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ANNUAL REPORT



FEW NICE NUMBERS



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COMPANY PROFILE

Business name:	Generali Slovensko poisťovňa, a. s.
Legal form:	Joint Stock Company
Registered office:	Lamačská cesta 3/A, 841 04 Bratislava
Company Registration No.:	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 among the three market leaders in Slovakia. It is also part of one of the largest insurance groups in Central and Eastern Europe, Generali PPF Holding, which operates in 14 of the region's countries. Over 13 million customers benefit from its extensive international experience in providing both life and non-life insurance.

Generali Slovensko retained its position as the third strongest universal insurance company in 2012. The quality of client services is its primary focus. The company continually introduces the most advanced systems and builds on the professionalism and expertise of its employees, in order to ensure that clients receive first-class support and the greatest possible convenience. These begin with superior insurance consultancy, through insurance policy management, to the prompt settlement of insurance claims. The call centre is available to clients whenever they need it; it also advises on insurance claim procedures, organizes assistance and helps to retrieve compensation.

Generali Slovensko provides a complex portfolio of life and non-life insurance, insurance for small and medium-sized businesses, as well as individual solutions for large businesses.

The aim of the company is to constantly monitor market requirements and provide its clients with superior, innovative products. These have been regularly selected for prominent placement in the prestigious competitions of insurance companies and financial institutions.

The communication and advertising strategy has been developed in the spirit of customer-focused insurance. In 2012, following previous successful campaigns, the company launched its new "Love goes through insurance" concept. Within the trilogy of commercials, a new perspective on the brand and its philosophy was introduced. The focus was again on client services, with the message that Generali Slovensko aims to deliver more: not only superior insurance products but also a human approach.

Generali Slovensko has long been a staunch supporter of cultural, sporting and charitable projects. This includes being a partner and co-producer of the Summer Shakespeare Festival, a unique open-air theatre festival, which over the last decade has belonged among the top cultural events in Slovakia. For the second year, the company has supported promising, young and successful sportsmen and women - snowboard rider Klaudia Medlová and BMX rider

Dušan Antalík. In 2012, for the first time, Generali Slovensko became a partner of the prestigious Bažant Pohoda music festival, the biggest and most-visited Slovak multicultural open-air event, with over 30,000 attendees.

As part of its commitment to supporting meaningful social enterprises, Generali Slovensko took part in the "Our City" project and financially supported the charities: "Dobrý anjel", "Plamienok", "Červený nos", "Človek v ohrození" and "Fórum pre pomoc starším".

The company is also determined not to fall behind in the field of internal communications and employee relations. In addition to supporting its employees, it is also focused on projects designed for their families and children. Through public art exhibitions, including previews for its employees, based in the Generali Slovensko headquarters, the company has begun a new tradition of support to art.



HISTORY OF GENERALI SLOVENSKO

			<p>2008</p> <hr/> <p>Formation of Generali Slovensko poistovňa, a.s., by merger of Generali Poistovňa, a.s. and Česká poistovňa Slovensko, a.s.</p>
		<p>1996</p> <hr/> <p>Formation of Generali poistovňa, a.s., in the Slovak market as a subsidiary of Assicurazioni Generali</p>	
	<p>1833</p> <hr/> <p>Formation of six agencies of Assicurazioni Generali in the Slovak market which were terminated by the nationalization of private insurance companies in 1945</p>		
<p>1831</p> <hr/> <p>Formation of Assicurazioni Generali in Terst</p>			

COMPLETE RANGE OF PRODUCTS

LIFE INSURANCE PRODUCTS

BeneFit accident
 AKTIV+ accident
 ŠKOLÁK group accident
 DYNAMIK+ variable life
 SLNEČNICA+ variable
 JUNIOR+ variable
 ISTOTA, ISTOTA Plus risk (until 12 October 2012)
 SLNIEČKO capital
 KAPITAL, OPTIMAL capital (until 12 October 2012)
 ŽELEZNÁ REZERVA life insurance of regular expenses
 La Vita (from 15 February 2012)
 Prima Vita capital (from 1 September 2012)

TRAVEL INSURANCE PRODUCTS

DOVOLENKÁR short-term (until 31 October 2012)
 SVETOBĚŽNÍK annual (until 31 October 2012)
 Corporate Travel Insurance for business trips (until 31 October 2012)
 ŠPORTURISTA mountain rescue for Slovakia (until 31 October 2012)
 AU-pair/Študent annual (until 31 October 2012)
 Short-term (from 1 March 2012)
 Annual (from 1 March 2012)
 Short-term – for educational and au-pair placement (from 1 March 2012)
 Annual travel – for truck, freight and bus transport drivers (from 1 March 2012)
 Mountain rescue for Slovakia (from 1 March 2012)
 Group travel (from 1 March 2012)

MOTOR VEHICLE ACCIDENT INSURANCE AND MANDATORY LIABILITY INSURANCE PRODUCTS

AUTOŽOLÍK
 AUTOSEKÁČ
 AUTOPROTEKT
 AUTOPRIMA (from 12 November 2012)
 SUPERAUTO (from 12 November 2012)
 Fleet
 Additional motor vehicle accident insurance:

- Windscreen
- Custom equipment
- Luggage and personal belongings
- Passenger accident
- Replacement vehicle
- Business cover (from 12 November 2012)
- “Kasko Plus” assistance service

AUTOMATIK standard motor third party liability
 AUTOMATIK plus motor third party liability insurance
 Fleet motor third party liability insurance

PROPERTY AND LIABILITY INSURANCE PRODUCTS

DOMino comprehensive property

- Immovable property
- Household contents
- Liability

 Individual civil liability
 Pet insurance for dogs

BUSINESS PROPERTY INSURANCE PRODUCTS

Natural disaster or all risks
 Fire business interruption
 Burglary, robbery and fraud
 Machinery breakdown
 Electronic equipment
 Comprehensive machinery
 CAR/EAR
 Business interruption due to breakdown of machinery and electronic equipment
 Consignment
 Marine
 Aviation

BUSINESS LIABILITY INSURANCE PRODUCTS

General third party liability
 CMR
 Professional liability
 Group employee's liability

AGRICULTURAL RISK INSURANCE

Crop
 Livestock



CHAIRPERSON'S STATEMENT

Shareholders, clients and business partners,

Let me briefly give my assessment of the past year and draw your attention to the new opportunities and challenges approaching us. From the perspective of our financial results, I have the honour to report that the previous year was a successful one. Also in 2012, Generali Slovensko defended its position as the number three insurer in the Slovak market.

Looking back at the past year, I am particularly pleased with our success in several important areas. I consider changes in our life insurance range as the most important of these. Backed by our new products and with a revitalized position in distribution networks, we were able to be at the forefront of life insurance development. The increase in new sales from 3Q 2012, not only covered our losses but we started to increase the value of our portfolio. This development led to a positive year-on-year growth of gross written premiums in the last quarter of 2012.

This positive trend continues in the current year and we have succeeded in increasing the average profitability of our life insurance. This has almost doubled in comparison to 2010, driven mainly by a significant increase in our premium share, derived from additional riders on insurance – coverage of policyholder's risks. This simultaneous growth of sales volume and profitability is a big achievement and has created a great foundation for continued success in 2013.

Positive changes and reorganization in our internal business network (VOS) have resulted in VOS contributing almost 40% more business in the life insurance field, compared to 2011. Within these changes, we implemented an expenses co-financing model for VOS during 2011, requiring the financial participation of managers. Despite this, our concept has been successful in the market

and we have attracted complete beginners as well as experienced specialists to the scheme.

We are pleased to have experienced an upturn in the profitability of motor vehicle insurance. Whilst in 2010, we experienced a loss of almost EUR 2 million in the segment of compulsory motor vehicle liability insurance and Casco, in 2012 we were able to turn this loss into a profit of EUR 3.5 million. When concluding new business, or managing our portfolio, we carefully consider the client's risk profile and we are the first insurance company in Slovakia to implement segment products. We put great emphasis on the improvement of services dealing with insurance claims and our profitability results indicate that this effort is not nugatory. In the coming year, we will also focus on replicating these successes in business support and portfolio management.

In general, market developments of the last 5-10 years were heavily influenced by an increase in independent brokers and a decrease in the importance of insurance companies' internal distribution. The enormous increase in the number of traders attaining licences for selling insurance, is closely connected with the increase in multi-level marketing companies for retail products, although this trend has slowed somewhat recently. In the future, the insurance market and distribution network will be increasingly influenced by European Union legislation and regulations. This additional regulatory pressure, will mean that only those insurance and broker companies able to deal with such a significant increase in their obligations will survive.

For us in Generali, we appreciate not only the client who has concluded an insurance contract, but also the intermediary who introduced the client. We try to incorporate this approach into all elements of

our business, beginning with products, through technical innovation in services for intermediaries, to the back office and insurance claims settlement. We are pleased that we have found increasing favour, not only with Generali employees, but also with our business partners. Thus, we jointly became the first choice in the insurance field for many of our clients.

Finally, let me thank all our clients for their trust in our company, our shareholders for their support, our business partners for their cooperation and my colleagues for all their work and effort.

I'm looking forward to our continued cooperation during 2013!

Vladimír Bezděk
Chairperson and CEO



BOARDS OF THE COMPANY

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
- Luisa Coloni
Member
- Marcela Nberiová
Member since 3 April 2012
- Ing. Peter Galo
Member until 29 February
2012



ORGANIZATIONAL STRUCTURE AS AT 31 DECEMBER 2012

<p>Division of the Chief executive</p> <p>Vladimír BEZDĚK</p>	<p>Internal Audit Section M. Filipková</p> <p>Marketing and Communications Section Z. Hliváková</p> <p>Human Resources and Organisation Section J. Holúbeková</p>	<p>Non-Life Insurance Section entrusted with management B. Jendroľ</p> <p>Life Insurance Section B. Jendroľ</p>
<p>Sales Division</p> <p>Eva ŠTEFÁNIKOVÁ</p>	<p>Regional Office Management Section M. Rybárová</p> <p>External Sales Section M. Zelko</p> <p>Underwriting and Brokerage Business Section P. Buday</p>	<p>Sales Support Section J. Aštary</p> <p>Sales Training Section H. Vázalová</p>
<p>Finance Division</p> <p>Jozef TANZER</p>	<p>Accounting Section M. Marendiak</p>	<p>Risk Management Section J. Klúčovská</p>
<p>IT and Operations Division</p> <p>Stanislav UMA</p>	<p>IT Section B. Rybár</p> <p>Operations Section H. Virgovičová</p>	<p>Insurance Claim Section M. Fučík</p> <p>Call Centre Section D. Krajčovič</p>



SHAREHOLDERS

Shareholders

Since its inception, Generali Slovensko has been part of Generali PPF Holding, B.V. (GPH). At the end of 2012, GPH operated in 14 countries of Central and Eastern Europe: Belarus, Bulgaria, Montenegro, the Czech Republic, Croatia, Kazakhstan, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Serbia and Ukraine.

Subsidiaries in these countries provided services to approximately 14 million customers and managed assets of nearly EUR 16.2 billion. Gross written premiums amounted to EUR 3.5 billion in 2012. At the beginning of January 2013, shareholders agreed on changes to GPH's ownership structure. This agreement also included the sale of subsidiaries in Belarus, Kazakhstan, Russia and Ukraine as at 28 March 2013.

The final agreement on GPH 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 in both groups' expansion strategy, in one of the regions with the greatest potential in the insurance industry. The greatest advantage of GPH is its cultural diversification in the multinational environment. The future is seen in growth, innovation, and customer satisfaction. In making their vision a reality, GPH is a group of individuals acting as one.

Since the merger on 1 October 2008, the shareholders of Generali Slovensko poistovna, a. s., were GPH, 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 poistovna, a. s., to GPH, as a result of which Generali Slovensko ceased to be its subsidiary. With effect from 30 October 2009, the sole shareholder of Generali Slovensko poistovna, a. s. is GPH, owning 75,302 shares, i.e. 100% of share capital and voting rights in the company, with its registered office at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands, registration number: 34275688.





REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS AND ASSETS OF THE COMPANY FOR 2012



During 2012, 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. It regularly informed the Supervisory Board of the Company's business activities, in addition to overall developments in the Slovak insurance market.

One of the goals during calendar year 2012 was to strengthen the Company's position in the Slovak insurance market and to cope with the effects of the financial and economic crisis. The Company's main focus in 2012 was on process improvement to maximize the quality of products and services offered and to maintain the upward trend in cost effectiveness. Emphasis was also put on revitalizing the business dynamic, in particular in the life insurance field. In the motor vehicle insurance segment, returning net techni-

cal results to positive figures is at the top of our agenda.

The Board of Directors of the Company is responsible for preparing the separate financial statements for 2012. The financial statements have been audited by the audit company Ernst & Young Slovakia, spol. s r.o., which issued the opinion that the financial statements gave a true and fair view of the financial position of the Company as at 31 December 2012, its profit and loss account and cash flows for the year then ended.

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, grew in 2012 in year-on-year comparison, by a total of 0.3%. Gross written premiums of the Company in 2012 decreased by 4.8%, which resulted in

a loss of 0.4% in the Company's market share. In non-life insurance, the Company experienced a decrease of 4.5% while the insurance market on a comparable basis decreased by 1.6%. Also, the Slovak life insurance market experienced a decrease of 0.6% in regularly paid life insurance, while the gross written premiums of the Company fell by a far greater 6.7%. For single premium payments, the Company saw a decline in gross written premiums of 50.7%, compared to 2011.

In non-life insurance, a good result was achieved in the private property insurance segment (home/apartment/household), with an increase in gross written premiums of 3.4%. The downward trend in motor vehicle insurance continued, in particular in compulsory insurance, which experienced a decline in gross written premiums of 10.0%. Motor vehicle accident insurance dropped by

10.2% in gross written premiums. The Company achieved a net non-life insurance loss ratio of 59.0%.

In 2012, the Company achieved total gross written premiums of EUR 181.1 million, comprising EUR 101.9 million in non-life insurance and EUR 79.2 million in life insurance. These results reaffirmed the Company's third position in the Slovak insurance market in gross written premiums.

The Company's life insurance business for 2012 increased in value by 22% in comparison to 2011. The implementation of a new method (Market-consistent Embedded Value) contributed 3% to the total increase, an increase in capi-

tal added 6% and the increase in portfolio value represented 13%. The main portfolio growth factors were superior new business in 2012 and financial market development.

The Board of Directors proposes to divide the after tax profit of EUR 6,272.3 thousand reported in the separate financial statements for 2012 as follows:

a) It will use a part of the profit amounting to EUR 627.2 thousand to replenish the reserve fund under the provision of Section 13(2) of the Company's Articles of Association.

b) It will carry forward the amount of EUR

5,645.1 thousand to the next period, through the account of retained profit from previous periods.

In 2013, the Company will be focused mainly on maintaining profitability and further improving the business dynamic in both life and non-life insurance fields. Additionally, this will include increasing effectiveness, carefully monitoring operational expenses, improving processes and continuing with a strongly customer-oriented approach.

In Bratislava on 13 May 2013.



Ing. Vladimír Bezděk, M.A.
Chairperson of the Board



Ing. Jozef Tanzer
Member of the Board



Ing. Eva Štefániková
Member of the Board



Ing. Stanislav Uma
Member of the Board





REPORT OF THE SUPERVISORY BOARD OF THE GENERALI SLOVENSKO POIŠTOVŇA, 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 regarding the separate financial statements for 2012, the Auditor's Report and the proposal of the Board of Directors for the Company's profit distribution.

In accordance with § 9, Section 1, Letter a) of the Company's statutes, the Supervisory Board has approved this report on the results of its supervisory activities regarding the separate financial statements for 2012, the Auditor's Report, and the proposal of the Board of Directors for Company's profit distribution.

In 2012, the Supervisory Board carried out its rights and duties in line with the Company's statutes and the generally binding legal regulations. The Supervisory Board has been regularly informed by the Company's Board of Directors

about the Company's business activities and its 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 separate financial statements for 2012 have been audited by the audit company Ernst & Young Slovakia, spol. s r.o. The Supervisory Board has acknowledged and accepted the Auditor's Report. The Supervisory Board has reviewed the Company's separate financial statements for 2012, prepared and submitted by the Board of Directors. It has accepted the proposal of the Board of Directors for the 2012 Company's profit distribution and has reviewed the Report of the Board of Directors on the Company's business activities and its asset position for 2012, without raising any objections to any of these documents.

As proposed by the Board of Directors, the Company's profit of EUR 6,272,301.57, presented in the separate financial statements for 2012 will be distributed as follows:

- a) EUR 627,230.16 will be appropriated to the legal reserve fund according to § 13, Section 2 of the Company's Statutes.
- b) EUR 5,645,071.41 will be carried forward to the next period through the account of retained profit from previous periods.

The Supervisory Board recommends the General Meeting to approve the separate financial statements for the financial year 2012 and distribute the Company's profit in line with the proposal submitted by the Board of Directors.

This report was approved by the Supervisory Board on 16 May 2013.


Klára Starková
Chairperson of the Supervisory Board

Luisa Coloni
Member of the Supervisory Board

Marcela Nberiová
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)



Ernst & Young Slovakia, spol. s r.o.
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811 06 Bratislava
Slovenská republika
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**Appendix to the auditor's report
on the consistency of annual report with audited financial statements
in accordance with Act No. 540/2007 Z.z. § 23 par. 5**

To the Shareholder of Generali Slovensko poisťovňa, a.s.:

I. We have audited the financial statements of Generali Slovensko poisťovňa, a.s. ("the Company") as at 31 December 2012 presented in the annual report. We issued the following audit report dated 26 March 2013 on the financial statements:

"Independent Auditors' Report"

To the Shareholder of Generali Slovensko poisťovňa, a.s.:

We have audited the accompanying separate financial statements of Generali Slovensko poisťovňa, a.s. ("the Company"), which comprise the balance sheet as at 31 December 2012 and 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 presentation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate 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 whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view 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 separate 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 give a true and fair view of the financial position of the Company as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Slovenská republika, Bratislava, 26. marca 2013
Ernst & Young Slovakia, spol. s r.o., IČO: 31 640 463, zapísaná v Obchodnom registri Slovenskej republiky, v Bratislave, OI: 27204/08
v zmysle ustanovení zákona Slovenskej republiky č. 540/2007 Z.z.



Other Matter

The separate financial statements of Generali Slovensko poisťovňa, a.s. for the year ended 31 December 2011 were audited by another auditor whose report dated 1 March 2012 expressed an unmodified opinion on those statements.

26 March 2013
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský
SKAU Licence No. 893

II. We have also audited the consistency of the annual report with the above-mentioned financial statements. The management of the Company is responsible for the accuracy of preparation of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report and derived from the financial statements is consistent, in all material respects, with the financial statements. We have checked that the information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2012. We have not audited information that has not been derived from audited financial statements or Company accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements of the Company as at 31 December 2012 and is in accordance with the Act on Accounting No 431/2002 Z.z., as amended by later legislation.

22 May 2013
Bratislava, Slovak Republic


Ernst & Young

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Independent Auditor's Report

 **ERNST & YOUNG**

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Independent Auditors' Report

To the Shareholder of Generali Slovensko poisťovňa, a.s.:

We have audited the accompanying separate financial statements of Generali Slovensko poisťovňa, a.s. (the Company), which comprise the balance sheet as at 31 December 2012 and 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 presentation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate 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 whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view 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 separate financial statements.

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

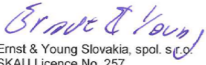
Opinion


In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Other Matter

The separate financial statements of Generali Slovensko poisťovňa, a.s. for the year ended 31 December 2011 were audited by another auditor whose report dated 1 March 2012 expressed an unmodified opinion on those statements.

26 March 2013
Bratislava, Slovak Republic


Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257


Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spezialaudit im Auftrag der Ernst & Young Global Limited
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a v zozname audítorov vedúcich Slovenskou komorou audítorov podľa č. 257.

200	69500	56100		
	101500	82900		
00	110400	90500	73500	
00	96800	78900	63600	5
10	82600	66800	53300	420
	101500	82900	67100	
01	110400	90500	73500	59100
01	96800	78900	63600	50600
	82600	66800	53300	42000
	122300	99200	79500	628
13	3900	109200	88100	70300
17	300	95300	76500	60700
99	900	80700	64500	50900
	21,00	20,20		
	26,80	25,90	25,10	24,40
	32,00	31,20	30,40	29,80
	38,60	37,80	37,10	36,60
	21,00	20,20		
	26,80	25,90	25,10	24,40
	32,00	31,20	30,40	29,80
	38,60	37,80	37,10	36,60
	23,20	23,00		
	29,30	29,20	29,30	29,00
	36,90	37,00	37,30	37,00
	47,20	47,40	47,40	47,00

Generali Slovensko poisťovňa, a. s.

Separate Financial Statements as at 31 December 2012, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU)

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

Ing. Jozef Tanzer
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 2012	At 31 December 2011
ASSETS			
Tangible assets	5	4,918	4,853
Intangible assets	6	46,879	50,561
Other non-financial assets		2,303	2,485
Investments in subsidiaries and joint ventures	7	17,416	17,416
Financial assets			
- term deposits	8	7,535	25,496
- available for sale assets	8	243,730	213,771
- assets at fair value through profit or loss	8	147,454	129,961
- derivatives	8	233	-
Reinsurance assets	9,15	44,326	43,881
Loans and receivables	10	16,998	17,229
Deferred acquisition costs	11	24,479	18,100
Cash and cash equivalents	13	3,267	3,468
Total assets		559,538	527,221
EQUITY			
Share capital		25,000	25,000
Legal reserve fund		3,550	3,408
Available-for-sale financial assets revaluation reserve		8,093	(9,572)
Profit for the year and retained earnings		66,167	60,036
Total equity	14	102,810	78,872
LIABILITIES			
Technical liabilities from insurance contracts	15	404,187	395,758
Deposits from reinsurers	16	407	414
Financial liabilities			
- derivatives	8	1,101	1,582
- carried at amortized cost	8	-	5,001
Income tax - liability		309	-
Deferred tax liabilities	12	9,950	4,796
Trade and other liabilities	17	40,774	40,798
Total liabilities		456,728	448,349
Total equity and liabilities		559,538	527,221

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

Ing. Jozef Tanzer
Member of the Board of Directors

Separate Income Statement

	Note	2012	2011
Gross earned premium		184,375	190,642
Earned premium ceded to reinsurers		(51,113)	(49,905)
Net earned premium	18	133,262	140,737
Income/(loss) from financial investments	19	22,186	(119)
Income/(loss) from derivative financial instruments	19	(1,185)	(4,277)
Impairment of available-for-sale financial assets	20	-	(529)
Commission from reinsurers		11,363	10,483
Other income	21	2,502	2,943
		168,128	149,238
Insurance benefits and claims liquidation expenses in life insurance		64,461	43,481
Insurance benefits in life insurance ceded to reinsurers		(44)	144
Insurance benefits and claims liquidation expenses in non-life insurance		55,424	65,160
Insurance benefits and claims settlement expenses ceded to reinsurers in non-life insurance		(22,581)	(32,202)
Net insurance benefits and claims	22,25	97,260	76,583
Commissions and other acquisition costs	23,25	39,666	41,341
Investment management expenses	24,25	254	669
Administration costs	25	20,706	27,129
		157,886	145,722
Profit before taxes		10,242	3,516
Income tax	26	(3,969)	(2,103)
Profit after taxes		6,273	1,413

Separate Statement of Comprehensive Income

	Note	At 31 December 2012	At 31 December 2011
Profit after taxes		6,273	1,413
Other comprehensive income/(loss)			
Profit/(Loss) from revaluation of available-for-sale financial assets, from transfers to net profit when sold and impaired		22,447	(13,671)
Profit/(Loss) from revaluation of available-for-sale financial assets, from transfers to net profit when sold and impaired - deferred tax impact		(4,782)	2,733
Other comprehensive income/(loss)		17,665	(10,938)
Total comprehensive income/(loss)	14	23,938	(9,525)

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 2011		25,000	2,627	1,366	69,405	98,398
Other comprehensive incomes and losses for 2011		-	-	(10,938)	-	(10,938)
Profit after taxes		-	-	-	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
Other comprehensive incomes and losses for 2012		-	-	17,665	-	17,665
Profit after taxes	14	-	-	-	6,273	6,273
Total comprehensive incomes/(losses) for 2012		-	-	17,665	6,273	23,938
Contributions to legal reserve fund	14	-	142	-	(142)	-
		-	142	-	(142)	-
Equity at 31 December 2012		25,000	3,550	8,093	66,167	102,810

Separate Cash Flow Statement – indirect method

	Note	At 31 December 2012	At 31 December 2011
Cash flows from operating activities			
Profit/(Loss) before taxes		10,242	3,516
Adjustments for:			
Depreciation and amortization of tangible and intangible assets	5,6	6,969	6,858
Impairment losses	20	-	529
Creation/(release) of bad debt provisions	25	(1,718)	(1,023)
Write-offs of receivables		929	1,693
(Gains)/losses from revaluation of financial assets at fair value through profit or loss	19	(11,385)	14,394
Interest income	19	(8,870)	(9,845)
Interest expense		16	1
Dividend income	19	(979)	(436)
(Gains)/losses from sales/disposals of tangible assets		(154)	(80)
Interest received		9,179	10,319
Dividends received		229	436
(Increase)/decrease in financial assets		7,609	(13,640)
(Increase)/decrease in reinsurance assets		(445)	(1,887)
(Increase)/decrease in loans and receivables and other assets		2,519	(1,147)
(Increase)/decrease in deferred acquisition costs		(6,379)	(3,087)
Increase/(decrease) in insurance contracts		4,026	(1,096)
Increase/(decrease) in deposits from reinsurers		(7)	(3,169)
Increase/(decrease) in trade and other payables		(1,341)	4,419
Increase/(decrease) in financial liabilities		112	1,582
Interest paid		(17)	-
Income tax paid		(3,288)	(1,707)
Net cash from operating activities		7,247	6,630
Cash flows from investing activities			
Acquisition of tangible and intangible assets	5,6	(3,405)	(3,375)
Proceedings from sale of tangible assets		207	175
Dividend income from investments in joint ventures		750	-
Net cash from investing activities		(2,448)	(3,200)
Cash flows from financing activities			
Dividends paid	14	-	(10,000)
Loans received	8	-	5,000
Loan payments	8	(5,000)	-
Net cash from financing activities		(5,000)	(5,000)
Net increase/(decrease) in cash and cash equivalents		(201)	(1,570)
Cash and bank accounts at the beginning of the year		3,468	5,038
Cash and cash equivalents at the end of the year	13	3,267	3,468



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1 General information

Generali Slovensko poisťovňa, a. s., (“the Company”) is a universal insurance company based in the 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 the Slovak Republic and employs 643 people (as at 31 December 2011: 660).

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 with a registered office address at: Lamačská cesta 3/A, 841 04 Bratislava, Slovak Republic. The Company’s shares are not listed on the stock exchange. The Company’s corporate ID (IČO) is: 35 709 332 and its tax ID No. is: 2021000487.

Members of the Company’s statutory and supervisory bodies, according to the Commercial Register as at 31 December 2012 are:

Board of Directors:

Title, Name, Surname	Function	Period until - since
Ing. Vladimír Bezděk, M.A.	Chairman	
Ing. Jozef Tanzer	Member	
Ing. Eva Štefániková	Member	
Ing. Stanislav Uma	Member	

Supervisory Board:

Title, Name, Surname	Function	Period until - since
Klára Starková	Chairman	
Luisa Coloni	Member	
Ing. Peter Galo	Member	until 20 March 2012
Marcela Nberiová	Member	since 18 April 2012

The shareholder of the company Generali Slovensko poisťovňa, a. s., is Generali PPF Holding B.V., (“the Shareholder”) with a 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 Abruzzi 2, Trieste, Italy.

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

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 2012 (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 Consolidated Financial Statements as at 31 December 2012. The Company Generali PPF Holding B.V., with registered office at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands, will prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU.

As at the day on which these Separate Financial Statements were approved, the Group did not prepare 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 2012, 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.

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 2012

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

Adjustment IFRS 7 Financial instruments: Disclosures – Transfers of financial assets (effective from 1 July 2011 or later). This adjustment extends the requirements related to disclosure of information on transactions involving the transfer of financial assets. This adjustment should make risks to which the entity is exposed more transparent, in cases when a financial asset is transferred and the transferor keeps some level of continuing involvement with that asset. The adjustment also introduced the definition of transfer and the continuing participation for disclosure purposes. This adjustment was approved by the European Union on 22 November 2011.

Adjustment IFRS 1, Severe Hyperinflation (effective from 1 July 2011 or later). This adjustment contains proceedings for those accounting entities facing severe hyperinflation, which are either returning to the preparation of financial statements according to IFRS requirements or are preparing their financial statements according to IFRS requirements for the first time. This adjustment was approved by the European Union in December 2012.

Amendment to IAS 12, Income Taxes (effective from January 1, 2012). This standard requires that an entity recognizes 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. This

amendment was approved by the European Union in December 2012.

Amendment to IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendment requires to separate items presented in other comprehensive income based on whether or not they may be reclassified to profit or loss in the future (e.g. at clearing or settlement). The Amendment retains the option to recognize items of other comprehensive income as either after-tax or pre-tax. However, there must be presented a total amount of income tax attributable to each item of other comprehensive income in both cases. In addition, accounting entities are still required to disclose the amount of income tax attributable to each item of other comprehensive income, either in the statement or in the notes. This amendment was approved by the European Union on 5 June 2012.

New or revised standards and interpretations which will be mandatory for accounting periods beginning on or after 1 January 2013, and which the Company has not voluntarily adopted early:

None of the following standards, interpretations and amendments to already published standards was voluntarily applied before its effective date, when preparing Financial Statements as of 31 December 2012.

IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective from 1 January 2015). 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 change its effective date to annual periods beginning on or after 1 January 2015 from year 2013 and added transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: assets to be measured at fair value, and assets to be measured at amortised cost using effective interest rate. 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 measured at amortized cost using effective interest rate only if it is a debt instrument and (i) the objective of the entity's business model is to hold the asset to collect contractual cash flows and (ii) the asset's contractual cash flows represent payments of principal and interest only (when the financial instrument has only basic loan features). All other debt instruments are to be measured at fair value through profit or loss.
- Shares and equity instruments are to be measured at fair value. Equity instruments which 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 by an accounting entity to measure these investments with either impact (i) through profit or loss or (ii) through

other comprehensive income. There is to be no recycling of fair value gains and losses to profit or loss at sale or impairment. 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 and not the repayment of 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 its own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

The Company is considering the implications of the standard, as the impact on the Company and the Financial Statement can be significant. IFRS 9 has not been approved by the European Union.

IFRS 10, Consolidated Financial Statements (effective from 1 January 2013 or later) replaces all of the guidance on control and consolidation in IAS 27, Consolidated and separate financial statements, and in interpretation SIC-12, Consolidation - special purpose entities. This standard changes the definition of control so that the same criteria are applied to all entities to determine control. Change in definition of control focuses on the need to have the right to control and be exposed to variable returns in order that the control exists. The right to control is a momentary ability to manage activities that have a significant impact on profits. The decision to control is based on the current

situation and circumstances and needs to be continuously reassessed. The fact that the control should be temporary, does not mean that controlled company could not be consolidated. Voting rights or other contractual rights or their combination can lead to control of the investor. The right to control may not be applied. An investor with a majority of voting rights will meet the definition of control unless there are any restrictions or conditions. The standard also contains guidance on the rights relating to participation in the management, protection of minority rights and relationship of representation. Rights to participate in management represent an investor's entitlement to manage activities of the company, which significantly affect profits. Property rights give an investor the ability to block certain decisions which are beyond the normal activities of the company. An investor may act as an agent on behalf of another person or group of persons. The investor either has or does not have any control over grouped investments. IFRS 10 contains a list of factors to be considered when determining whether an investor has control or if he acts as an intermediary (agent). Change in definition of control and related guidelines replaced not only the definition of control and related rules defined by IAS 27 but also four indicators of control stated in SIC 12. This standard was approved by the European Union in December 2012.

IFRS 11, Joint Arrangements (effective from 1 January 2013 or later) replaces IAS 31, Interests in Joint Ventures. Changes in definitions have reduced the number of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate

consolidation for jointly-controlled entities has been eliminated and equity accounting is mandatory for participants in joint ventures. A joint venture is defined as a business in which the two involved parties contractually agreed to share control. Joint control exists only in cases when decisions on activities, which significantly impact the profit of the joint venture, require the unanimous consent of all parties which share control. The parties involved in the joint venture should recognize their rights and obligations resulting from joint control. The standard classifies joint ventures into two types:

- Joint operations are joint arrangements when involved parties have rights to the assets and obligations for the liabilities relating to the arrangement. The operator recognizes its share according to its direct rights and obligations, and not according to other ownership.
- The joint venture gives contracting parties the right to net capital or business results. An investor does not have any direct property rights or direct obligations relating to the business of the joint venture. Instead, investors of the joint venture split the equity and the results of the activities of the joint venture. Joint ventures will be accounted for by the equity method in accordance with IAS 28, Investments in Associates and Joint Ventures. Entities will no longer be able to use the proportionate consolidation method of accounting for joint ventures.

The standard also describes accounting for those entities, which participate in the joint venture but do not have joint control. This standard was approved by the European Union in December 2012.

IFRS 12, Disclosure of Interests in Other Entities (effective from 1 January 2013 or later) is applied prospectively from the beginning of the period when it is first applied. This standard replaces the disclosure requirements currently found in IAS 28, Investments in Associates and Joint Ventures. This standard requires entities to disclose information which 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 the following areas:

- Significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities
- Interests in subsidiaries
- Interests in joint ventures and associates
- Interests in unconsolidated structured entities.

This standard was approved by the European Union in December 2012.

IFRS 13, Fair value measurement (effective from 1 January 2013 or later). This Standard replaced instructions on fair value measurements included in various standards and interpretations. It is the result of a joint effort of the IASB and the FASB to improve convergence of the conceptual framework on fair value measurement. IFRS 13:

- Defines fair value
- States conditions for determining the fair value
- Requires disclosure of fair values.

This standard provides a three-level hierarchy of fair value based on the type of input variables used in pricing models:

- Level 1 represents quoted prices for assets or liabilities in an active market. Consistently with currently applicable IFRS, if there is a quoted price in an active market, it is used to determine its fair value without any further modification.
- Level 2 represents other observable inputs available in the market.
- Level 3 represents the input parameters that are not directly available in the market, but they must reflect assumptions, a market participant would use when determining the appropriate price of an asset or liability.

Fair value measurement is categorized to an appropriate level, based on the significant input variable with the lowest level. The standard includes higher level of requirements for disclosure, which can mean higher requirements for entities. Disclosure requirements are similar to IFRS 7, Financial Instruments: Disclosures, however are applied to all assets and liabilities that are measured at fair value and not just to financial instruments. This standard was approved by the European Union in December 2012.

IAS 27 (2011), Individual Financial Statements (effective from 1 January 2013 or later). Requirements for individual financial statements remain unchanged and are included in the revised standard IAS 27. Other parts of IAS 27 are replaced by IFRS 10, Consolidated Financial Statements. This standard was approved by the European Union in December 2012.

IAS 28 (2011), Investments in Associates and Joint Ventures (effective from 1 January 2013 or later). The standard is adjusted in a way to reflect changes caused by issuance of IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities. This standard was approved by the European Union in December 2012.

The amendment to IAS 19, Employee Benefits (effective from 1 January 2013 or later). This amendment requires that all changes in long-term employee benefits are recognized as they occur, either in profit, loss or other comprehensive income. The standard also introduces extended disclosure in the notes. The amendment changes recognition of termination of employment, including the accruing between benefits provided in return for the services and benefits provided in exchange for the termination of employment and impact on measurement of benefits when terminating employment. This amendment was approved by the European Union on 5 June 2012.

IFRIC 20, Stripping Cost in the Production Phase of a Surface Mine (effective from 1 January 2013 or later). This interpretation requires an entity which has previously recognised these costs directly into profit or loss, to begin to activate these costs from the date of application. All existing balances on cost accounts need to be written off to the opening balance of retained earnings in case they are not related to an identifiable part of the surface. This interpretation was adopted by the European

Union in December 2012.

Disclosures — Offsetting Financial Assets and Financial Liabilities – Amendment to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures which will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements of assets and liabilities, including rights to offset in net amount. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments. This amendment was approved by the European Union in December 2012.

Offsetting Financial Assets and Financial Liabilities - Amendment 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 Company assesses the impact of the amendment and the date when the Company begins to apply it. The amendment to the standard was approved by the European Union in December 2012.

Government loans – The Amendment to IFRS 1 (issued in March 2012 and effective for periods beginning on or after 1 January 2013). The aim of the

amendment is to harmonize requirements for first-time adopters with those already preparing financial statements in accordance with IFRS in relation to the changes in IAS 20 related to government loans. Changes in IAS 20 adopted in 2008 require that government borrowing with an interest rate lower than the market rate is recognised at fair value. The proposed amendment would require that first-time adopters apply this requirement prospectively to loans obtained on or after the date of transition to IFRS. This amendment has not been approved by the European Union yet.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for periods beginning on and after 1 January 2013). The improvements consist of a mixture of substantive changes and clarifications in the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards - allows repeated application of IFRS 1. The costs on received loans relating to qualified assets, need to be capitalized before the date of transition to IFRS.
- IAS 1 Presentation of Financial Statements - clarification of requirements for comparative information.
- IAS 16 Property, plant and equipment - Classification of servicing equipment.
- IAS 32 Financial Instruments: Presentation - specifies that the tax effect of profit distribution among owners of equity securities needs to be recognized in accordance with IAS 12, Income Taxes.
- IAS 34 Interim Financial Reporting - specifies the reporting of segments for total assets in order to improve consistency

with the requirements of IFRS 8 Operating Segments.

These improvements have not yet been approved by the European Union.

IASB issued Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities; The Transition Manual (Amendments to IFRS 10, IFRS 11 and IFRS 12) (issued in June 2012 and effective for periods beginning on and after 1 January 2013). These amendments have been prepared with the aim of providing additional help in transition to IFRS 10, IFRS 11 and IFRS 12 to the extent that they limit the requirement to provide comparative information only to the immediately preceding period.

Investment Companies (Amendments to IFRS 10, IFRS 12 and IAS 27) (issued in October 2012 and effective for periods beginning on and after 1 January 2014). This provides an exemption from consolidation of subsidiaries in accordance with IFRS 10 for the companies that meet the definition of „investment company“ such as certain investment funds. Instead, these companies will measure their investments in subsidiaries at fair value in the Profit and Loss Statement in accordance with IFRS 9 and IAS 39. This amendment has not yet 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 half of the voting rights. The existence and effect of potential voting rights which 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 effective date of 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 con-

trol over an economic activity. Joint ventures are carried at cost. As of the effective date of 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.

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.

As 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.

As 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 (persistence, 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.

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 signifi-

cant 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).

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 those 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.

Reinsurance assets consist of short-term receivables from reinsurers (classified as loans and receivables), as well as long-term receivables from reinsu-

urers (classified as reinsurance assets) which 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 purchases and sales of financial assets are recognized at the trade date (mutual funds certificates) – the date on which the Company commits to purchase or sell the asset or at the settlement date (other financial assets). 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 (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 performance 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 clas-

sified 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. Futures are marketable on stock exchange.

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)

DAC 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 acquisition costs in life insurance for products with Zillmer provision, where acquisition costs are deferred up to maximum of the calculated amount.

- 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 and benefit payment in case of survival are DAC amortized using Zillmer method.

- For variable life insurance - saving component are DAC amortized over the period, during which the Company recognizes so-called initial fees.

- For life insurance with one-off premium, acquisition costs are not accrued.

A 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 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 the income tax is also 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 acco-

unted for. Deferred income tax is determined using tax rates that have been approved or partially approved by tax laws, 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 differen-

ces 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 and deposits held at call with banks. Term deposits are presented as part of financial assets since they are primarily intended to cover the liabili-

ties from insurance contracts. 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. Incremen-

tal costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

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, guaran-

tees, 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 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 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 the 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% (2011: 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 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 death based on 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, the typical average values for the particular type of insured events will be used as the first estimate. This asses-

sment 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 accidentance 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. This contains line data, according to the year of occurrence of an insured event and 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 estimated total amount of insurance benefit is determined from data on and over the diagonal by using weighted development coefficients. IBNR will then be determined as the final value less the sum of the values on and over the diagonal.

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

Provision for payment of liabilities to the Slovak Bureau of Insurers

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

2.14 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are financial instruments including amounts due to policyholders, agents, and brokers. Receivables are valued at fair value at acquisition and afterwards at amorti-

zed costs using effective interest rate. 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.

Payables related to insurance contracts are valued at fair value decreased by transaction costs. Afterwards they are valued at amortized costs using the effective interest rate.

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 obli-

gations and to participate in cases of major claims or in reinsurance of large insurance portfolios. These deposits are primarily recognized according to contractual conditions reflecting the reinsurer's share in the business ceded.

Interest on these deposits is recognized in the income statement as interest expense on the amortized cost basis, using the effective interest method.

2.16 Revenue recognition

a) Income from fees and commissions

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

rance 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.

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. This is as a result of one or more events which have occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) has 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
- 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 which 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. These are categorized by asset type, industrial sector, territory, maturity, and similar relevant factors and collectively assessed 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 which 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. These are judged not to affect the period on which the historical loss experience is based 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.

Excepted are 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 finan-

cial 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 (more than one year) or significant (more than 30%) 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 asset previously recognized in profit or loss. If in the next period the fair value of the equity security increases, these increases

in the fair value of the equity security are recognized in other comprehensive income. 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 subsidiary and joint ventures

In case of investments in subsidiaries or joint ventures, the test for impairment is performed as a comparison of acquisition costs with recoverable amount of investment decreased by impairment losses already recognized in profit or loss. Impairment is recognized in profit and loss.

d) Impairment of other non-financial assets

Assets which have an indefinite useful life are not amortized. However, they are tested for impairment every year. Assets which 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, or

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 which represent the value of an acquired insurance portfolio in life and non-life insurance with a definite useful life. The carrying value of this asset is tested for impairment when there are objective indicators that such reduction can occur. An indicator of the possible impairment loss is a change in the 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 current best estimates.

2.18 Insurance and investment contracts – classification and measurement

The Company concludes contracts which transfer insurance risk or financial risk, or both. Insurance contracts are those which 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 which are at least 10% more than the benefits payable if the insured event does 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 DPF. This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- a) which are likely to be a significant portion of the total contractual benefits
- b) whose amount or timing is at the discretion of the Company
- c) which are contractually based on:
 - (i) The performance of a specified pool of contracts or a specified type of contract
 - (ii) Realized or unrealized investment returns on a specified pool of assets held by the Company

- (iii) The profit or loss of the Company, fund or other entity that issues the contract.

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

a) Recognition and measurement
Insurance contracts are classified into 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 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 activi-

ties 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. 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 which are directly related to the contract, less the expected discounted value of theoretical premiums which would be required to meet the benefits and administrative expenses based on the valuation assumptions used (the valuation premiums). The liability is based on such assumptions as mortality, incident rate, administrative expenses and investment income which 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 policyholders 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 discretion. 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 also be increased by the guaranteed agreed percentage, which is declared by the Company, or by the guaranteed agreed interest rate, based on the type of a par-

ticular product.

Some variable life insurance products enable allocation of 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 period. 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 decreased 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 clo-

sely 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 which 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 are used, as well as the market risk-free yield curve. The 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.

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 % (2011: 35.2 %) of the gross salaries up to the amount of monthly salary pursuant to relevant legal regulations. The employee contribution was 13.4 % (2011: 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

Based on IAS 19 except for the short term employee benefits, provision for defined benefit plans is included, such as termination indemnities and other long-term employee benefits. They are measured according to the Projected Unit Credit Method (in accordance with 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
- Providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.21 Dividend distribution

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

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 reevaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Significant estimates and assumptions, which 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 up to that time, regardless of whether they were reported or not. This reserve includes liquidation costs, less the amount of already paid claims. Reserve for these claims is not discounted.

Data included as assumptions are mostly from internally-acquired Company analysis or from other companies in the Group.

If sufficient data for determination of reliable trend of insurance claims are not available (mainly in the first years after introduction of a new product or 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 the 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 the 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 provi-

sions 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 compulsory MTPL insurance. In this connection, the Company booked MTPL provision of EUR 3,809 thousand (31 December 2011: EUR 4,299 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 2012: 6.81%).

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 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: premiums, insurance benefits, administrative expenses, loss adjustment expenses, investment costs. The carrying value of cash flows will be compared with the value of 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: charges applied by the Company from premiums 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 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 impair-

ment 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 of whether a significant or long-term diminution in fair value has 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 have 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 in 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 the deepening financial crisis and worsening economic situation in the country with respect to the future finan-

cial situation of the Company. On the basis of the analysis the Management have undertaken 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 require-

ments binding for all group companies to ensure an appropriate level of control, highlight potential synergies across different countries, and avoid any unexpected growth of 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
- Harmonized asset-liability management approaches adopted at all organizational levels within the Generali Group
- Identification, measurement and evaluation of operational risks

Due to its insurance activities, the Company is naturally exposed to several types of risk, which are related to movements in financial markets, adverse development of life and non-life insurance and generally all factors affecting 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.

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 rela-

ted 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 of 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 deve-

loped its own insurance underwriting strategy to diversify the type of insurance risks accepted. It has also 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 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.

4.1.1 Life insurance risk

The Company's life insurance portfolio comprises long-term insurance contracts with fixed and guaranteed terms, variable (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, serious illness etc.).

The risks related to policies with guaranteed terms are taken into account when setting prices and 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 miti-

gating mortality and morbidity risk. This instrument is mainly applied by the Company for mortality insurance. The tables below show the concentra-

tion of insurance risk of death 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 2012

Interval SaR (in thousand EUR)	Interval total	Number of lives	Average age	Total after reinsurance
Less than 7	431,876	247,115	40	431,876
7 to 15	271,846	27,183	35	271,846
15 to 30	236,587	11,568	34	236,587
30 to 50	184,046	4,844	32	184,046
More than 50	197,100	2,635	31	185,613
Collective agreements	161,879	4,760	-	-
Total	1,483,334	298,105	-	1,309,968

Sum at Risk * (SaR) for mortality at the end of 2011

Interval SaR (in thousand EUR)	Interval total	Number of lives	Average age	Total after reinsurance
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

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

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 gene-

rating 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):

	2012		2011	
	Required minimum amount of provisions *	Provision insufficiency**	Required minimum amount of provisions *	Provision insufficiency**
Mortality risk				
Present value	114,788	3,428	118,493	2,812
Mortality +10% shift	115,589	3,534	119,290	2,946
Mortality - 10% shift	113,983	3,329	117,707	2,708
Lapse risk				
Present value	114,788	3,428	118,493	2,812
Gradient +25% shift	115,959	3,532	119,924	3,129
Gradient - 25% shift	113,482	3,392	117,329	2,526
Loss risk				
Present value	114,788	3,428	118,493	2,812
Expenses +10% shift	116,071	3,708	120,403	3,282
Expenses - 10% shift	113,509	3,159	116,652	2,548

* 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

The liability adequacy test for long-term insurance contracts was performed at the balance sheet date. Future liabilities arising from long-term life insurance contract terms were estimated as the discounted future cash flow from the current estimate increased by the safety margin. Cash flows from long-term life insurance contracts, where the investment risk is borne by the policyholder, 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 policyholder, 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 45% 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. In 2012, the Company synchronized the set up of assumptions, which in 2011 were different for the two segments. If mortality or other life-related risks deviate by 10% in the future, this change in assumptions will have little effect on the 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 ana-

lyzing lapses, the product and the distribution channel were taken into the account. The Company performs regular back test of cancellation assumptions. The Company increased the cancellation assumptions due to a change in the

trend of cancellation rates during the last 4 years. If the number of lapses or payments in future years differs by 25%, this change in assumptions will have a minor impact on the liability adequacy test result, as it is described above.

4.1.2 Non-life insurance risk

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

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

parison 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 ana-

lysed 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 2012 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	
	2012	2011	2012	2011
Mean value of the amount of losses* - property	3,174	2,851	2,074	1,729
Mean value of the amount of losses* - disasters	4,007	7,492	3,006	5,127
Number of claims per 100 contracts / insured premises [in %]	3.00%	2.77%	3.00%	2.77%

* 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.

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 2012

Interval (in ths. EUR)	Total interval (in ths. EUR)	Number of objects	Total after reinsurance
less than 25	713,210	84,030	407,086
25 - 100	4,214,170	76,910	2,410,469
100 - 1,000	5,345,750	25,236	2,975,533
1,000 - 10,000	7,198,723	2,663	2,651,378
10,000 - 50,000	4,678,073	247	941,980
more than 50,000	8,763,290	65	1,258,789
Total	30,913,216	189,151	10,645,235

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	393,509
25 - 100	4,191,514	76,664	2,396,399
100 - 1,000	5,356,935	24,687	2,988,225
1,000 - 10,000	7,896,365	2,838	2,933,688
10,000 - 50,000	5,213,805	269	1,221,820
more than 50,000	12,672,654	71	1,477,735
Total	36,020,465	186,013	11,411,376

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 (excluding active reinsurance) 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 repor-

ted, and the estimated provisions for IBNR claims. The amounts are shown net of reinsurance, ULAE (RBNS, IBNR), 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.

The difference between the ultimate cost of claims and cumulative claims paid for 2012 determines the claims provision related to accident years from 2004 (and earlier) to 2012.

	2004 and earlier	2005	2006	2007	2008	2009	2010	2011	2012	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	64,013	
one year later	74,384	49,053	55,348	62,243	86,390	60,615	75,668	68,284		
two years later	70,044	49,609	53,617	60,863	82,762	55,978	73,275			
three years later	69,100	49,620	53,126	58,634	82,239	57,536				
four years later	68,933	49,016	51,632	57,824	80,115					
five years later	69,583	48,336	50,729	58,136						
six years later	67,199	47,841	51,046							
seven years later	66,695	47,791								
eight years later	66,244									
Estimate of ultimate cumulative claim costs at 31 December 2012	66,244	47,791	51,046	58,136	80,115	57,536	73,275	68,284	64,013	566,440
Cumulative payments at 31 December 2012	(63,738)	(45,838)	(48,514)	(55,933)	(76,233)	(52,425)	(66,395)	(53,501)	(37,896)	(500,473)
Provision for insurance claims shown on the balance sheet	2,506	1,953	2,532	2,203	3,882	5,111	6,880	14,783	26,117	65,967

4.2 Market risk

j) 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.

The Company is also indirectly exposed to currency risk through financial assets invested in mutual funds, which are further invested into various securities. The Company monitors the impact of such risk using so-called "look through" principle.

As at 31 December 2012, the value of assets denominated in foreign currencies totalled EUR 19,249 thousand, respectively EUR 21,704 thousand including indirect exposure from mutual funds (2011: EUR 17,112 thousand) and the value of liabilities denominated in foreign currencies amounted to zero (2011: 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, the Czech crown and the Polish zloty.

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 or losses on assets due to foreign exchange differences are offset by losses or 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 2012

Currency risk sensitivity (open foreign currency position)	USD	CZK	PLN	HUF	GBP	CHF	Other
Change in the exchange rate	+/-10%	+/-10%	+/-10%	+/-10%	+/-10%	+/-10%	+/-10%
Profit or loss	+/- 61,7	+/- 16,6	+/- 13,4	+/- 1,6	+/- 0,2	+/- 0	+/- 0
Profit or loss (including mutual funds)	+/- 220,6	+/- 25,9	+/- 14,4	+/- 1,4	+/- 2,6	+/- 0,1	+/- 73,9

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

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 analyzes the mismatch between its assets and liabilities. Based on this analysis, it determines the investment strategy to eliminate this mismatch. The Company analyzes interest rate risk mainly by performing duration analysis and its sensitivity to changes

in yield curve (total or partial). The Company regularly monitors whether the set investment policy is properly respected.

The Company is also exposed to a mismatch of assets and liabilities, due to the accounting procedures applied. This is particularly true for life insurance products with a guaranteed interest rate. Financial location of technical provisions is classified in the category available for sale, with an impact on balance sheet values, but with no direct impact on profit or loss (excluding implementa-

tion). By contrast, the technical liabilities are primary calculated on the basis of no changeable assumptions and are adjusted only upwards of a possible deficiency. As a result, sensitivity to changes in interest rates on the liabilities side, has an effect only if provisions become insufficient. Change is accounted for 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. The assumptions on interest rates were taken from the internal model of the Company.

Interest rate sensitivity (does not include investments in the name of the insured)

As at 31 December 2012	Bonds book value (decrease)/ increase	Derivatives book value (decrease) / increase	Mutual funds book value (decrease) / increase	Technical provisions book value (decrease)/ increase	Impact on the Income Statement	Impact on the Equity
Impact of change of +100 bp	(10,892)	716	(9)	(1,653)	2,360	(8,532)
Impact of change of -100 bp	10,385	(448)	5	2,350	(2,794)	7,591

As at 31 December 2011	Bonds book value (decrease)/ increase	Derivatives book value (decrease) / increase	Mutual funds book value (decrease) / increase	Technical provisions book value (decrease)/ increase	Impact on the Income Statement	Impact on the Equity
Impact of change of +100 bp	(9,969)	1,262	(17)	(1,401)	2,646	(7,323)
Impact of change of -100 bp	11,027	(1,303)	18	6,214	(7,499)	3,528

Technical provisions show sensitivity to changes in interest rates, only if the provision for insufficiency is changed accordingly. Provision for insufficiency arises if 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 in 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 the "look through" principle. The majority of financial assets in investment funds are the property of the Company for products, which bear investment risk insurance. They are included in the category valued at fair value through profit and loss. This

occurs if the change in the value of liabilities, compared to the change in prices over investment units (directly reflecting 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 the non-life insurance area the Company is exposed to interest rate risk mainly only by financial assets, because 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). This applies, 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 developments in capital or financial markets.

Unexpected movements in the 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 of meeting obligations towards policyholders in life and non-life insurance and generating 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 liquidity risk.

The Company is exposed to price risk through financial assets invested in mutual funds, which are further invested into various securities. The Company monitors the impact of such risk using the so-called "look through" principle.

Price change sensitivity (does not include investments in the name of the insured)

Balance as at 31 December 2012	Profit/(loss)	Other comprehensive income
Impact on		
Price change	+/-10%	+/-10%
Profit or loss	-	+/- 1,646
Profit or loss (including mutual funds)	-	+/- 2,152

Balance as at 31 December 2011	Profit/(loss)	Other comprehensive income
Impact on		
Price change	-/+ 10%	-/+ 10%
Profit or loss	-	-/+ 1,263
Profit or loss (including mutual funds)	-	+/-1 330

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:

2012	Estimated cash flows (undiscounted)					Total
	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years	
Bonds	135,845	60,777	78,974	-	-	275,596
Term deposits	7,535	-	-	-	-	7,535
Derivates	(889)	-	-	-	-	(889)
Shares	2,803	-	-	-	-	2,803
Index shares (exchange – traded fund)	13,655	-	-	-	-	13,655
Investment funds	147,454	-	-	-	-	147,454
Total	306,403	60,777	78,974	-	-	446,154

2012	Estimated cash flows (undiscounted)					Total
	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years	
Life insurance contracts with fixed and guaranteed terms*	(23,465)	20,826	26,810	23,707	43,665	91,543
Unit-linked products*	158,008	-	-	-	-	158,008
Non-life insurance	91,683	1,823	901	574	329	95,310
Active reinsurance	240	-	-	-	-	240
Deposits from reinsurers	407	-	-	-	-	407
Trade and other liabilities	40,774	-	-	-	-	40,774
Total	267,647	22,649	27,711	24,281	43,994	386,282

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

Weighted duration of bonds:	4.93 years
Average maturity of liabilities:	5.03 years

2011	Estimated cash flows (undiscounted)					Total
	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years	
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)					Total
	0-5 years	5-10 years	10-15 years	15-20 years	> 20 years	
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
Active reinsurance	310	-	-	-	-	310
Financial liabilities in amortized costs	5,001	-	-	-	-	5,001
Deposits from reinsurers	414	-	-	-	-	414
Trade and other liabilities	40,798	-	-	-	-	40,798
Total	238,577	21,038	38,953	32,441	81,763	412,772

*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

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 of exposure to credit risk, the Company regularly monitors whether limits have been exceeded.

The Company's credit risk exposure is as follows:

As at 31 December 2012	Bonds available for sale		Loans and receivables		Reinsurance assets	Cash	Term deposits
	corporate	government	to customers and reinsurers	Other receivables			
AAA	-	1,000	-	-	241	-	-
AA+	-	-	-	-	-	-	-
AA	2,868	-	-	-	148	-	-
AA-	1,988	-	-	-	620	-	-
A+	1,304	-	95	-	100	1	-
A	7,446	164,215	130	-	4,285	5	-
A-	12,150	7,875	1,143	-	271	4	295
BBB+	6,857	-	440	-	1,786	2,205	4,790
BBB	6,465	-	-	-	36,825*	489	900
BBB-	3,975	-	-	-	-	-	-
BB+	5,200	-	-	-	-	-	-
BB	-	-	-	-	-	-	-
BB-	4,814	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-
Without rating	1,115	-	14,038	1,152	50	563	1,550
Total	54,182	173,090	15,846	1,152	44,326	3,267	7,535

* of which EUR 36,825 thousand represents the share of GP Reinsurance EAD (Note 28)

As at 31 December 2011	Bonds available for sale		Loans and receivables				Cash	Term deposits
	corporate	government	to customers	Other receivables	Reinsurance assets	Reinsurance assets		
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 of GP Reinsurance EAD (Note 28)

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

As at 31 December 2012	Not yet due, not impaired	Overdue, not impaired			Impaired	Total
		0 – 3 months	3 – 6 months	6 months – 1 year		
Financial assets available for sale (without shares)	227,272	-	-	-	-	227,272
Financial assets and liabilities at fair value at profit and loss (without shares and bonds)	(868)	-	-	-	-	(868)
Cash and term deposits	10,802	-	-	-	-	10,802
Loans and receivables*	5,322	8,978	915	333	1,450	16,998
Reinsurance assets	44,326	-	-	-	-	44,326
Total	286,854	8,978	915	333	1,450	298,530

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

As at 31 December 2011	Not yet due, not impaired	Overdue, not impaired			Impaired	Total
		0 – 3 months	3 – 6 months	6 months – 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.

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	2012	2011
Opening balance	10,691	11,298
Write-offs of receivables	(814)	(1,693)
Creation/(Release)	(760)	1,086
Closing balance	9,117	10,691
Valuation allowances for other receivables		
Opening balance	1,110	1,172
Write-offs of receivables	(115)	-
Creation/(Release)	(29)	(62)
Closing balance	966	1,110

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 facilitation in using tools for

mitigating risk. The main categories are as follows:

- Strategic risks, resulting from planning and managing the Company's long-term value
- Common operational risks, resulting from day-to-day operations aimed at achieving the Company's business objectives

- Disclosure risks, arising from the capability of information systems to support internal decisions and 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 in local markets. The strategic planning process is the main tool for managing this type of risk. The process is based on a three-year horizon and is adjusted every year, ending with the setting of 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. They also identify and execute 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 analyzes the performance of each country and evaluates the actions undertaken.

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

4.6 Capital management

The Company considers its entire equity to be its capital in amount of EUR 102,810 thousand (2011: EUR 78,872 thousand). 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. Ensuring a quantita-

tive 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.

	2012	2011
Actual solvency margin	82,151	59,072
Required solvency margin	23,818	23,915

The Company continuously monitors the performance and adequacy of its own resources. During the whole period of activity these were shown in sufficient value. The actual solvency margin exceeded the minimum required as

at 31 December 2012 and 31 December 2011.

The Company in addition to regulatory requirements on capital, monitors the amount and use of economic (risk)

capital. For this purpose, the Company implemented an internal model developed at the Group level in 2010. In 2011 there was further improvement of the internal model, in accordance with the upcoming legislation Solvency 2.

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 financial assets according to the following fair value hierarchy:

- Level 1: financial assets and liabilities valued based on prices quoted in active markets
- Level 2 : in determining the fair value of financial assets and liabilities, valuation techniques are used with inputs which are based on 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 a market price was not established as at 31 December 2012, the method of discounted cash-flows was used. This was 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 2012, the Company performed classification of fair value valued financial assets and liabilities, according to requirements stated above as follows:

Fair value estimation and fair value hierarchy				
31 December 2012				
	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Derivative financial assets				
Interest swaps	-	(1,081)	-	(1,081)
Futures	(20)	-	-	(20)
Currency swaps	-	233	-	233
Total	(20)	(848)	-	(868)
Other financial assets at fair value through profit or loss				
Bonds	-	-	-	-
Investment funds	147,454	-	-	147,454
Total	147,454	-	-	147,454
Available-for-sale financial assets				
Bonds	194,501	32,771	-	227,272
Shares	16,458	-	-	16,458
Total	210,959	32,771	-	243,730
Total financial assets measured at fair value	358,393	31,923		390,316

Fair value estimation and fair value hierarchy				
31 December 2011				
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Interest swaps	-	(1,376)	-	(1,376)
Futures	(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

5. Tangible assets

	Buildings	Land	Motor vehicles	Office equipment	Machinery and equipment	Total
As at 1 January 2011						
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
Year ended 31 December 2012						
Opening balance	1,457	102	913	947	1,434	4,853
Additions	317	-	798	68	163	1,346
Disposals – at acquisition cost	(1)	-	(621)	(289)	(976)	(1,887)
Disposals – accumulated depreciation	1	-	569	289	975	1,834
Depreciation	(127)	-	(448)	(183)	(470)	(1,228)
Net book value at the end of the year	1,647	102	1,211	832	1,126	4,918
As at 31 December 2012						
Acquisition cost	2,109	102	2,044	897	4,632	9,784
Accumulated depreciation	(462)	-	(833)	(65)	(3,506)	(4,866)
Net book value	1,647	102	1,211	832	1,126	4,918

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

6. Intangible assets

	Software	VOBA	Other intangible assets	Total
As at 1 January 2011				
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
Year ended 31 December 2012				
Opening balance	2,384	48,177	-	50,561
Additions	2,059	-	-	2,059
Disposals - at acquisition cost	-	-	-	-
Disposals - accumulated amortization	-	-	-	-
Amortization	(1,200)	(4,541)	-	(5,741)
Net book value	3,243	43,636	-	46,879
As at 31 December 2012				
Acquisition cost	7,597	64,989	3	72,589
Accumulated amortization	(4,356)	(21,353)	(3)	(25,710)
Net book value	3,243	43,636	-	46,879

The Company monitored whether there was any objective indication of impairment of the acquired portfolio of insurance contracts (VOBA) and deduced that there was not. 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.

7. Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries and joint ventures as at 31 December 2012 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 the Slovak Republic. Generali Belarus has a registered office in Belarus.

	2012	2011
As at 1 January	17,416	17,416
Changes	-	-
As at 31 December	17,416	17,416

	Equity share	Acquisition cost	Valuation allowance	Book value
As at 31 December 2012				
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

	Equity share	Acquisition cost	Valuation allowance	Book value
As at 31 December 2011				
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

Financial information on subsidiaries, joint ventures and associates

	Assets	Liabilities	Equity	Revenue	Profit/(loss)
As at 31 December 2012					
VUB Generali d.s.s., a.s.	16,150	1,045	15,105	5,084	2,434
Generali Belarus*	6,212	1,830	4,382	2,733	(1,345)
GSL Services, s.r.o.	226	684	(458)	-	(12)

* the information in table are estimates

	Assets	Liabilities	Equity	Revenue	Profit/(loss)
As at 31 December 2011					
VUB Generali d.s.s., a.s.	14,532	462	14,070	3,557	1,683
Generali Belarus	4,454	1,601	2,853	2,292	450
GSL Services, s.r.o.	244	690	(446)	514	88

8. Financial assets and liabilities

	31 December 2012	31 December 2011
Term deposits	7,535	25,496
Available for sale	243,730	213,771
At fair value through profit or loss	147,454	129,961
Derivatives	233	-
Total financial assets	398,952	369,228
Derivatives	1,101	1,582
Financial liabilities at amortized value	-	5,001
Total financial liabilities	1,101	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 2012	31 December 2011
Government bonds	173,090	138,025
Corporate bonds	54,182	63,116
Total bonds	227,272	201,141
Shares	16,458	12,630
Total financial assets available for sale	243,730	213,771

Financial assets and liabilities at fair value through profit or loss	31 December 2012	31 December 2011
Bond funds	15,177	14,617
Equity funds	55,087	49,283
Mixed funds	75,903	60,427
Money market funds	1,287	5,635
Derivatives	233	-
Total financial assets	147,687	129,961
Derivatives	(1,101)	(1 582)
Total financial liabilities	(1,101)	(1 582)

Investment funds covering provision in covering risks from investing financial resources on behalf of the insured amounted to EUR 140,855 thousand (as at

31. December 2011: EUR 128,353 thousand), investment funds held by the Company amounted to EUR 6,599 thousand (as at 31. December 2011: EUR 1,576 thousand).

In 2011, the short-term loan from parent company (Generali PPF Holding B.V.) in amount of EUR 5,000 thousand was stated as financial liabilities at amortized value. The interest rate was calculated as the 3-month EURIBOR plus 1.6% margin (2.969%). The loan was repaid in 2012.

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 2011	129,442	247,755
Disposals (sale and maturity)	(35,051)	(102,118)
Acquisitions	48,636	81,702
Loss from revaluation (other comprehensive income and loss)	-	(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 beginning of 2012	128,379	213,771
Disposals (sale and maturity)	(3,803)	(66,720)
Acquisitions	10,466	68,220
Profit from revaluation (other comprehensive income and loss)	-	28,927
Net movement in fair value (profit or loss)	11,544	(399)
Impairment loss	-	-
Change of accrued interest income	-	(69)
As at the end of 2012	146,586	243,730

The fair value of financial assets with an existing market price as at 31 December 2012 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 2012 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 cal-

culated from the yield curve, using linear interpolation (the Bootstrapping method).

As at 31 December 2012	Underlying value due			Fair value Assets/(Liabilities)
	within 1 month	within 1 year	within 10 years	
Interest swaps	-	20,000	23,579	(1,081)
Futures	-	3,700	-	(20)
Currency swaps	23,319	-	-	233
Total	23,319	23,700	23,579	(868)

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)

9. Reinsurance assets

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

	31 December 2012	31 December 2011
Unearned Premium Reserve (UPR)	11,627	12,690
Provision for claims Reported But Not Settled (RBNS) and loss adjustment expenses	30,594	28,808
Provision for claims Incurred But Not Reported (IBNR)	2,105	2,383
Total	44,326	43,881

10. Loans and receivables

	31 December 2012	31 December 2011
Receivables from clients	14,529	16,222
Receivables from reinsurers	1,317	-
Other receivables	1,152	1,007
Total	16,998	17,229

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 2012	31 December 2011
Bad debt provision for receivables from clients*	(9,117)	(10,691)
Bad debt provision for receivables from agents	(143)	(287)
Bad debt provision for other receivables	(823)	(823)
Total	(10,083)	(11,801)

* Of the total sum of provisions for receivables from clients a provision for receivables from unit link insurance amounted to EUR 2,917 thousand (2011: EUR 3,687 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.

11. Deferred acquisition costs

	31 December 2012	31 December 2011
At the beginning of the period	18,100	15,013
Additions/(Disposals) of deferred acquisition costs during the year (Note 23)	6,379	3,087
At the end of the period	24,479	18,100

12. Deferred income tax

Deferred income taxes are calculated for all temporary differences under the balance sheet liability method, using the tax rate valid for the year 2013 of 23% (until 2012: 19%), as follows:

	31 December 2012	31 December 2011
Deferred tax assets		
- with the expected realization after more than 12 months	2,695	1,569
- with the expected realization within 12 months	1,085	731
	3,780	2,300
Deferred tax liabilities		
- with the expected settlement after more than 12 months	(12,562)	(6,131)
- with the expected settlement within 12 months	(1,168)	(965)
	(13,730)	(7,096)
Net deferred tax liability	(9,950)	(4,796)

Movements in the deferred income tax are as follows:

Year ended	31 December 2012	31 December 2011
At the beginning of the year	(4,796)	(8,106)
Revenue recognized in the income statement (Note 26)	(372)	577
Tax charged to other comprehensive income (Note 14)	(4,782)	2,733
At the end of the year	(9,950)	(4,796)

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

	1 January 2012	Other comprehensive income	Income statement	Change in tax rate		31 December 2012
				Other comprehensive income	Income statement	
Deferred tax asset						
Impairment of receivables	1,105	-	(236)	-	183	1,052
Expenses deductible after having been paid	53	-	37	-	19	109
Employee benefits	9	-	1	-	2	12
Provision for bonuses	261	-	50	-	65	376
Provision for the MTPL insurance deficit	56	-	(6)	-	10	60
IBNR	816	-	213	-	217	1,246
Unrealised revaluation gain credited to policyholders	-	764	-	161	-	925
Total	2,300	764	59	161	496	3,780

	1 January 2012	Other comprehensive income	Income statement	Change in tax rate		31 December 2012
				Other comprehensive income	Income statement	
Deferred tax liability						
Tangible assets	(307)	-	17	-	(61)	(351)
Available for sale financial assets revaluation	2,365	(5,125)	-	(582)	-	(3,342)
VOBA	(9,154)	-	863	-	(1,746)	(10,037)
Total	(7,096)	(5,125)	880	(582)	(1,807)	(13,730)

	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
Total	2,641	-	(341)	2,300

	1 January 2011	Other comprehensive income	Income statement	31 December 2011
Deferred tax liability				
Tangible assets	(308)	-	1	(307)
Available for sale financial assets revaluation	(368)	2,733	-	2,365
VOBA	(10,071)	-	917	(9,154)
Total	(10,747)	2,733	918	7,096

The Company recorded a deferred tax liability from revaluation of available for sale financial assets. Losses from the sale of available for sale financial assets are generally tax-non-deductible.

13. Cash and cash equivalents

	31 December 2012	31 December 2011
Bank accounts	3,254	3,463
Cash equivalents	13	5
Total	3,267	3,468

Cash in banks and cash equivalents represent funds immediately available, which are intended to cover the operati-

onal needs of the Company. Term deposits are recognized under the financial assets since they are intended primarily

to cover the insurance liabilities.

14. Equity

Share capital

	Number of shares	Ordinary shares in EUR thousand
As at 1 January 2011	75,302	25,000
Changes during the year	-	-
As at 31 December 2011	75,302	25,000
Changes during the year	-	-
As at 31 December 2012	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 2011: 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 2011 (in absolute value of EUR 142 thousand) from EUR 3,408 thousand as at 31 December 2011 to EUR 3,550 thousand.

Profit / (Loss) from previous and current years

	31 December 2012	31 December 2011
Profit/(loss) from previous years	59,894	58,623
Profit/(loss) of the current year	6,273	1,413
Total	66,167	60,036

The financial statements for 2011 were approved at the General Meeting held on 22 May 2012. The profit of EUR 1,413

thousand was transferred as follows:

- EUR 142 thousand to addition of legal reserve fund,

- EUR 1,271 thousand to undisturbed profit of previous years.

Revaluation differences from securities available for sale

	31 December 2012	31 December 2011
At the beginning of 2011		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)
Unrealized gain from revaluation attributable to policyholders		(4,405)
Unrealized gain from revaluation attributable to policyholders – deferred tax		925
Gain from the available-for-sale financial assets revaluation		28,927
Gain from the available-for-sale financial assets revaluation – deferred tax		(6,101)
Transfers to net profit upon sale		(2,075)
Deferred tax upon sale		394
At the end of 2012		8,093

15. Technical liabilities arising from insurance contracts

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

Gross	31 December 2012	31 December 2011
- Claims reported but not settled and loss adjustment expenses	65,420	65,886
- Claims incurred but not reported	7,511	6,679
- Provision for unearned premiums	28,123	31,374
- Provision for profit sharing and premium refund	510	596
- Provision for the deficit in MTPL insurance (Note 3)	3,809	4,299
- Life insurance provision	157,959	158,538
- Provision for risks from investing on behalf of the insured	140,855	128,386
Total insurance liabilities, gross	404,187	395,758

Share of reinsurers (reinsurance assets)	31 December 2012	31 December 2011
- Claims reported but not settled and loss adjustment expenses	30,594	28,808
- Claims incurred but not reported	2,105	2,383
- Provision for unearned premiums	11,627	12,690
- Provision for profit sharing and premium refund	-	-
- Provision for the deficit in MTPL insurance (Note 3)	-	-
- Life insurance provision	-	-
- Provision for risks from investing on behalf of the insured	-	-
Total share of reinsurance on insurance liabilities	44,326	43,881

Net	31 December 2012	31 December 2011
- Claims reported but not settled and loss adjustment expenses	34,826	37,078
- Claims incurred but not reported	5,406	4,296
- Provision for unearned premiums	16,496	18,684
- Provision for profit sharing and premium refund	510	596
- Provision for the deficit in MTPL insurance (Note 3)	3,809	4,299
- Life insurance provision	157,959	158,538
- Provision for risks from investing on behalf of the insured	140,855	128,386
Total net liabilities from insurance	359,861	351,877

Movements in liabilities from insurance contracts and reinsurance assets

- Provisions for insurance claims (RBNS and IBNR, including loss adjustment expenses)

Non-life insurance:

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
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 beginning of the year	67,392	(30,990)	36,402	64,190	(27,139)	37,051
Insurance claims paid for claims settled in the year	(56,889)	21,033	(35,856)	(64,682)	28,598	(36,084)
Change in liabilities	55,464	(22,590)	32,874	67,884	(32,449)	35,435
Total at the end of year	65,967	(32,547)	33,420	67,392	(30,990)	36,402
RBNS	60,784	(30,442)	30,342	61,988	(28,607)	33,381
IBNR	5,183	(2,105)	3,078	5,404	(2,383)	3,021
Total at the end of year	65,967	(32,547)	33,420	67,392	(30,990)	36,402

Life insurance contracts with fixed and guaranteed terms:

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	2,878	-	2,878	3,566	(92)	3,474
IBNR	750	-	750	814	-	814
Total at the beginning of the year	3,628	-	3,628	4,380	(92)	4,288
Insurance claims paid for claims settled in the year	(28,932)	44	(28,888)	(25,988)	87	(25,901)
Change in liabilities	30,883	(44)	30,839	25,236	5	25,241
Total at the end of year	5,579	-	5,579	3,628	-	3,628
RBNS	3,567	-	3,567	2,878	-	2,878
IBNR	2,012	-	2,012	750	-	750
Total at the end of year	5,579	-	5,579	3,628	-	3,628

Contracts where the insured bears the risk from investing :

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	733	-	733	577	-	577
IBNR	525	-	525	357	-	357
Total at the beginning of the year	1,258	-	1,258	934	-	934
Insurance claims paid for claims settled in the year	(25,246)	-	(25,246)	(15,934)	-	(15,934)
Change in liabilities	25,153	-	25,153	16,258	-	16,258
Total at the end of year	1,165	-	1,165	1,258	-	1,258
RBNS	849	-	849	733	-	733
IBNR	316	-	316	525	-	525
Total at the end of year	1,165	-	1,165	1,258	-	1,258

Active reinsurance:

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	287	(201)	86	-	-	-
IBNR	-	-	-	-	-	-
Total at the beginning of the year	287	(201)	86	-	-	-
Insurance claims paid for claims settled in the year	(58)	40	(18)	(46)	32	(14)
Change in liabilities	(9)	9	-	333	(233)	100
Total at the end of year	220	(152)	68	287	(201)	86
RBNS	220	(152)	68	287	(201)	86
IBNR	-	-	-	-	-	-
Total at the end of year	220	(152)	68	287	(201)	86

b) Provisions for unearned premiums

Non-life insurance:

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	28,454	(12,607)	15,847	28,658	(12,819)	15,839
Change	(3,207)	1,058	(2,149)	(204)	212	8
At the end of the year	25,247	(11,549)	13,698	28,454	(12,607)	15,847

Life insurance contracts with fixed and guaranteed terms:

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	2,898	(64)	2,834	3,077	(54)	3,023
Change	(42)	3	(39)	(179)	(10)	(189)
At the end of the year	2,856	(61)	2,795	2,898	(64)	2,834

Active reinsurance:

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	22	(19)	3	-	-	-
Change	(2)	2	-	22	(19)	3
At the end of the year	20	(17)	3	22	(19)	3

c) Provision for MTPL deficit

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	4,299	-	4,299	9,229	(1,890)	7,339
Payments to SKP	-	-	-	(776)	83	(693)
Release during the year	(490)	-	(490)	(4,154)	1,807	(2,347)
At the end of the year	3,809	-	3,809	4,299	-	4,299

d) Technical provision for life insurance

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	158,538	-	158,538	159,253	-	159,253
Increase from premiums	25,343	-	25,343	26,837	-	26,837
Release for payments on death, surrender and other terminations in the year	(30,861)	-	(30,861)	(27,842)	-	(27,842)
Change – provision for the share on profit (DPF)	(82)	-	(82)	235	-	235
Change – Liability adequacy test	616	-	616	641	-	641
Change – Deferred liabilities to the insured (DPF)	4,405	-	4,405	(586)	-	(586)
At the end of the year	157,959	-	157,959	158,538	-	158,538

Deferred liabilities to the insured – movements:

At the beginning of 2011	201
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	(586)
At the end of 2011	(385)
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	4 405
At the end of 2012	4 020

Technical provision for life insurance – breakdown by components:

	31 December 2012	31 December 2011
Technical provision for life insurance	157,959	158,538
Provision for guaranteed benefits	150,511	155,963
Provision for unallocated share on profit	-	148
Provision from liability adequacy test	3,428	2,812
Deferred liability to policyholders	4,020	(385)

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

Year ended	31 December 2012			31 December 2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	128,386	-	128,386	127,378	-	127,378
Insurance premium less the charges	26,005	-	26,005	21,370	-	21,370
Insurance claims from death, surrender, and other terminations in the year	(24,183)	-	(24,183)	(7,019)	-	(7,019)
Change in valuation of investment funds shares	10,647	-	10,647	(13,343)	-	(13,343)
At the end of the year	140,855	-	140,855	128,386	-	128,386

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 Assicurazioni Generali S.p.A.

	31 December 2012	31 December 2011
From the unearned premium reserve	109	116
From provisions for insurance claims	298	298
Total	407	414

The effective interest rate of the Company's deposits from reinsurers amounts to 3% (2011: 3%) at average.

17. Trade and other payables

	31. 12. 2012	31. 12. 2011
Financial and insurance liabilities:		
Payables to clients	10,493	12,190
Payables – brokers and agents	1,943	1,881
Payables – co-insurance	63	82
Payables from reinsurance	13,289	13,383
Amounts due to related parties	58	-
Payables – suppliers	1,288	838
Accruals:		
Commissions	2,250	1,680
General expenses – not settled rental, services and other expenses	2,467	1,991
Deferred commission from reinsurers	1,241	911
Total financial liabilities	33,092	32,956
Non-financial liabilities:		
Payables – employees	659	629
Payables – social security	369	358
Accruals – personal cost	1,906	1,742
Provisions for employee benefits	52	47
Other provisions	41	52
Accrued commissions from reinsurers	2,616	2,941
Contribution to the Emergency Medical Service (8% from MPTL premium)	1,698	1,844
VAT and other taxes	341	229
Total non-financial liabilities	7,682	7,842
Total liabilities	40,774	40,798

	31 December 2012	31 December 2011
Accrued commissions from reinsurers:		
Opening balance	2,941	2,963
Net usage	(325)	(22)
Closing balance	2,616	2,941

All liabilities are within due date.

Liabilities to employees also include liabilities from the social fund:

	31 December 2012	31 December 2011
Opening balance	35	12
Creation from salaries	143	137
Creation of non-taxable	-	15
Use	(123)	(129)
Closing balance	55	35

18. Net insurance premium

	Gross amount		Reinsurance share		Net amount	
	2012	2011	2012	2011	2012	2011
Written premium in non-life insurance	99,413	105,180	(48,022)	(48,308)	51,391	56,872
Written premium in life insurance	79,217	83,592	(479)	(443)	78,738	83,149
Written premium in active reinsurance	2,495	1,509	(1,550)	(970)	945	539
Total written premium	181,125	190,281	(50,051)	(49,721)	131,074	140,560
Non-life insurance, change in unearned premium reserve	3,207	204	(1,058)	(212)	2,149	(8)
Life insurance, change in unearned premium reserve	41	179	(3)	10	38	189
Active reinsurance, change in unearned premium reserve	2	(22)	(1)	18	1	(4)
Total change in premium reserve	3,250	361	(1,062)	(184)	2,188	177
Earned premium in non-life insurance	102,620	105,384	(49,080)	(48,520)	53,540	56,864
Earned premium in life insurance	79,258	83,771	(482)	(433)	78,776	83,338
Earned premium in active reinsurance	2,497	1,487	(1,551)	(952)	946	535
Total insurance premium	184,375	190,642	51,113	(49,905)	133,262	140,737

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

	2012	2011
Financial assets and liabilities at fair value through profit or loss		
Interest income from securities (coupon) and amortization	1	10
Realized gain/ loss from other financial assets at fair value through profit or loss	(72)	643
Net change in fair value of investments on behalf of policyholders	10,718	(13,343)
	10,647	(12,690)
Unrealized net profit/loss from derivative financial instruments	826	(1,305)
Realized net profit/loss from derivative financial instruments	(2,011)	(2,972)
	(1,185)	(4,277)
Total	9,462	(16,967)
Financial assets available for sale		
Interest income from securities (coupon)	9,077	9,783
Amortization discount/ premium	(240)	(130)
Realized net gain/ loss from financial assets available for sale	1,814	2,427
Realized net FX gain/ loss from equity financial assets available for sale	261	(431)
Realized net FX gain/ loss from debt financial assets available for sale	(31)	26
Unrealized net gain/ loss from financial assets available for sale	(161)	384
Dividend income	229	436
Total	10,949	12,495
Term deposits		
Interest income	32	52
Total	32	52
Other income	558*	24
Total	21,001	(4,396)

*includes dividend income from joint venture VUB Generali – DSS in amount of EUR 750 thousand.

20. Impairment of financial assets available for sale

Except for expenses and revenues from financial assets available for sale disclosed in Note 19. In 2012, the Company

did not recognize loss from the impairment of financial assets available for sale (2011: EUR 529 thousand).

21. Other revenue

Other revenue includes commission from the management companies of investment funds in the amount of EUR 693 thousand (2011: EUR 882 thousand), proceeds from the claims proces-

sing for foreign partners in the amount of EUR 296 thousand (2011: EUR 405 thousand), proceeds from sale of assets in the amount of EUR 206 thousand (2011: EUR 175 thousand).

22. Net insurance benefits and claims

	Gross amount		Reinsurance share		Net amount	
	2012	2011	2012	2011	2012	2011
Claims paid	105,736	102,240	(21,117)	(28,578)	84,619	73,662
- of which regresses	(5,331)	(4,410)	2,132	1,764	(3,199)	(2,646)
Settling of claims expenses*	6,294	6,738	-	-	6,294	6,738
Change in provisions for insurance claims	366	3,061	(1,508)	(3,960)	(1,142)	(899)
Change in provisions for profit sharing and premium refund	(85)	256	-	-	(85)	256
Change in MTPL deficit provision	(490)	(4,930)	-	1,890	(490)	(3,040)
Profit sharing	578	397	-	-	578	397
Change in the technical provision for life insurance	(4,984)	(129)	-	-	(4,984)	(129)
Change in the provision for unit-linked insurance contracts on behalf of policyholders	12,470	1,008	-	-	12,470	1,008
Other costs for insurance benefits	-	-	-	(1,410)	-	(1,410)
Total	119,885	108,641	(22,625)	(32,058)	97,260	76,583

*out of which internal claims handling costs allocated from administrative expenses represent the amount of EUR 4,596 thousand (2011: EUR 4,865 thousand).

23. Commissions and other acquisition costs

	Commissions		Accruals		Other acquisition costs		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Non-life insurance	15,852	16,384	357	(68)	8,947	10,772	25,156	27,088
Life insurance	14,994	11,721	(6,736)	(3,019)	5,540	5,417	13,798	14,119
Active reinsurance	712	134	-	-	-	-	712	134
Total	31,558	28,239	(6,379)	(3,087)	14,487	16,189	39,666	41,341

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 254 thousand in 2012 (2011: EUR 669 thousand).

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:

	2012	2011
Wages and salaries	10,533	10,546
Remuneration paid to the Board of Directors – short-term employee benefits	647	762
Pension costs (members of the Board of Directors)	23	25
Other social costs (members of the Board of Directors)	33	36
Social costs (employees)	3,579	3,622
Other personnel costs, of which:	148	172
- defined benefit plan (change of provision)	5	17
- defined benefit plan	143	155
Total personnel costs	14,963	15,163
Advertising and promotional activities	4,334	4,513
Rental	2,594	2,606
IT expenses	4,186	4,182
Postal and telecommunication services	1,958	2,188
Advisory	955	208
Audit fee*	166	303
Travel costs	393	408
Training courses	440	491
Depreciation and amortization (Note 4 and 5)	6,969	6,858
Costs of investments management (Note 24)	254	669
Commissions (including accruals)	25,179	25,153
Change in the valuation allowance for receivables (Note 10)	(1,718)	(669)
Written off receivables	929	1,693
Assistance services	545	579
Contributions to SKP	507	1,163
Contractual fees	-	1,089
The financial settlement with the co-owner VUB Generali - DSS **	-	4,100
Other	2,568	3,307
out of which internal costs for liquidation of claims	(4,596)	(4,865)
Total costs other than insurance claims and benefits	60,626	69,139

*of which: audit EUR 83 thousand
Other services EUR 83 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. to 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 2012.

26. Income tax

	2012	2011
Income tax for the current period	3,040	2,772
Tax from previous periods	452	(92)
Tax levy	105	-
Deferred tax (Note 12)	372	(577)
Total tax expenses	3,969	2,103

Reconciliation of the effective tax rate:

	2012	2011
Profit/ (loss) before taxes	10,242	3,516
Income tax calculated using 19% tax rate	1,946	668
Tax non-deductible expenses*	155	1,527
Deferred tax – change in tax rate	1,311	-
Tax levy	105	-
Additional tax for the year	452	(92)
Total tax expense	3,969	2,103

* decrease in tax non-deductible expenses is caused mainly by financial settlement with co-owner VUB Generali dôchodková správčovská spoločnosť a.s. in 2011 (EUR 4,100 thousand), by loss from impairment of financial assets available for sale in 2011 (EUR 529 thousand) and by dividend payments from VUB Generali – DSS in 2012 (EUR 750 thousand).

27. Information about employees

	2012	2011
Top management	4	4
Middle management	39	39
Other employees	600	617
Total	643	660

28. Transactions with related parties

Related parties are those counterparties that represent:

- Enterprises which directly, or indirectly, through one or more intermediaries, control, or are controlled by, or are under the common control of, the reporting entity
- 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 Pojišťovna, 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., Prague (belongs to PPF Group)
 Intesa Sanpaolo SpA, Milano
 Nomos Capital, Ireland (belongs to PPF Group)
 VTB Capital, Luxembourg
 Europäische Reiseversicherung, AG, Vienna
 Generali IARD S.A., Paris
 AachenMünchener Versicherung AG, Aachen
 Generali Towarzystwo Ubezpieczeń, 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

Related parties without reinsurance 2012	Receivables	Payables	Financial investments*	Expenses	Income
Assicurazioni Generali, S.p.A., Trieste	-	-	-	-	-
Generali Holding Vienna, AG, Vienna	-	59	-	1,544	-
Generali Versicherung, AG, Vienna	11	-	-	-	-
Česká Pojišťovna, a.s., Prague	95	-	-	23	1,080
GSL Services, s.r.o., Bratislava	673	-	7	-	-
Generali IT, s.r.o., Bratislava	-	-	-	108	3
Generali PPF Asset Management a.s., Prague	-	14	-	499	-
Generali PPF Holding B.V., Amsterdam	-	625	-	641	-
Europäische Reiseversicherung, AG, Vienna	13	-	-	-	-
PPF Banka a.s., Prague	-	-	2,002	43	-
Home Credit Finance Bank, Russia	-	-	3,913	-	265
Generali Belarus	-	-	812	-	-
Intesa Sanpaolo SpA, Milano	-	-	1,667	-	86
Nomos Capital, Ireland	-	-	-	-	129
VÚB Generali dôchodková správčovská spoločnosť, a.s. Bratislava	15	-	16,597	-	762
Board of Directors	-	-	-	703**	-
Total	807	698	24 998	3 561	2 325

*PPF Bank - deposits in banks; Home Credit Finance Bank - bond, coupon 7%; Intesa Sanpaolo SpA – bond, coupon 5%;

**represent wages, bonuses and social costs

Related parties – reinsurers' share	Receivables	Payables*	2012 Share on provisions	Expenses	Income	Change on technical provisions**
Assicurazioni Generali, S.p.A., Trieste	-	1,038	2,795	1,561	354	68
Generali Holding Vienna, AG, Vienna	-	295	627	9	-	1
Generali Versicherung, AG, Vienna	-	809	1,162	1,331	369	831
Generali Rückversicherung, AG, Vienna	-	31	1	17	3	-
Generali IARD S.A., Paris	-	5	31	62	6	(33)
Generali France S.A., Paris	-	138	-	-	-	-
AachenMünchener Versicherung AG, Aachen	3	-	8	22	7	(1)
Generali Towarzystwo Ubezpieczen, Warsaw	-	-	-	-	-	-
GP Reinsurance EAD	-	12,511	36,825	39,327	28,443	(3,105)
Česká pojišťovna, a.s., Prague	1,109	-	168	219	1,121	329
Generali Zavarovalnica, Ljubljana	-	2	-	-	-	-
Generali-Provid. Biztosító/N	-	-	-	-	-	-
Total	1,112	14,829	41,617	42,548	30,303	(1, 910)

*including deposits from reinsurers and accrued reinsurance commission

**including change of accrued reinsurance commission, "()" = income, "+" = expense

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	-	-	-	-
Česká Pojišťovna, a.s., Prague	-	-	-	-	-
GSL Services, s.r.o., Bratislava	673	-	7	-	4
Generali Belarus	-	-	812	-	-
Generali IT, s.r.o., Bratislava	-	-	-	-	5
Generali PPF Asset Management a.s., Prague	-	-	-	552	-
Generali PPF Holding B.V., Amsterdam	-	5,000**	-	23	-
Europäische Reiseversicherung, 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, Ireland	-	-	2,411	-	148
VTB Capital, Luxembourg	-	-	1,554	-	19
VÚB Generali dôchodková správčovská spoločnosť, a.s. Bratislava	15	-	16,597	-	14
Board of Directors	-	-	-	823***	-
Total	699	5,013	28,086	2,063	396

* PPF Bank - 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 loan from parent company – interest rate was 2.969% as at 31 December 2011 (see Note 8)

*** represents wages, bonuses and social costs

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

The balances due to or from companies mentioned above are related to reinsurance, advisory and management services. The balances of GSL Services, s.r.o. were related to long-term loan provided for financing operating activities, which

is due on request. The Company recorded an allowance for this receivable in the amount of EUR 673 thousand (2011: 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

Litigations

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 lawsuit against the Company is filed. In this case, it is created again as a provision for insurance benefit which 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 or failure in these lawsuits. The Company is not aware of any lawsuits pending which might have a significant adverse effect on the financial position of the Company.

Tax legislation

As many areas of Slovak tax law allow for 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 have not checked the taxable periods 2005, 2006, 2007 for the former Generali poisťovňa, a.s., the periods 2006, 2007 and 2008 for the former Česká poisťovňa – Slo-

vensko, akciová spoločnosť and years 2008, 2009, 2010 and 2011 for Generali Slovensko poisťovňa. 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 which may lead to significant costs in the future. The taxable periods, which have not been controlled by tax authorities, may be the 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.

Operational leasing

The Company rented headquarters premises for a fixed term. The value of minimal future leasing payments as at 31.12 2012 is as follows:

	2012	2011
Up to 1 year	1,407	885
1 to 5 years	5,629	5,629
More than 5 years	1,994	3,401
Minimal leasing payments	9,030	9,915

30. Post balance sheet events

After the preparation date of the Financial Statements, no significant events have occurred that would require a change in the Financial Statements at 31 December 2012.

Groups Generali and PPF agreed to change the equity interests in Generali PPF Holding B.V. The transaction will be executed until 28 March 2013, when the Generali group will also gain managerial control in Generali PPF Holding B.V.

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 2013



Ing. Jozef Tanzer

Board member and Deputy General Director for Finance

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.