by the European Union.

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

2.2 Investments in subsidiaries and joint ventures

a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are carried at cost in these financial statements according to IAS 27. As of the date on which the financial statements, 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. As of the date on which the financial statements, 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. The Company applies the same accounting policy for affiliate entities.

2.3 Foreign currency translation

a) Functional and presentation currency

Items included in the Company's financial statements are stated in Euros, 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 translations 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 gains or losses. 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.

(All amounts are in thousands of EUR, unless stated otherwise.)

2.4 Intangible assets

a) Value of business acquired (VOBA)

Insurance liabilities assumed and insurance assets acquired in a business combination from a party that is 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 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 was determined on the basis of best estimates of the future development of the non-life portfolio (persistency, claims development, costs).

VOBA is an intangible asset with a finite useful life. VOBA 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). VOBA's 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 expected useful life (up to 4 years).

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

(All amounts are in thousands of EUR, unless stated otherwise.)

2.5 Tangible assets

a) Acquisition costs

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 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) Assets operated on the leasing basis

Lease contracts 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 reduced by accumulated depreciation (see below) and the impairment losses (Note 2.17).

c) Depreciation

Depreciation charges are calculated using the straight-line method over estimated useful lives as follows:

Buildings	15 to 40 years
Machinery and equipment	3 to 15 years
Motor vehicles	3 to 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 asset's 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).

(All amounts are in thousands of EUR, unless stated otherwise.)

2.6 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 receivables from reinsurers (classified as loans and receivables), as well as long-term receivables 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.

2.7 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 transaction costs that are directly attributable to their acquisition, except financial assets measured at fair value through profit or loss. 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, 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 stated at fair value through profit or loss

Financial assets stated 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 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 is 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 stated at fair value through profit or loss at inception are those that are in internal and external funds to match insurance contract liabilities where the risk of fair value changes is borne by the insured. The measurement of these assets at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (so called "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 stated at fair value through profit or loss are subsequently valued at fair value. Realized and unrealized gains and losses arising from changes in fair value are recognised in income statement.

b) Loans and receivables

This category comprises non-derivative financial assets with fixed payments that are not quoted in an active market. It does not include financial assets stated at fair value through profit or loss or those available for sale. 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 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 time of sale or permanent impairment, 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.

If available for sale financial asset is interest bearing, interest 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, derivative financial instruments 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.

2.8 Deferred acquisition costs (DAC)

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

The Company only defers direct acquisition costs up to the maximum 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 traditional life insurance with premiums paid regularly, when DAC are accounted once in the value of premium (calculated as described in Note 2.13) are amortized over the contractual period, in which acquisition costs are amortized in the calculation of the mathematical provision – Zillmer method.
- 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.
- For traditional life insurance with premiums paid regularly, when DAC are not accounted in a lump sum in the value of premium and in case of unit linked insurance the acquisition costs do not defer.

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

2.9 Income tax

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

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

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

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

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

2.10 Offsetting financial assets and liabilities

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as 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.

(All amounts are in thousands of EUR, unless stated otherwise.)

2.13 Technical liabilities from insurance contracts

This item comprises amounts of gross liabilities related to insurance contracts and investment contracts with discretionary participation features (DPF) that fall under IFRS 4 scope.

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

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

The technical provision for the variable capital life insurance is determined for each insurance contract separately as the total capital value (premium paid, net of all related deductions, measured with 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.

A provision for insufficient premium in the life insurance, set up on the basis of the liability adequacy test, is a part of the provision for life insurance.

Shadow accounting

In accordance with IFRS 4 the Company has possibility to change its accounting procedures so that the unrealized gains or losses from assets recognized in other comprehensive income will affect the amount of liabilities from insurance contracts in the same manner as if they were realized. This procedure is so-called shadow accounting. The Company therefore, using shadow accounting principle increased technical provision in life insurance against other comprehensive income in the amount of the corresponding share of unallocated surpluses arising from the valuation difference on available for sale securities (also reported in other comprehensive income).

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

The provision has been set up for insurance contracts linked to investment life insurance (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. Unearned premium reserve includes the unearned part of the written premium that relates to subsequent accounting periods and it is not a part of other technical liability from insurance contracts. The unearned premium reserve is calculated using the pro-rata temporis method.

Provision for insurance benefits

The provision for insurance benefits in life insurance represents an estimate of total expenses for insurance benefits that result from insured events incurred by the end of the accounting period, 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 or insurance event from the supplementary insurance creating provision (i.e. relates to the termination of an insurance contract/risk) 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 instalments or pension the RBNS provision has been set up as the current value of future payments at an interest discount rate of 3% (2010: 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 in non-life insurance represents an estimate of total expenses for insurance claims that result from insured events incurred by the end of the accounting period, regardless of whether or not they have been reported.

The provision for insurance benefits from insured events that have been reported (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 improved at each subsequent supplement of 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 instalments or as a pension the RBNS provision has been set up as the current value of future payments at an interest discount rate of 3% in accidence insurance and 2.5% in MTPL annuities.

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

A so-called IBNER provision is set up as a part of RBNS provision in non-life insurance, i.e. a provision for insured events already incurred but poorly reported. The amount of this provision is 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 is 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.

(All amounts are in thousands of EUR, unless stated otherwise.)

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.

2.14 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are financial instruments including amounts 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. Impairment testing process is described in Note 2.17.

2.15 Deposits from reinsurers

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

(All amounts are in thousands of EUR, unless stated otherwise.)

2.16 Revenue recognition

a) Income from fees and commissions

Reinsurance commissions and profit shares from reinsurers include commissions received from reinsurers, receivables from reinsurers resulting from reinsurance commissions, and the share in profit resulting from reinsurance contracts. Reinsurance commissions from 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.

d) Income from liquidation of insurance claims

Income from liquidation of insurance claims is recorded at the time the services are rendered.

(All amounts are in thousands of EUR, unless stated otherwise.)

2.17 Impairment of assets

a) Financial assets carried at amortized cost

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

An objective indication that a financial asset or a group of financial assets is impaired includes the following:

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

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

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

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. With the exception of receivables from unit linked insurance, where provision is set in the full amount of the receivable which reduces an accounting mismatch between written premium and setting up the technical provision for life insurance. 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 is removed from valuation variances in other comprehensive income and recognized in the income statement. The cumulative loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial

(All amounts are in thousands of EUR, unless stated otherwise.)

asset previously recognized in profit or loss. If the next period the fair value of the equity security will increase, these increases of the fair value of the equity security is are not recognized in the income statement. The impairment loss on equity securities is released 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.

2.18 Insurance and investment contracts – classification and measurement

The Company concludes contracts that transfer insurance risk or financial risk, or both. Insurance contracts are those that transfer significant insurance risk. Such contracts may also transfer financial risk. The Company defines as a significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk, 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 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 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,

(All amounts are in thousands of EUR, unless stated otherwise.)

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% to 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 discern. The share in the profits for the current year is announced 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 31 December of the 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 reduced 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.

Investment life insurance contracts (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 is 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 for unearned premium reserve 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, insufficiency will be additionally set up through the income statement by writing off DAC.If writing off DAC will be insufficient to cover the deficiency a provision for unexpired risks will be 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 claims 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 market risk-free yield curve. Presented best estimate of future contractual cash flows and expenses is increased by the risk premium. Any insufficiency is immediately charged to the income statement, initially by writing off DAC and subsequently by setting up a provision for the deficiency of life insurance provisions. Any DAC written off as a result of this test cannot be subsequently reinstated.

The Company performs the 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.

(All amounts are in thousands of EUR, unless stated otherwise.)

2.19 Leasing

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

2.20 Employee benefits

Short-term employee benefits
Short-term employee benefits include salaries, wage compensation for public holidays, holidays and arise for the services provided by employees to the Company. They are accounted for at their nominal value and are recognized as personnel costs in the income statement.

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 % (2010: 35.2 %) of the gross salaries up to the amount of monthly salary pursuant to relevant legal regulations. The employee contribution was 13.4 % (2010: 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 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.

(All amounts are in thousands of EUR, unless stated otherwise.)

2.21 Dividend distribution

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

3. 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 (Note 15) 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 motor third party liability insurance deficit (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"). However, Slovenská poisťovňa, a.s. had not set up sufficient provisions for liabilities from the compulsory MTPL insurance. All members of the SIB participate in the deficit incurred in proportion to their share on the number of insured vehicles. In 2005, 2007 and 2011, the audit company Deloitte performed an audit of the statutory provisions. In 2011 Deloitte estimated the set a lower and an upper limit of the deficit (less of value of cash equivalents on SIB account) to be between EUR 43.599 – 81.338 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 the Company's MTPL current 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 4,299 thousand (31 December 2010: EUR 9,229 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 (as at 31 December 2011: 7.5%; and as at 31 December 2010: 8.1%).

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 voluntarily terminated, future expenses, and future investment income increased by a safety Premium are set. For life insurance products, these assumptions, which are included in the insurance Premium, are not changed during the entire term of insurance. They are used to compute liabilities during the entire lifetime of the policy.

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

The liability adequacy test 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 (Note 20). 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 receivables

The Company uses mathematical - statistical method (Chain--Ladder) in calculation of subrogation receivable assuming that the history of obtained subrogations is relevant for the future.

Current volatility on global financial markets

The crisis situation in the financing of some euro area countries and other risks could have also a negative impact on Slovak economics.

The continuing unfavourable situation in the financial markets affects the amount of the Company's debt portfolio.

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.

4. Risk management

Risk management is a core element of the Company's business, fully integrated into management decisions. Risk management processes consist of the identification and valuation of risks, quantification, as well as of application and implementation of mitigation measures.

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

Risk management policies

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

Priorities in risk management programmes

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

- 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.

(All amounts are in thousands of EUR, unless stated otherwise.)

4.1 Insurance risk

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

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

For the portfolio of insurance contracts where the probability theory is applied to pricing and provisioning, the main risk the Company is exposed to is that the amount of insurance claims or benefits may be higher than the related insurance liabilities. This may occur if the number and significance of insured events and contributions actually occurred is higher than originally assumed. Insured events are random and the actual number and amount of claims and benefits vary every year from the level calculated using statistical techniques.

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

Insurance risk in life insurance and non-life insurance is concentrated in the Slovak Republic.

(All amounts are in thousands of EUR, unless stated otherwise.)

4.1.1 Life insurance risk

The Company’s life insurance portfolio comprises long-term insurance contracts with fixed and guaranteed terms, investment life insurance (unit linked) 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. Mortality and morbidity tables are normally used with the use 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.

Sum at Risk * (SaR) for mortality at the end of 2011				
Less than 7	507,932	273,923	40	507,932
7 to 15	282,042	28,416	37	282,042
15 to 30	219,794	10,894	36	219,794
30 to 50	166,516	4,446	35	166,516
More than 50	162,190	2,223	35	141,951
Collective agreements	132,578	4,012	–	–
Total	**1,471,052**	**323,914**	**–**	**1,318,235**

Sum at Risk * (SaR) for mortality at the end of 2010				
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**

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

(All amounts are in thousands of EUR, unless stated otherwise.)

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 liability adequacy test):

	2011		2010	
Mortality risk	**Required minimum amount of provisions ***	**Provision insufficiency****	**Required minimum amount of provisions ***	**Provision insufficiency****
Present value	118,493	2,812	110,414	2,172
Mortality +10% shift	119,290	2,946	110,966	2,196
Mortality - 10% shift	117,707	2,708	109,860	2,147
Lapse risk				
Present value	118,493	2,812	110,414	2,172
Gradient +25% shift	119,924	3,129	112,590	2,610
Gradient - 25% shift	117,329	2,526	108,078	1,775
Loss risk				
Present value	118,493	2,812	110,414	2,172
Expenses +10% shift	120,403	3,282	112,098	2,347
Expenses - 10% shift	116,652	2,548	108,730	2,015

** technical provisions are reported in amounts as described in Note 2.13 and that is why they do not agree with amounts presented in balance sheet*

*** deficiency of provision is fully reported in these financial statements*

(All amounts are in thousands of EUR, unless stated otherwise.)

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 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 born by the policy holder, represent the difference between the charges and the cost sum and benefits above 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 liability 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 30% to 50% of mortality shown in the table issued by Information Technology and Statistics Institute (INFOSTAT) or in tables of events used for setting prices of new products. The set up of assumptions for 2011 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 other subjects of the Generali group was used, other product data for the distribution channel, or the last known value. If the number of lapses or payments in future years differs by 25%, this change in assumptions will have minor impact on the liability adequacy test result, as it is described above.

(All amounts are in thousands of EUR, unless stated otherwise.)

4.1.2 Non-life insurance risk

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

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

In 2011 the Company was exposed to increased number of claims related to property insurance (mainly in agriculture), caused by natural disasters in various parts of Slovakia.

Impact of natural disasters on the frequency and the amount of losses in this segment

	Before reinsurance		After reinsurance	
	2011	**2010**	**2011**	**2010**
Mean value of the amount of losses* - property	2,851	2,484	1,729	1,274
Mean value of the amount of losses * - disasters	7,492	2,364	5,127	555
Number of claims per 100 contracts /insured premises [in %]	2.77%	4.16%	2.77%	4.16%

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

The policy of insurance underwriting risk in life insurance
The Company's underwriting policy covers all sold 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.

(All amounts are in thousands of EUR, unless stated otherwise.)

Concentration risk in non-life insurance

Just as in life, even in non-life insurance the Company is exposed to risk of several major damages 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 2011

Interval (in ths. EUR)	Total interval (in ths. EUR)	Number of objects	Total after reinsurance
less than 25	689,192	81,484	399,630
25 - 100	5,213,805	269	3,787,079
100 - 1,000	7,896,365	2,838	6,069,917
1,000 - 10,000	5,356,935	24,687	3,264,957
10,000 - 50,000	4,191,514	76,664	2,430,065
more than 50,000	12,672,654	71	5,252,972
Total	**36,020,464**	**186,013**	**21,204,620**

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**

Reserve risk

The reserve risk is the risk that the technical provision for claims 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.

The estimation has changed according to real paid claims and new information about frequency and average amount of unpaid claims.

(All amounts are in thousands of EUR, unless stated otherwise.)

The difference between the ultimate cost of claims and cumulative claims paid for 2011 determines the claims provision related to accident years from 2004 (and earlier) to 2011.

	2004 and earlier	2005	2006	2007	2008	2009	2010	2011	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	74,003	
one year later	74,384	49,053	55,348	62,243	86,390	60,615	75,668		
two years later	70,044	49,609	53,617	60,863	82,762	55,978			
three years later	69,100	49,620	53,126	58,634	82,239				
four years later	68,933	49,016	51,632	57,824					
five years later	69,583	48,336	50,729						
six years later	67,199	47,841							
seven years later	66,695								
Estimate of ultimate cumulative claim costs at 31 December 2011	66,695	47,841	50,729	57,824	82,239	55,978	75,668	74,003	510,977
Cumulative payments at 31 December 2011	(63,643)	(45,765)	(48,086)	(55,614)	(75,694)	(52,020)	(63,476)	(39,286)	(443,584)
Provision for insurance claims shown on the balance sheet	3,052	2,076	2,643	2,210	6,545	3,958	12,192	34,717	67,392

(All amounts are in thousands of EUR, unless stated otherwise.)

4.2 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 2011, the value of assets denominated in foreign currencies totalled EUR 17,112 thousand (2010: EUR 19,047 thousand) and the value of liabilities denominated in foreign currencies amounted to zero (2010: 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 assets 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 2011

Currency risk sensitivity (open foreign currency position)	USD	CZK	PLN	HUF	GBP
Change in the exchange rate	+/-10%	+/-10%	+/-10%	+/-10%	+/-10%
Profit or loss	+/-24.6	+/-0.5	+/-99.4	+/-0.2	+/- 0.2

Balance as at 31 December 2010

Currency risk sensitivity (open foreign currency position)	USD	CZK	HUF
Change in the exchange rate	+/-10%	+/-10%	+/-10%
Profit or loss	+/-0	+/-0.1	+/-1.7

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 sensitivity (does not include financial position on behalf of the insured)

As at 31 December 2011	Bonds book value (decrease)/increase	Technical provisions book value (decrease)/increase	Impact on the Income Statement	Impact on the Statement of Comprehensive Income
Impact of change of + 100 bp	(9,969)	(1,401)	1,401	(8,568)
Impact of change of - 100 bp	11,027	6,214	(6,214)	4,813

As at 31 December 2010	Bonds book value (decrease)/increase	Technical provisions book value (decrease)/increase	Impact on the Income Statement	Impact on the Statement of Comprehensive Income
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

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 1.2 to 3.4% 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 bases 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 or 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 2011		
Impact on	**Profit/(loss)**	**Other comprehensive income**
Price change	-/+ 10%	-/+ 10%
Profit or loss	–	-/+ 1,263

Balance as at 31 December 2010		
Impact on	**Profit/(loss)**	**Other comprehensive income**
Price change	-/+ 10%	-/+ 10%
Profit or loss	–	-/+ 1,935

(All amounts are in thousands of EUR, unless stated otherwise.)

4.3 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:

2011	**Estimated cash flows (undiscounted)**					
	0-5 years	**5-10 years**	**10-15 years**	**15-20 years**	**> 20 years**	**Total**
Bonds	131,293	67,934	78,896	884	5,758	284,766
Term deposits	25,496	–	–	–	–	25,496
Derivates	(667)	(915)	–	–	–	(1,582)
Shares	12,630	–	–	–	–	12,630
Investment funds	129,961	–	–	–	–	129,961
Total	**298,713**	**67,019**	**78,896**	**884**	**5,758**	**451,271**

2011	**Estimated cash flows (undiscounted)**					
	0-5 years	**5-10 years**	**10-15 years**	**15-20 years**	**> 20 years**	**Total**
Life insurance contracts with fixed and guaranteed terms*	(33,602)	18,933	37,857	31,742	81,353	136,283
Unit-linked products*	129,609	–	–	–	–	129,609
Non-life insurance	96,047	2,105	1,096	699	410	100,357
Financial liabilities in amortised amount	5,001	–	–	–	–	5,001
Deposits from reinsurers	414	–	–	–	–	414
Trade and other liabilities	40,798	–	–	–	–	40,798
Total	**238,267**	**21,038**	**38,953**	**32,441**	**81,763**	**412,462**

**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:	5.26 years
Average maturity of liabilities:	5.28 years

(All amounts are in thousands of EUR, unless stated otherwise.)

2010	Estimated cash flows (undiscounted)					
	0-5 years	**5-10 years**	**10-15 years**	**15-20 years**	**> 20 years**	**Total**
Bonds	156,971	69,661	19,208	48,454	20,017	314,311
Term deposits	8,044	–	–	–	–	8,044
Derivates	206	(246)	–	–	–	(40)
Shares	19,355	–	–	–	–	19,355
Investment funds	129,478	–	–	–	–	129,478
Total	**314,054**	**69,415**	**19,208**	**48,454**	**20,017**	**471,148**

2010	Estimated cash flows (undiscounted)					
	0-5 years	**5-10 years**	**10-15 years**	**15-20 years**	**> 20 years**	**Total**
Life insurance contracts with fixed and guaranteed terms*	(3,918)	12,836	34,081	26,925	67,179	137,103
Unit-linked products*	127,887	7	–	–	–	127,894
Non-life insurance	94,704	3,323	2,060	1,383	807	102,277
Deposits from reinsurers	3,583	–	–	–	–	3,583
Trade and other liabilities	36,379	–	–	–	–	36,379
Total	**258,635**	**16,166**	**36,141**	**28,308**	**67,986**	**407,236**

**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

4.4 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 2011	**Bonds available for sale**		**Loans and receivables**		**Reinsurance assets**	**Cash**	**Term deposits**
Credit risk	**corporate**	**government**	**to customers**	**other receivables**			
AAA	1,005	977	–	–	–	–	–
AA+	–	–	–	–	–	–	–
AA	4,013	–	–	–	27	–	–
AA-	6,471	6,105	–	–	6,017	–	–
A+	–	127,436	216	–	517	59	13,615
A	19,940	3,506	–	–	1,261	26	760
A-	8,696	–	–	–	–	1,599	10,450
BBB+	2,144	–	–	–	14	356	670
BBB	8,715	–	–	–	–	1,327	–
BBB-	2,961	–	–	–	–	–	–
BB+	1,354	–	–	–	–	11	–
BB	713	–	–	–	–	–	–
BB-	7,106	–	–	–	–	–	–
CCC	–	–	–	–	–	–	–
Without rating	–	–	16,006	1,007	36,045*	90	–
Total	**63,116**	**138,025**	**16,222**	**1,007**	**43,881**	**3,468**	**25,496**

** of which EUR 33 720 thousand represents the share GP Reinsurance EAD (Note 28)*

In January 2012 EUR 5,833 thousand were paid from total amount of loans and receivables as at 31 December 2011.

(All amounts are in thousands of EUR, unless stated otherwise.)

As at 31 December 2010	Bonds		Loans and receivables	Reinsurance assets	Cash and term deposits
Credit risk	**At fair value through profit or loss**	**Available for sale**			
AAA	–	13,278	–	39	–
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)*

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

		Overdue, not impaired			Impaired	Total
As at 31 December 2011	**Not yet due, not impaired**	**0-3 months**	**3-6 months**	**6 months - 1 year**	**More than 1 year**	
Financial assets available for sale (without shares)	201,141	–	–	–	–	201,141
Financial assets and liabilities at fair value at profit and loss (without shares and bonds)	(1,582)	–	–	–	–	(1,582)
Cash and term deposits	28,970	–	–	–	–	28,970
Loans and receivables*	4,179	9,432	893	861	1,864	17,229
Reinsurance assets	43,881	–	–	–	–	43,881
Total	**276,589**	**9,432**	**893**	**861**	**1,864**	**289,639**

** 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.*

		Overdue, not impaired			Impaired	Total
As at 31 December 2010	Not yet due, not impaired	0-3 months	3-6 months	6 months - 1 year	More than	
Financial assets available for sale (without shares)	228,400	–	–	–	–	228,400
Financial assets and liabilities 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.*

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	2011	2010
Opening balance	11,298	12,999
Write-offs of receivables	(1,693)	(2,379)
Creation	1,086	678
Closing balance	**10,691**	**11,298**

Valuation allowances for other receivables	2011	2010
Opening balance	1,172	1,005
Creation/(Release)	(62)	167
Closing balance	**1,110**	**1,172**

(All amounts are in thousands of EUR, unless stated otherwise.)

4.5 Operational risk

The Company defines operational risks as potential losses, including occasional costs, arising from the lack or underperformance of internal processes, human resources and systems. Reasons may arise from both internal and external factors. Due to the 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.

(All amounts are in thousands of EUR, unless stated otherwise.)

4.6 Capital management

The Company considers its entire equity to be its capital in amount of EUR 78,872 thousands (2010: EUR 98,398 thousands).

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.

	2011	2010
Actual solvency margin	59,072	78,590
Required solvency margin	23,915	24,644

The Company continuously monitors the performance of the adequacy of own resources. During the whole period of activity own resources were shown in sufficient value. Actual solvency margin exceeded minimum required solvency margin as at 31 December 2011 and as at 31 December 2010.

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. In 2011 there was further improvement of internal model in accordance with the upcoming legislation Solvency 2.

(All amounts are in thousands of EUR, unless stated otherwise.)

4.7 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 2011, 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).
In 2011, the Company performed classification of fair value valued financial assets and liabilities, according to requirements stated above as follows:

(All amounts are in thousands of EUR, unless stated otherwise.)

Fair value estimation and fair value hierarchy

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Derivative financial assets				
Interest swaps	–	(1,376)	–	(1,376)
Forwards	(70)	–	–	(70)
Currency swaps	–	(136)	–	(136)
Total	**(70)**	**(1,512)**	**–**	**(1,582)**
Other financial assets at fair value through profit or loss				
Bonds	–	–	–	–
Investment funds	129,961	–	–	129,961
Total	**129,961**	**–**	**–**	**129,961**
Available-for-sale financial assets				
Bonds	–	201,141	–	201,141
Shares	12,630	–	–	12,630
Total	**12,630**	**201,141**	**–**	**213,771**
Total financial assets measured at fair value	**142,521**	**199,629**	**–**	**342,150**

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	–	228,400	–	228,400
Shares	19,355	–	–	19,355
Total	**19,355**	**228,400**	**–**	**247,755**
Total financial assets measured at fair value	**148,833**	**228,364**	**–**	**377,197**

(All amounts are in thousands of EUR, unless stated otherwise.)

5. Tangible assets

	Buildings	Land	Motor vehicles	Office equipment	Machinery and equipment	Total
As at 1 January 2010						
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)
Disposals – accumulated depreciation	1	–	293	94	77	465
Depreciation	(111)	–	(464)	(32)	(622)	(1,229)
Net book value at the end of the year	**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**
Year ended 31 December 2011						
Opening balance	1,544	102	732	152	1,062	3,592
Additions	25	–	655	860	917	2,457
Disposals – at acquisition cost	(2)	–	(582)	(577)	(952)	(2,113)
Disposals – accumulated depreciation	1	–	491	577	948	2,017
Depreciation	(111)	–	(383)	(65)	(541)	(1,100)
Net book value at the end of the year	**1,457**	**102**	**913**	**947**	**1,434**	**4,853**
As at 31 December 2011						
Acquisition cost	1,793	102	1,867	1,118	5,445	10,325
Accumulated depreciation	(336)	–	(954)	(171)	(4,011)	(5,472)
Net book value	**1,457**	**102**	**913**	**947**	**1,434**	**4,853**

The Company has its tangible assets insured by Allianz - Slovenská Poisťovňa, a.s. Insured amount for insurance of property of legal and employed individuals is EUR 15,595 thousand.

(All amounts are in thousands of EUR, unless stated otherwise.)

6. Intangible assets

	Software	VOBA	Other intangible assets	Total
As at 1 January 2010				
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
Disposals – at acquisition cost	–	–	–	–
Disposals – accumulated amortization	–	–	–	–
Accumulated amortization	(884)	(5,105)	–	(5,989)
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**
Year ended 31 December 2011				
Opening balance	2,402	52,999	–	55,401
Additions	918	–	–	918
Disposals – at acquisition cost	(14)	–	(1)	(15)
Disposals – accumulated amortization	14	–	1	15
Amortization	(936)	(4,822)	–	(5,758)
Net book value	**2,384**	**48,177**	**–**	**50,561**
As at 31 December 2011				
Acquisition cost	5,538	64,989	3	70,530
Accumulated amortization	(3,154)	(16,812)	(3)	(19,969)
Net book value	**2,384**	**48,177**	**–**	**50,561**

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 existed. VOBA is consistently lower than the difference between the book and the minimum required (as a result of the liability 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.

(All amounts are in thousands of EUR, unless stated otherwise.)

7. Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries and joint ventures as at 31 December 2011 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.

	2011	2010
As at 1 January	17,416	17,416
Changes	–	–
As at 31 December	**17,416**	**17,416**

As at 31 December 2011	Equity share	Acquisition cost	Valuation allowance	Book value
VUB Generali d.s.s., a.s. (joint venture)	50%	16,597	–	16,597
Generali Belarus (associate)	32.5%	812	–	812
GSL Services, s.r.o. (subsidiary)	100%	7	–	7
Total		**17,416**	**–**	**17,416**

As at 31 December 2010	Equity share	Acquisition cost	Valuation allowance	Book value
VUB Generali d.s.s., a.s. (joint venture)	50%	16,597	–	16,597
Generali Belarus (associate)	32.5%	812	–	812
GSL Services, s.r.o. (subsidiary)	100%	7	–	7
Total		**17,416**	**–**	**17,416**

(All amounts are in thousands of EUR, unless stated otherwise.)

Financial information on subsidiaries, joint ventures and associates

As at 31 December 2011	Assets	Liabilities	Equity	Revenue	Profit/(loss)
VUB Generali d.s.s., a.s.*	14,532**	462	14,070	3,740	1,700
Generali Belarus*	4,454	1,601	2,853	2,292	450
GSL Services, s.r.o.*	212	684	(472)	514	62

** The data in the table is preliminary.*
*** of which fixed assets in the amount of EUR 13,443 thousand*

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.	202	736	(534)	602	26

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

(All amounts are in thousands of EUR, unless stated otherwise.)

8. Financial assets and liabilities

	31 December 2011	31 December 2010
Term deposits	25,496	8,044
Available for sale	213,771	247,755
At fair value through profit or loss	129,961	129,442
Total financial assets	**369,228**	**385,241**
Derivatives	1,582	–
Financial liabilities at amortized value	5,001	–
Total financial liabilities	**6,583**	**–**

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 2011	31 December 2010
Government bonds	138,025	146,779
Corporate bonds	63,116	81,621
Total bonds	**201,141**	**228,400**
Shares	12,630	19,355
Total financial assets available for sale	**213,771**	**247,755**

Financial assets and liabilities at fair value through profit or loss	31 December 2011	31 December 2010
Bond funds	14,617	10,604
Equity funds	49,283	26,491
Mixed funds	60,427	89,839
Money market funds	5,634	2,544
Bonds	–	4
Derivatives	–	(40)
Total financial assets	**129,961**	**129,442**
Derivatives	(1,582)	–
Total financial liabilities	**(1,582)**	**–**

(All amounts are in thousands of EUR, unless stated otherwise.)

Investment funds covering provision in covering risks from investing financial resources on behalf of the insured amounted to EUR 128,385 thousand, investment funds held by the Company amounted to EUR 1,576 thousand.

Short-term loan from parent company (Generali PPF Holding B.V.) in amount of EUR 5,000 thousand is stated as financial liabilities at amortized value. The interest rate is calculated as the 3-month EURIBOR plus 1.6% margin (as at 31 December 2011 showed 2.969%).

Movements in financial assets and liabilities are as follows:

	Financial assets and liabilities at fair value through profit or loss	Financial assets available for sale
As at the beginning of 2010	**101,098**	**261,150**
Disposals (sale and maturity)	(879)	(69,883)
Acquisitions	20,945	51,737
Net revaluation profit (other comprehensive income)	–	4,620
Net movement in fair value (profit or loss)	8,278	368
Change of accrued interest income	–	(237)
As at the beginning of 2011	**129,442**	**247,755**
Disposals (sale and maturity)	(35,051)	(102,118)
Acquisitions	48,636	81,702
Net revaluation loss (other comprehensive income)	–	(12,819)
Net movement in fair value (profit or loss)	(14,648)	254
Impairment loss	–	(529)
Change of accrued interest income	–	(474)
As at the end of 2011	**128,379**	**213,771**

The fair value of financial assets with an existing market price as at 31 December 2011 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 2011 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 2011	Underlying value due			Fair value
	within 1 month	within 1 year	within 10 years	Assets(Liabilities)
Interest swaps	–	–	37,729	(1,376)
Futures	–	3,700	–	(70)
Currency swaps	19,936	–	–	(136)
Total	**19,936**	**3,700**	**37,729**	**(1,582)**

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)**

(All amounts are in thousands of EUR, unless stated otherwise.)

9. Reinsurance assets

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

	31 December 2011	31 December 2010
Unearned Premium Reserve (UPR)	12,690	12,873
Provision for claims Reported But Not Settled (RBNS) and loss adjustment expenses	28,808	24,760
Provision for claims Incurred But Not Reported (IBNR)	2,383	2,471
Provision for MTPL deficit	–	1,890
Total	**43,881**	**41,994**

(All amounts are in thousands of EUR, unless stated otherwise.)

10. Loans and receivables

	31 December 2011	31 December 2010
Receivables from clients	16,222	17,017
Receivables from reinsurers	–	140
Other receivables	1,007	1,020
Total	**17,229**	**18,177**

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

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

	31 December 2011	31 December 2010
Bad debt provision for receivables from clients*	(10,691)	(11,298)
Bad debt provision for receivables from agents	(287)	(349)
Bad debt provision for other receivables	(823)	(823)
Total	**(11,801)**	**(12,470)**

** Of the total sum of provisions for receivables from clients a provision for receivables from unit link insurance amounted to EUR 3,687 thousand (2010: EUR 3,301 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.*

(All amounts are in thousands of EUR, unless stated otherwise.)

11. Deferred acquisition costs

	31 December 2011	31 December 2010
At the beginning of the period	15,013	16,539
Additions/(Disposals) of deferred acquisition costs during the year (Note 23)	3,087	(1,526)
At the end of the period	**18,100**	**15,013**

(All amounts are in thousands of EUR, unless stated otherwise.)

12. Deferred income tax

Deferred income taxes are calculated for all temporary differences under the balance sheet liability method, using the tax rate of 19% (2010: 19%), as follows:

	31 December 2011	31 December 2010
Deferred tax assets		
- with the expected realization after more than 12 months	3,934	1,580
- with the expected realization within 12 months	731	693
	4,665	**2,273**
Deferred tax liabilities		
- with the expected settlement after more than 12 months	(8,496)	(9,409)
- with the expected settlement within 12 months	(965)	(970)
	(9,461)	**(10,379)**
Net deferred tax liability	**(4,796)**	**(8,106)**

Movements in the deferred income tax are as follows:

Year ended	31 December 2011	31 December 2010
At the beginning of the year	(8,106)	(9,133)
Revenue recognized in the income statement (Note 26)	577	778
Tax charged to other comprehensive income (Note 14)	2,733	249
At the end of the year	**(4,796)**	**(8,106)**

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

	1 January 2011	Other comprehensive income	Income statement	31 December 2011
Deferred tax asset				
Impairment of receivables	1,344	–	(239)	1,105
Expenses deductible after having been paid	64	–	(11)	53
Employee benefits	6	–	3	9
Provision for bonuses	197	–	64	261
Provision for the MTPL insurance deficit	177	–	(121)	56
IBNR	853	–	(37)	816
Available for sale financial assets revaluation	(368)	2,733	–	2,365
Total	**2,273**	**2,733**	**(341)**	**4,665**

(All amounts are in thousands of EUR, unless stated otherwise.)

	1 January 2011	Other comprehensive income	Income statement	31 December 2011
Deferred tax liability				
Tangible assets	(308)	–	1	(307)
VOBA	(10,071)	–	917	(9,154)
Total	**(10,379)**	**–**	**918**	**(9,461)**

	1 January 2010	Other comprehensive income	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
Available for sale financial assets revaluation	(617)	249	–	(368)
Total	**2,256**	**249**	**(232)**	**2,273**

	1 January 2010	Other comprehensive income	Income statement	31 December 2010
Deferred tax liability				
Tangible assets	(349)	–	41	(308)
VOBA	(11,040)	–	969	(10,071)
Total	**(11,389)**	**–**	**1,010**	**(10,379)**

The Company recorded a deferred tax asset from revaluation of available for sale financial assets, as in the future expects sufficient taxable profits for the application of deferred tax asset, including assumption of holding available for sale financial assets during a period long enough to compensate unrealized loss recorded in equity. Losses from the sale of available for sale financial assets are generally tax-non-deductible.

(All amounts are in thousands of EUR, unless stated otherwise.)

13. Cash and cash equivalents

	31 December 2011	31 December 2010
Bank accounts	3,463	5,026
Cash equivalents	5	12
Total	**3,468**	**5,038**

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.

(All amounts are in thousands of EUR, unless stated otherwise.)

14. Equity

Share capital

	Number of shares	Ordinary shares in EUR thousand
As at 1 January 2010	**75,000**	**24,900**
Share capital contribution	302	100
As at 31 December 2010	**75,302**	**25,000**
Changes during the year	–	–
As at 31 December 2011	**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 2010: 75,302). The nominal value of a share is EUR 332 per share. All issued shares are fully paid. Shares are not listed.

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 2010 (in absolute value of EUR 781 thousand) from EUR 2,627 thousand as at 31 December 2010 to EUR 3,408 thousand.

Profit /Loss from previous and current years

	31 December 2011	31 December 2010
Profit/(loss) from previous years	58,623	61,595
Profit/(loss) of the current year	1,413	7,810
Total	**60,036**	**69,405**

The financial statements for 2010 were approved on the General Meeting held on 27 May 2011. The profit of EUR 7,810 thousand was transferred as follows:

- EUR 781 thousand to addition of legal reserve fund,
- EUR 7,029 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 10,000 thousand. Dividends were paid as follows: EUR 5,000 thousand on 27 June 2011 and the remaining EUR 5,000 thousand on 28 June 2011.

(All amounts are in thousands of EUR, unless stated otherwise.)

Revaluation differences from securities available for sale

At the beginning of 2010	**2,619**
Unrealized gain from revaluation attributable to policyholders, including 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 the end of 2010	**1,366**
Unrealized loss from revaluation attributable to policyholders, including deferred tax	586
Loss from the available-for-sale financial assets revaluation	(12,790)
Loss from the available-for-sale financial assets revaluation – deferred tax	2,455
Transfers to net profit upon impairment	529
Transfers to net profit upon impairment – deferred tax	(101)
Transfers to net profit upon sale	(1,996)
Deferred tax upon sale	379
At the end of 2011	**(9,572)**

(All amounts are in thousands of EUR, unless stated otherwise.)

15. Technical liabilities arising from insurance contracts

The Company has the following technical provisions arising from insurance contracts:

Gross	31 December 2011	31 December 2010
Claims reported but not settled and loss adjustment expenses	65,886	62,543
Claims incurred but not reported	6,679	6,961
Provision for unearned premiums	31,374	31,735
Provision for profit sharing and premium refund	596	340
Provision for the deficit in MTPL insurance (Note 3)	4,299	9,229
Life insurance provision	158,538	159,253
Provision for risks from investing on behalf of the insured	128,386	127,378
Total insurance liabilities, gross	**395,758**	**397,439**

Share of reinsurers (reinsurance assets)	31 December 2011	31 December 2010
Claims reported but not settled and loss adjustment expenses	28,808	24,760
Claims incurred but not reported	2,383	2,471
Provision for unearned premiums	12,690	12,873
Provision for profit sharing and premium refund	–	–
Provision for the deficit in MTPL insurance (Note 3)	–	1,890
Life insurance provision	–	–
Provision for risks from investing on behalf of the insured	–	–
Total share of reinsurance on insurance liabilities	**43,881**	**41,994**

Net	31 December 2011	31 December 2010
Claims reported but not settled and loss adjustment expenses	37,078	37,783
Claims incurred but not reported	4,296	4,490
Provision for unearned premiums	18,684	18,862
Provision for profit sharing and premium refund	596	340
Provision for the deficit in MTPL insurance (Note 3)	4,299	7,339
Life insurance provision	158,538	159,253
Provision for risks from investing on behalf of the insured	128,386	127,378
Total net liabilities from insurance	**351,877**	**355,445**

(All amounts are in thousands of EUR, unless stated otherwise.)

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 2011			31 December 2010		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
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 beginning of the year	**64,190**	**(27,139)**	**37,051**	**73,087**	**(31,727)**	**41,360**
Total at the beginning of the year	(64,682)	28,598	(36,084)	(63,878)	23,961	(39,917)
Change in liabilities	67,884	(32,449)	35,435	54,981	(19,373)	35,608
Total at the end of year	**67,392**	**(30,990)**	**36,402**	**64,190**	**(27,139)**	**37,051**
RBNS	61,988	(28,607)	33,381	58,400	(24,668)	33,732
IBNR	5,404	(2,383)	3,021	5,790	(2,471)	3,319
Total at the end of year	**67,392**	**(30,990)**	**36,402**	**64,190**	**(27,139)**	**37,051**

Life insurance contracts with fixed and guaranteed terms:

Year ended	31 December 2011			31 December 2010		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
RBNS	3,566	(92)	3,474	2,417	–	2,417
IBNR	814	–	814	803	–	803
Total at the beginning of the year	**4,380**	**(92)**	**4,288**	**3,220**	**–**	**3,220**
Insurance claims paid for claims settled in the year	(25,988)	87	(25,901)	(23,492)	40	(23,452)
Change in liabilities	25,236	5	25,241	24,652	(132)	24,520
Total at the end of year	**3,628**	**–**	**3,628**	**4,380**	**(92)**	**4,288**
RBNS	2,878	–	2,878	3,566	(92)	3,474
IBNR	750	–	750	814	–	814
Total at the end of year	**3,628**	**–**	**3,628**	**4,380**	**(92)**	**4,288**

(All amounts are in thousands of EUR, unless stated otherwise.)

Contracts where the risk from investing bears the insured:

Year ended	31 December 2011			31 December 2010		
	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
RBNS	577	–	577	499	–	499
IBNR	357	–	357	348	–	348
Total at the beginning of the year	**934**	**–**	**934**	**847**	**–**	**847**
Insurance claims paid for claims settled in the year	(15,934)	–	(15,934)	(10,281)	–	(10,281)
Change in liabilities	16,258	–	16,258	10,368	–	10,368
Total at the end of year	**1,258**	**–**	**1,258**	**934**	**–**	**934**
RBNS	733	–	733	577	–	577
IBNR	525	–	525	357	–	357
Total at the end of year	**1,258**	**–**	**1,258**	**934**	**–**	**934**

Active reinsurance:

Year ended	31 December 2011			31 December 2010		
	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
RBNS	–	–	–	–	–	–
IBNR	–	–	–	–	–	–
Total at the beginning of the year	**–**	**–**	**–**	**–**	**–**	**–**
Insurance claims paid for claims settled in the year	(46)	32	(14)	–	–	–
Change in liabilities	333	(233)	100	–	–	–
Total at the end of year	**287**	**(201)**	**86**	**–**	**–**	**–**
RBNS	287	(201)	86	–	–	–
IBNR	–	–	–	–	–	–
Total at the end of year	**287**	**(201)**	**86**	**–**	**–**	**–**

(All amounts are in thousands of EUR, unless stated otherwise.)

b) Provisions for unearned premiums

Non-life insurance:

Year ended	31 December 2011			31 December 2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	28,658	(12,819)	15,839	28,912	(12,749)	16,163
Change	(204)	212	8	(254)	(70)	(324)
At the end of the year	**28,454**	**(12,607)**	**15,847**	**28,658**	**(12,819)**	**15,839**

Life insurance contracts with fixed and guaranteed terms:

Year ended	31 December 2011			31 December 2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	3,077	(54)	3,023	3,423	(50)	3,373
Change	(179)	(10)	(189)	(346)	(4)	(350)
At the end of the year	**2,898**	**(64)**	**(2,834)**	**3,077**	**(54)**	**3,023**

Active reinsurance:

Year ended	31 December 2011			31 December 2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	–	–	–	–	–	–
Change	22	(19)	3	–	–	–
At the end of the year	**22**	**(19)**	**3**	**–**	**–**	**–**

(All amounts are in thousands of EUR, unless stated otherwise.)

c) Provision for MTPL deficit

Year ended	31 December 2011			31 December 2010		
	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
At the beginning of the year	9,229	(1,890)	7,339	11,018	(2,111)	8,907
Payments to MTPL	(776)	83	(693)	(1,116)	221	(895)
Release during the year	(4,154)	1,807	(2,347)	(673)	–	(673)
At the end of the year	**4,299**	**–**	**4,299**	**9,229**	**(1,890)**	**7,339**

d) Technical provision for life insurance

Year ended	31 December 2011			31 December 2010		
	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
At the beginning of the year	159,253	–	159,253	153,632	–	153,632
Increase from premiums	26,837	–	26,837	25,884	–	25,884
Release for payments on death, surrender and other terminations in the year	(27,842)	–	(27,842)	(19,854)	–	(19,854)
Change – provision for the share on profit (DPF)	235	–	235	(20)	–	(20)
Change – Liability adequacy test	641	–	641	(574)	–	(574)
Change – Deferred liabilities to the insured (DPF)	(586)	–	(586)	185	–	185
At the end of the year	**158,538**	**–**	**158,538**	**159,253**	**–**	**159,253**

Deferred liabilities to the insured – movements:

At the beginning of 2010	
At the beginning of 2010	16
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	185
At the end of 2010	**201**
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	(586)
At the end of 2011	**(385)**

(All amounts are in thousands of EUR, unless stated otherwise.)

Technical provision for life insurance – breakdown by components:

	31 December 2011	31 December 2010
Technical provision for life insurance	**158,538**	**159,253**
Provision for guaranteed benefits	155,963	156,777
Provision for unallocated share on profit	148	103
Provision from liability adequacy test	2,812	2,172
Deferred liability to policyholders	(385)	201

e) Provision on behalf of the insured when investment risk is borne by policyholders (investment life insurance)

Year ended	31 December 2011			31 December2010		
	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
At the beginning of the year	127,378	–	127,378	98,493	–	98,493
Insurance premium less the charges	21,370	–	21,370	30,373	–	30,373
Insurance claims from death, surrender, and other terminations in the year	(7,019)	–	(7,019)	(9,417)	–	(9,417)
Change in valuation of investment funds shares	(13,343)	–	(13,343)	7,929	–	7,929
At the end of the year	**128,386**	**–**	**128,386**	**127,378**	**–**	**127,378**

(All amounts are in thousands of EUR, unless stated otherwise.)

16. Deposits from reinsurers

Deposits received from reinsurers relate to amounts of ceded insurance provisions. In favour 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 Assicuracioni Generali S.p.A.

	31 December 2011	31December 2010
From the unearned premium reserve	116	109
From provisions for insurance claims	298	3,474
Total	**414**	**3,583**

The effective interest rate of the Company's deposits from reinsurers amounts to 3% (2010: 3%) at average.

(All amounts are in thousands of EUR, unless stated otherwise.)

17. Trade and other payables

	31 December 2011	31 December 2010
Financial and insurance liabilities:		
Payables to clients	12,190	12,020
Payables – brokers and agents	1,881	1,915
Payables – co-insurance	82	105
Payables from reinsurance	13,383	9,820
Amounts due to related parties	–	68
Payables – suppliers	838	234
Accruals:		
Commissions	1,680	1,578
General expenses – not settled rental, services and other expenses	1,991	1,951
Deferred commission from reinsurers	911	–
Total financial liabilities	**32,956**	**27,691**
Non-financial liabilities:		
Payables – employees	629	865
Payables – social security	358	403
Accruals – personal cost	1,742	1,400
Provisions for employee benefits	47	30
Other provisions	52	589
Accrued commissions from reinsurers	2,941	2,963
Contribution to the Emergency Medical Service (8% from MPTL premium)	1,844	2,068
VAT and other taxes	229	370
Total non-financial liabilities	**7,842**	**8,688**
Total liabilities	**40,798**	**36,379**

Accrued commissions from reinsurers:	31 December 2011	31 December 2010
Opening balance	2,963	2,993
Use	(22)	(30)
Closing balance	**2,941**	**2,963**

All liabilities are within due date.

(All amounts are in thousands of EUR, unless stated otherwise.)

Liabilities to employees also include liabilities from the social fund:

	31 December 2011	31 December 2010
Opening balance	12	6
Creation from salaries	137	109
Creation of non-taxable	15	35
Use	(129)	(138)
Closing balance	**35**	**12**

(All amounts are in thousands of EUR, unless stated otherwise.)

18. Net insurance premium

	Gross amount		Reinsurance share		Net amount	
	2011	2010	2011	2010	2011	2010
Written premium in non–life insurance	105,180	106,716	(48,308)	(49,326)	56,872	57,390
Written premium in life insurance	83,592	88,821	(443)	(305)	83,149	88,516
Written premium in active reinsurance	1,509	–	(970)	–	539	–
Total written premium	**190,281**	**195,537**	**(49,721)**	**(49,631)**	**140,560**	**145,906**
Non–life insurance, change in unearned premium reserve	204	254	(212)	71	(8)	325
Life insurance, change in unearned premium reserve	179	346	10	3	189	349
Active reinsurance, change in unearned premium reserve	(22)	–	18	–	(4)	–
Total change in premium reserve	**361**	**600**	**(184)**	**74**	**177**	**674**
Earned premium in non–life insurance	105,384	106,970	(48,520)	(49,255)	56,864	57,715
Earned premium in life insurance	83,771	89,167	(433)	(302)	83,338	88,865
Earned premium in active reinsurance	1,487	–	(952)	–	535	–
Total insurance premium	**190,642**	**196,137**	**(49,905)**	**(49,557)**	**140,737**	**146,580**

(All amounts are in thousands of EUR, unless stated otherwise.)

19. Financial investments income/(expense) and derivative financial instruments income/(expense)

	2011	2010
Financial assets at fair value through profit or loss		
Interest income from securities (coupon)	10	16
Amortization discount/premium	1	1
Unrealized gain/loss from other financial assets at fair value through profit or loss	(1)	(1)
Realized gain/loss from financial assets at fair value through profit or loss	643	–
Net change in fair value of investments on behalf of policy holders	(13,343)	8,115
	(12,690)	**8,131**
Unrealized net profit/loss from derivative financial instruments	(1,305)	163
Realized net profit/loss from derivative financial instruments	(2,972)	(2,694)
	(4,277)	**(2,531)**
Total	**(16,967)**	**5,600**
Financial assets available for sale		
Interest income from securities (coupon)	9,783	9,837
Amortization discount/premium	(130)	(94)
Realized net gain/loss from financial assets available for sale	2,427	5,853
Realized net FX gain/loss from equity financial assets available for sale	(431)	84
Realized net FX gain/loss from debt financial assets available for sale	26	(234)
Unrealized net gain/loss from financial assets available for sale	384	462
Dividend income	436	409
Total	**12,495**	**16,317**
Term deposits		
Interest income	52	39
Total	**52**	**39**
Other income	**24**	**132**
Total	**(4,396)**	**22,088**

(All amounts are in thousands of EUR, unless stated otherwise.)

20. Impairment of financial assets available for sale

Except for expenses and revenues from financial assets available for sale disclosed in Note 19, the Company recognized loss from the impairment of financial assets available for sale in amount of EUR 529 thousand in 2011. In 2010 the Company did not recognized any loss from impairment.

21. Other revenue

Other revenue includes commission from the management companies of investment funds in the amount of EUR 882 thousand (2010: EUR 378 thousand), proceeds from the claims processing for foreign partners in the amount of EUR 405 thousand (2010: EUR 376 thousand), proceeds from sale of assets in the amount of EUR 175 thousand (2010: EUR 134 thousand).

(All amounts are in thousands of EUR, unless stated otherwise.)

22. Net insurance benefits and claims

	Gross amount		Reinsurance share		Net amount	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Claims paid	102,240	91,057	(28,578)	(24,217)	73,662	66,840
– of which regresses	(4,410)	(6,593)	1,764	2,637	(2,646)	(3,956)
Settling of claims expenses	6,738	6,649	–	–	6,738	6,649
Change in provisions for insurance claims	3,061	(7,645)	(3,960)	4,496	(899)	(3,149)
Change in provisions for profit sharing and premium refund	256	108	–	–	256	108
Change in MTPL deficit provision	(4,930)	(1,789)	1,890	220	(3,040)	(1,569)
Profit sharing	397	458	–	–	397	458
Change in the technical provision for life insurance	(129)	5,434	–	–	(129)	5,434
Change in the provision for unit–linked insurance contracts on behalf of policyholders	1,008	28,885	–	–	1,008	28,885
Other costs for insurance benefits	–	–	(1,410)	(220)	(1,410)	(220)
Total	**108,641**	**123,157**	**(32,058)**	**(19,721)**	**76,583**	**103,436**

(All amounts are in thousands of EUR, unless stated otherwise.)

23. Commissions and other acquisition costs

	Commissions		Accruals		Other acquisition costs		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Non-life insurance	16,384	15,564	(68)	16	10,772	11,394	27,088	26,974
Life insurance	11,721	11,176	(3,019)	1,510	5,417	6,484	14,119	19,170
Active reinsurance	134	–	–	–	–	–	134	–
Total	**28,239**	**26,740**	**(3,087)**	**1,526**	**16,189**	**17,878**	**41,341**	**46,144**

Other acquisition costs include advertising and promotional costs, trade promotion, business education, consumption of forms and medical fees.

24. Investment management expenses

Investment management expenses include all costs of managing financial investments, including staff costs of asset managers in the amount of EUR 669 thousand in 2011 (2010: EUR 874 thousand).

(All amounts are in thousands of EUR, unless stated otherwise.)

25. Expenses by nature

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

	2011	2010
Wages and salaries	10,546	10,599
Remuneration paid to the Board of Directors – short-term employee benefits	762	705
Pension costs (members of the Board of Directors)	25	20
Other social costs (members of the Board of Directors)	36	30
Social costs (employees)	3,622	3,603
- out of which pension costs	1,346	1,352
Other personnel costs, of which:	172	141
- defined benefit plan (change of provision)	17	7
- defined benefit plan (termination benefits)	155	134
Total personnel costs	**15,163**	**15,098**
Advertising and promotional activities	4,513	4,054
Rental	2,606	2,417
IT expenses	4,182	4,477
Postal and telecommunication services	2,188	2,323
Office costs	730	659
Advisory	208	212
Audit fee	303	179
Travel costs	408	438
Training courses	491	355
Depreciation and amortization (Note 5 and 6)	6,858	7,218
Costs of investments management (Note 24)	669	874
Commissions (including accruals)	25,153	28,266
Change in the valuation allowance for receivables (Note 10)	(669)	(1,534)
Assistance services	579	625
Contributions to SKP	1,163	1,704
The financial settlement with the co-owner VUB Generali – DSS **	4,100	–
Other	494	557
Total costs other than insurance claims and benefits	**69,139**	**67,922**

** of which: audit (including mid-year review) EUR 163 thousand*
other services EUR 140 thousand

*** The financial settlement with the co-owner VUB Generali dôchodková správcovská spoločnosť a.s (VÚB Generali-DSS), was done based on agreement on economic settlement from 2 June 2004. Based on agreement the economic settlement should have been done in case, if there was difference in number of customers conveyed to VÚB Generali-DSS between VÚB, a.s. and Generali Poisťovňa, a.s. As VUB, a.s. contributed with greater number of customers than Generali Poisťovňa, a.s., based on agreement on settlement there was payment of EUR 4.1 mil. VUB Generali-DSS as at 26 September 2011.*

The members of the Supervisory Board received no income for their membership in the Supervisory Board in 2011.

(All amounts are in thousands of EUR, unless stated otherwise.)

26. Income tax

	2011	2010
Income tax for the current period	2,772	2,914
Tax from previous periods	(92)	(349)
Deferred tax (Note 12)	(577)	(778)
Total tax expenses	**2,103**	**1,787**

Reconciliation of the effective tax rate:

	2011	2010
Profit/(loss) before taxes	3,516	9,597
Income tax calculated using 19% tax rate	668	1,823
Tax non-deductible expenses*	1,527	313
Additional tax for the year	(92)	(349)
Total tax expense	**2,103**	**1,787**

** increase in tax non-deductible expenses is caused mainly by financial settlement with co-owner VUB Generali dôchodková správcovská spoločnosť a.s. (EUR 4,100 thousand) and by loss from impairment of financial assets available for sale (EUR 529 thousand)*

(All amounts are in thousands of EUR, unless stated otherwise.)

27. Information about employees

	2011	2010
Top management	4	5
Middle management	39	35
Other employees	617	630
Total	**660**	**670**

(All amounts are in thousands of EUR, unless stated otherwise.)

28. 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

Parent company:

Generali PPF Holding B.V. Amsterdam

Subsidiaries:

GSL Services, s.r.o. Bratislava

Joint ventures:

VÚB Generali, d.s.s., a.s., Bratislava

Associates:

Generali Belarus

Other related entities:

Generali Holding Vienna, AG, Vienna
Generali Versicherung, AG, Vienna
Generali Pojištovna, a.s., Prague (belongs to Generali PPF Holding B.V.)
Generali PPF Asset Management a.s., Prague (belongs to Generali PPF Holding B.V.)
Home Credit Finance Bank, Russia (belongs to PPF Group)
PPF Banka a.s., Praha (belongs to PPF Group)
Intesa Sanpaolo SpA, Milano
Nomos Capital, Írsko (belongs to PPF Group)
VTB Capital, Luxembourg
Europaische Reisevesicherung, AG, Vienna
Generali IARD S.A., Paris
AachenMünchener Versicherung AG, Aachen
Generali Towarzystwo Ubezpieczen, Warsaw (belongs to Generali PPF Holding B.V.)
GP Reinsurance EAD, Bulgaria (belongs to Generali PPF Holding B.V.)
Česká pojišťovna, a.s., Prague (belongs to Generali PPF Holding B.V.)
Generali Zavarovalnica, Ljubljana (belongs to Generali PPF Holding B.V.)
Generali-Provid. Biztosító/N (belongs to Generali PPF Holding B.V.)
Generali IT, s.r.o., Bratislava
Generali Rückversicherung, AG, Vienna
Generali France S.A., Paris

(All amounts are in thousands of EUR, unless stated otherwise.)

Related parties without reinsurance 2011	Receivables	Payables	Financial investments*	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	–	–	–	–	–
Generali Holding Vienna, AG, Vienna	–	–	–	614	–
Generali Versicherung, AG, Vienna	11	–	–	–	–
Generali Pojištovna, a.s., Prague	–	–	–	–	–
VUB Generali, d.s.s., a.s., Bratislava	15	–	–	4,100***	14
Generali Consulting, s.r.o., Bratislava	673	–	–	–	4
Generali IT, s.r.o., Bratislava	–	–	–	–	5
Generali PPF Asset Management a.s., Prague	–	–	–	552	–
Generali PPF Holding B.V., Amsterdam	–	5,000**	–	23	–
Europaische Reisevesicherung, AG, Vienna	–	–	–	–	–
PPF Banka a.s., Prague	–	3	1,327	51	6
Home Credit Finance Bank, Russia	–	–	3,827	–	136
Intesa Sanpaolo SpA, Milano	–	–	1,551	–	64
Nomos Capital, Íreland	–	–	2,411	–	148
VTB Capital, Luxembourg	–	–	1,554	–	19
The Company's Board of Directors	–	–	–	–	
Total	**699**	**5,013**	**10,670**	**5,340**	**396**

**PPF Banka - deposits in banks; Home Credit Finance Bank - bond, coupon 7%; Intesa Sanpaolo SpA – bond, coupon 5%; Nomos Capital – bond, coupon 9.25%; VTB Capital – bond, coupon 6.465%*
*** short-term loans from parent company– interest rate was 2.969% as at 31 December 2011 (see Note 8)*
**** financial settlement with co-owner VUB Generali dôchodková správcovská spoločnosť a.s.*

(All amounts are in thousands of EUR, unless stated otherwise.)

Related parties – reinsurers’ share	Receivables	Payables*	2011 Share on provisions	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	–	314	2,864	708	278
Generali Holding Vienna, AG, Vienna	–	1,153	629	480	914
Generali Versicherung, AG, Vienna	–	322	1,993	728	940
Generali Rückversicherung, AG, Vienna	–	18	1	20	4
Generali IARD S.A., Paris	–	–	–	6	1
Generali France S.A., Paris	–	–	–	–	–
AachenMünchener Versicherung AG, Aachen	–	1	8	21	40
Generali Towarzystwo Ubezpieczen, Warsaw	–	–	–	–	–
GP Reinsurance EAD	–	11,292	33,720	40,959	31,958
Česká pojišťovna, a.s., Prague	–	142	497	455	153
Generali Zavarovalnica, Ljubljana	2	–	–	–	–
Generali–Provid. Biztosító/N	–	–	–	–	–
Total	**2**	**13,242**	**39,712**	**43,377**	**34,288**

**including deposits from reinsurers*

Related parties without 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 Pojištovna, a.s., Prague	–	–	–	–
VUB 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	–
Europaische Reisevesicherung, AG, Vienna	13	–	–	–
PPF Banka a.s., Prague	–	–	10	–
Company’s Board of Directors	–	–	–	–
Total	**718**	**68**	**1,573**	**55**

Related parties – reinsurers' share	Receivables	Payables*	2010 Share on provisions	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., Prague	-	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**

At 31 December 2011, all balances due to or from companies mentioned above related to reinsurance, advisory and management services. The balances of Generali Consulting, s.r.o. 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 (2010: 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.

29. Contingent liabilities and contingent receivables

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, 2010 and 2011 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 2016 – five years after the end of the year, in which the Company was obliged to file a tax return.

30. Post balance sheet events

After the date of preparation of financial statements no significant events have occurred that would require change in the financial statements at 31 December 2011 or disclosure in the financial statements.

(All amounts are in thousands of EUR, unless stated otherwise.)

Affidavit

I declare that the information contained in the annual report of Generali Slovensko poisťovňa, a. s., for the year 2011 is true and that no material circumstances have been omitted or misrepresented.
Bratislava 2012

Ing. JOZEF TANZER
Board member and Deputy General Director for Finance

(All amounts are in thousands of EUR, unless stated otherwise.)

Contact Details

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The company is part of the Generali Group, which is included in the Italian List of Insurance Companies maintained by ISVAP under No 26.

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