Annual Report 2013

Table of Contents

4 Company Profile
5 History of Generali
6 Complete Range of Products
8 Chairperson's Statement
9 Boards of the Company
10 Organisational Structure as at 31 December 2013
11 Shareholders
12 Report of the Board of Directors
13 Report of the Supervisory Board

15 FINANCIAL SECTION
16 Report on the Verification of the Annual Report Compliance with the Financial Statements
18 Independent Auditor's Report
20 Separate Balance Sheet
21 Separate Income Statement
22 Separate Statement of Comprehensive Income
22 Separate Statement of Changes in Equity
24 Separate Cash Flow Statement – Indirect method

26 Notes to the Financial Statements
26 1 General information
26 2 Summary of significant accounting policies
26 2.1 Basis of preparation of the Financial Statements
31 2.2 Investments in subsidiaries and joint ventures
31 2.3 Foreign currency translation
31 2.4 Intangible assets
32 2.5 Tangible assets
32 2.6 Reinsurance contracts
32 2.7 Financial assets and liabilities
34 2.8 Deferred acquisition costs (DAC)
34 2.9 Income tax
34 2.10 Offsetting financial assets and liabilities
34 2.11 Cash and cash equivalents
35 2.12 Share capital
35 2.13 Technical liabilities from insurance contracts
37 2.14 Receivables and payables related to insurance contracts
37 2.15 Deposits from reinsurers
37 2.16 Revenue recognition
37 2.17 Impairment of assets
38 2.18 Insurance and investment contracts – classification and measurement
41 2.19 Leasing
41 2.20 Employee benefits
41 2.21 Dividend distribution
41 2.22 Share-based payment
41 3 Critical accounting estimates and judgments
43 4 Risk management
43 4.1. Insurance risk
44 4.1.1 Life insurance risk
46 4.1.2 Non-life insurance risk
48 4.2 Market risk
51 4.3 Liquidity risk
53 4.4 Credit risk
56 4.5 Operational risk
56 4.6 Capital management
57 4.7 Fair value hierarchy
59 5 Tangible assets
60 6 Intangible assets
61 7 Investments in subsidiaries, joint ventures and associates
62 8 Financial assets and liabilities
64 9 Reinsurance assets
64 10 Loans and receivables
65 11 Deferred acquisition costs
65 12 Deferred income tax
67 13 Cash and cash equivalents
67 14 Equity
69 15 Technical liabilities arising from insurance contracts
74 16 Deposits from reinsurers
74 17 Trade and other payables
75 18 Net insurance premium
76 19 Financial investments income/(expense) and derivative financial instruments income/(expense)
77 20 Impairment of financial assets available for sale
77 21 Other revenue
77 22 Net insurance benefits and claims
77 23 Commissions and other acquisition costs
78 24 Investment management expenses
78 25 Expenses by nature
79 26 Income tax
79 27 Information about employees
80 28 Transactions with related parties
83 29 Contingent liabilities and contingent receivables
84 30 Events after the reporting period
Affidavit
Contact Details

Company Profile

BUSINESS NAME:
Generali Slovensko poisťovňa, a. s. (until 31 December 2013)
Generali Poisťovňa, a. s. (from 1 January 2014)

LEGAL FORM: Joint Stock Company

REGISTERED OFFICE:
Lamačská cesta 3/A, 841 04 Bratislava

COMPANY REGISTRATION NO.: 35 709 332

COMMERCIAL REGISTER:
District Court of Bratislava I, Section SA, File No. 1325/B

DATE OF REGISTRATION: 12. 2. 1997

SHARE CAPITAL: €25,000,264

SHAREHOLDERS: Generali PPF Holding, B.V. (100 %)

Generali insurance company is among the three market leaders in Slovakia. It is part of one of the largest insurance groups in Central and Eastern Europe – Generali PPF Holding, which operates in 10 of the region's countries. Over 10 million customers benefit from its extensive international experience and well-established tradition in providing both life and non-life insurance.

Generali retained its position as the third strongest universal insurance company in 2013. We wish to remain a reliable partner in insurance and therefore, the quality of client services is our primary focus. We continually introduce the most advanced systems and build on the professionalism and expertise of our 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. Our call center is available to you, our clients, whenever you need us. We will advise you on insurance claim procedures, or organize assistance and help retrieve compensation.

Generali 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 insurance company is to constantly monitor market requirements and provide its clients with superior and innovative products. These have been regularly – as in 2013 – selected for prominent placement in the prestigious competitions of insurance companies and financial institutions. In the previous year, Generali won awards in the competitions Zlatá minca, SIBAF – The Best Insurance Company of the Year and HERMES – Communicator of the Year.

A major event in 2013 was the celebration marking the 180th anniversary of the opening of Generali's first Slovak branch, in 1833. Nowadays, we are available to clients in person through 130 branches or via phone and internet insurance services.

In 2013, Generali and other companies from the Generali Group began preparations for the most important international project of 2014 – rebranding – with the aim of aligning our logo and identity all over the world, with the basic idea "One Company – One Brand – One Identity". Creating a single corporate culture in the form of vision, mission and values, to be fully implemented throughout the entire Group from the beginning of 2014, was also part of the preparations. The aim of the forthcoming changes will be to transform Generali to a truly integrated global insurance group.

Generali was a supporter of cultural events as well as charitable organizations. In 2013, it was 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.

As a socially responsible enterprise, Generali again took part in the largest Slovak voluntary project, "Our City", and financially supported non-profit organizations "Dobrý anjel", "Plamienok", "RESOTY", "Divé maky" and "Úsmev ako dar". Using the pre-Christmas charitable markets it made financial and material contributions to the non-profit organizations Plamienok, OZ VAGUS, Domov Caritas sv. Hildegardy and OZ Dobrý pastier. Generali distributed 2 % of its income tax for 2012 among 10 non-profit organizations.

In the field of internal communication, Generali introduced to its employees a special loyalty program to support their loyalty towards the brand and products as well as all-year round project of various motivation activities in order to strengthen the relationship to the insurance company as the employer. The insurance company also continued in supporting art through various exhibitions realized in its headquarters which could be visited by its employees as well as general public.

History of Generali

2008

Formation of Generali Slovensko poisťovňa, a. s., by merger of Generali Poisťovňa, a. s. and Česká poisťovňa Slovensko, a. s.

1996

Formation of Generali Poisťovňa, a. s., in the Slovak market as a subsidiary of Generali Holding Vienna AG

1993

Formation of Česká poisťovňa - Slovensko, a. s. in the Slovak market as a subsidiary of Česká pojišťovna

1833

Formation of six agencies of Assicurazioni Generali in the Slovak market which were terminated by the nationalization of private insurance companies in 1945

1831

Formation of Assicurazioni Generali in Terst

Complete Range of Products

LIFE INSURANCE PRODUCTS

- BeneFit accident (until 28 February 2013)
- AKTIV+ accident
- ŠKOLÁK group accident
- DYNAMIK+ variable life (until 28 February 2013)
- SLNEČNICA+ variable (until 28 February 2013)
- JUNIOR+ variable (until 28 February 2013)
- SLNIEČKO capital (until 28 February 2013)
- ŽELEZNÁ REZERVA life insurance of regular expenses (until 28 February 2013)
- La Vita
- Prima Vita capital
- Group accident insurance
- DYNAMIK PLUS life (until 28 February 2013)
- DYNAMIK PLUS JUNIOR life (until 28 February 2013)
- Self-sufficiency insurance Sempre

TRAVEL INSURANCE PRODUCTS

- Short-term
- Annual
- Short-term – for educational and au-pair placement
- Annual travel – for truck, freight and bus transport drivers
- Mountain rescue for Slovakia
- Group travel

MOTOR VEHICLE ACCIDENT INSURANCE AND MANDATORY LIABILITY INSURANCE PRODUCTS

- AUTOPRIMA
- SUPERAUTO
- AUTOPROTEKT
- Additional motor vehicle insurance AUTOSET
- Fleet
- Additional motor vehicle accident insurance:
  - Windscreen
  - Custom equipment
  - Luggage and personal belongings
  - Passenger accident
  - Replacement vehicle
  - Business cover
  - “Kasko Plus” assistance service
- AUTOMATIK štandard 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
- Carrier liability
- Marine
- Aviation

BUSINESS LIABILITY INSURANCE PRODUCTS

- General third party liability
- CMR
- Professional liability
- Employee’s liability (individual and group)

AGRICULTURAL RISK INSURANCE

- Crop
  - Hail and other natural perils
  - Winter and spring frost
  - Drought in emergence
- Livestock
  - Contagion
  - Infectious diseases
  - Unreported interruption in the supply of electricity from the public distribution network
  - Electrocution of animals
  - Acute poisoning by exogenous toxic substances
  - Natural perils
  - Overheating of body
  - Acute noninfectious disease
  - Injury
  - Birth injury

Chairperson's Statement

Dear clients, shareholders and business partners,

You are holding the Annual Report of Generali for 2013 in your hands. We closed the previous year with positive operating result of EUR 6,955 thousand and managed to retain our position as the third strongest insurance company in Slovakia with a market share of 8 %. In this year's Annual Report we present the detailed results of our Company's operations in 2013. I will take this opportunity to highlight key events which accompanied the previous year and became commitments for us in 2014.

2013 was a year of strategic changes in our Group as well as in our Company. Our priority challenge was to create a new strategy for Generali in Slovakia in line with the Group's objectives. The strategy's name, "Back to the Market" defines its main messages – a return to the Company's growth, loss ratio stability and achievement of stable profitability, mainly through rigorous cost management. In record time we proved that targets were gradually being met. Among the first real achievements, I can mention the autumn compulsory insurance campaign which was a success, despite difficult market conditions. Thanks to extraordinary commitment, involvement of trade, product, marketing and service lines towards our clients, while focusing on all distribution networks, we managed to exceed our objectives with a new, innovative product launched onto the market. We expect that results will be reflected in increases of portfolio as well as written premiums in compulsory insurance and in the entire non-life insurance segment. Important indicators of the effectiveness of our Company's strategy and positive trends are, inter alia, the turnover in MLM production as well as results of cooperation with leasing companies and car dealers. In terms of strategic objectives, we will focus on the development of our own business network and development of cooperation with our strategic partner – VÚB Bank.

The previous year was also marked by increasing efficiency in individual processes in our Company. I can mention the transfer to a new personal-payroll system, significant IT cost savings, the introduction of central procurement or cooperation with the Generali Group entities in Slovakia. In addition to changes, we carefully supervised risk and profitability rates, governance enhancement and implementation of intra-group policies, e.g., within risk management (Solvency II, reinsurance, compliance).

Another major event in 2013 was the strategic initiative "One Group – One Strategy – One Brand", with the focus on strengthening the Generali brand. Starting in 2014, the world-wide rebranding was launched. Thus, after 24 years, the entire Generali Group – which also includes our Company – will have a uniform visual identity. On the way to making changes and developing the Generali brand we are building a single corporate culture, while taking over vision, mission and values, common to all companies within the Generali Group.

Looking at 2014 I am pleased that we can smoothly build on our first common achievements, wherein the main priority will be trade and service to clients. New projects will affect all distribution networks – public trading companies, multi-level marketing companies as well as VÚB Bank; B2B business and its growth are also important. Finally, our growth resolutions will be largely supported by brokerage business and car sales.

On behalf of all the members of the Board of Directors I wish to thank everybody for their trust and cooperation. A special thank you goes to all employees of Slovak Generali, VFA and partner companies.

I am convinced that in 2014 we will again meet all our objectives and commitments to our clients, shareholders and business partners.

Ing. Roman Juráš
Chairperson and CEO

Boards of the Company

Boards of Directors (from the left): J. Doubravský, R. Juráš, E. Štefániková, M. Hrotka, J. Jurčík

BOARDS OF DIRECTORS

Vladimír Bezděk
Chairperson
(until 7 June 2013)

Jozef Tanzer
Member
until 12 August 2013)

Eva Štefániková
Member
(until 31 December 2013)

Stanislav Uma
Member
(until 31 August 2013)

Roman Juráš
Chairperson
(since 8 June 2013)

Juraj Jurčík
Member
(since 4 September 2013)

Jiří Doubravský
Member
(since 4 September 2013)

Marian Hrotka
Member
(since 19 July 2013)

SUPERVISORY BOARD

Klára Starková
Chairperson (until 31 August 2013)
Member (since 10 July 2009)

Luciano Cirinà
Chairperson (since 1 September 2013)

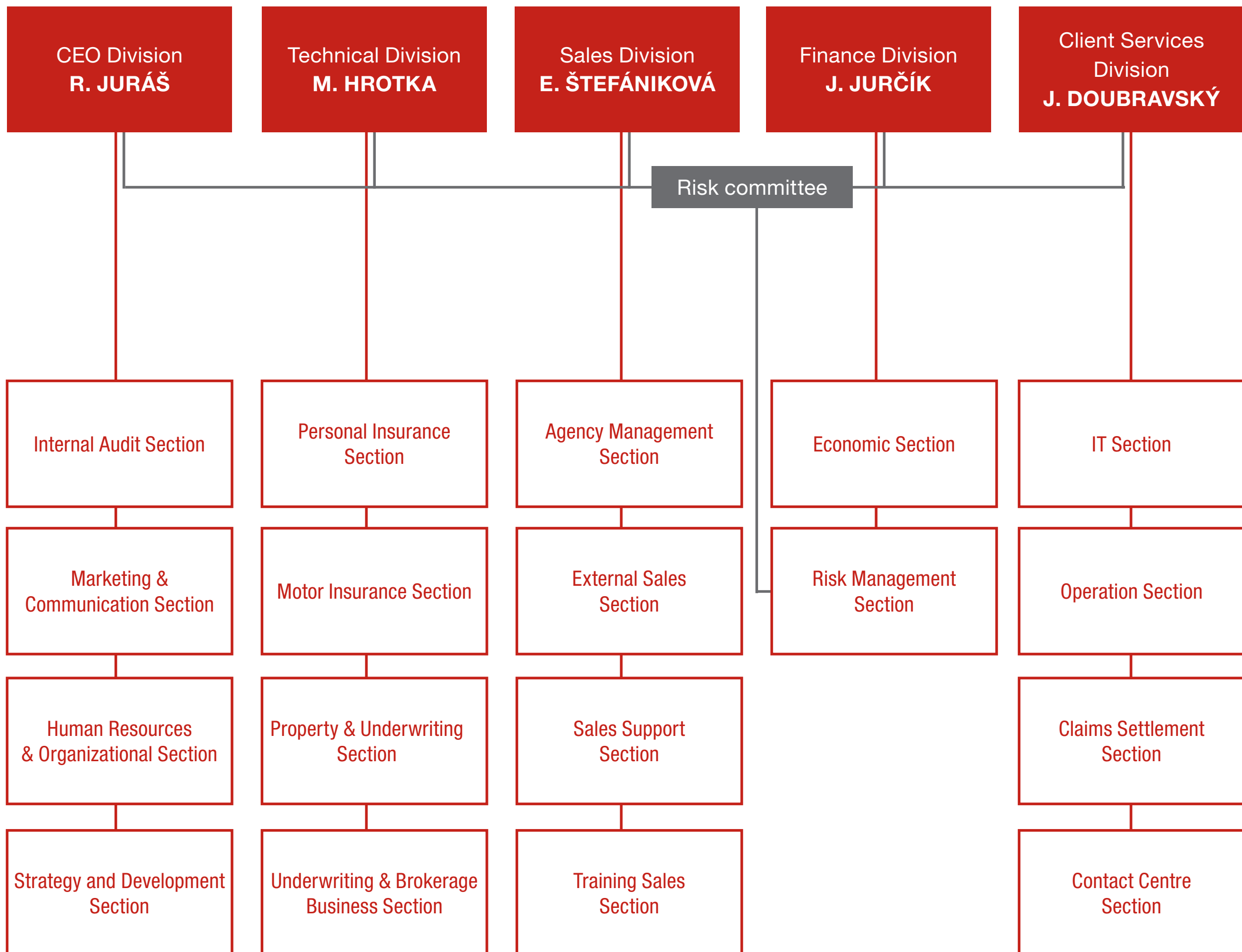
Marcela Nberiová
Member (since 3 April 2012)

Luisa Coloni
Member (since 27 May 2011)

Michaela Ďurišinová
Member (since 4 December 2013)

Gregor Pilgram
Member (since 1 September 2013)

Organizational Structure as at 31 December 2013



Shareholders

Since its inception, the Generali insurance company has been part of Generali PPF Holding B.V. (GPH) and the Generali Group.

The Generali Group – one of the major global insurance companies and PPF Group – leading financial and investment group, decided to establish cooperation in insurance and pension savings.

The final agreement on Generali PPF Holding between Assicurazioni Generali and 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 strategies in the regions with the greatest potential in the insurance industry. The greatest advantage of Generali PPF Holding is its cultural diversification in the multinational environment. The future is seen in growth, innovation, and customer satisfaction. In making their vision a reality, Generali PPF Holding is a group of individuals acting as one.

Since the merger on 1 October 2008, the shareholders of Generali Slovensko poisťovňa, a. s., were Generali PPF Holding B.V., 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 of 30 October 2009, CP Strategic Investments B.V. sold its shareholding and transferred all of its 32,533 shares of Generali Slovensko poisťovňa, a. s., to Generali PPF Holding B.V, as a result of which Generali Slovensko ceased to be its subsidiary. With effect from 30 October 2009, the sole shareholder of Generali Poisťovňa, a. s., is Generali PPF Holding B.V., owning 75,302 shares, i.e., 100 % of the company's share capital and voting rights with its registered office at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands, registration number: 34275688.

At the end of 2013, Generali PPF Holding operated in 10 countries of Central and Eastern Europe: Bulgaria, Montenegro, Czech Republic, Croatia, Hungary, Poland, Romania, Slovakia, Slovenia and Serbia. Companies in these countries provided services to approximately 11 million customers and managed assets of nearly EUR 14.8 billion. Gross written premiums amounted to EUR 3.1 billion in 2013.

At the beginning of January 2013, shareholders agreed on changes to GPH's ownership structure – Assicurazioni Generali and PPF Group N.V. own 76 % shares and 24 % shares of GPH, respectively. This agreement also included the sale of subsidiaries in Belarus, Kazakhstan, Russia and Ukraine as at 28 March 2013.

Report of the Board of Directors on the Company's Business Activities and Assets for 2013

During 2013, the Board of Directors of Generali Poisťovňa, a. s. (the Company), in exercising its rights and obligations arising under the Articles of Association and generally binding legal regulations, regularly informed the Supervisory Board of the Company's business activities, in addition to overall developments in the Slovak insurance market.

One of the goals during calendar year 2013 was to strengthen the Company's position in the Slovak insurance market and to cope with the effects of the financial and economic crisis, consequences of which are already apparent in the insurance market. The Company's main focus in 2013 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.

The Board of Directors of the Company is responsible for preparing the separate financial statements for 2013. The financial statements have been audited by Ernst & Young Slovakia, spol. s r.o., which issued the opinion that the financial statements present fairly the financial position of the Company, its financial performance and cash flows for 2013.

On the basis of comparable statistical information processed by the Slovak Association of Insurance Companies, the insurance market in the Slovak Republic, with a comparable group of insurance companies, grew in 2013 in year-on-year comparison, by a total of 2.7 %. Gross written premiums of the Company in 2013 decreased by 3.7 %, which resulted in a loss of 0.5 % in the Company's market share. In non-life insurance, the Company experienced a decrease of 7.5 %, while the insurance market decreased by 1.2 % on a comparable basis. The Slovak life-insurance market experienced an increase of 1.3 % in regularly paid life insurance, while the gross written premiums of the Company grew less than the market and that is by 0.3 %. For single premium payments, the Company saw an increase in gross written premiums of 42.2 %, compared to 2012.

In non-life insurance, a good result was achieved in the private property insurance segment (home/apartment/household insurance), with an increase in gross written premiums of 5.2 %. The downward trend in motor vehicle insurance continued, in particular in compulsory insurance, which experienced a decline in gross written premiums of 7.5 %; motor vehicle accident insurance dropped by 12 % in gross written premiums. The Company achieved a net non-life insurance loss ratio of 58.1 %.

In 2013, the Company achieved total gross written premiums of EUR 174.3 million, comprising EUR 94.2 million in non-life insurance and EUR 80.1 million in life insurance. These results reaffirmed the Company's third position in the Slovak insurance market in gross written premiums.

The Board of Directors proposes to divide the after tax profit of EUR 6,955 thousand reported in the separate financial statements for 2013 as follows:

- EUR 695.5 thousand to replenish the reserve fund under the provision of Article 13, para. 2, of the Company's Articles of Association,
- EUR 6,259.5 thousand to carry forward to the next period, through the account of retained profit of previous periods.

In 2014, the Company will be focused mainly on maintaining profitability and further improving the business dynamic in both life and non-life insurance. Additionally, this will include increasing effectiveness, carefully monitoring operational expenses, improving processes and continuing with a strongly customer-oriented approach.

In Bratislava, 13 May 2014

Ing. Roman Juráš Chairperson	Ing. Marian Hrotka, PhD. Member	Ing. Jiří Doubravský, PhD., MBA Member	Ing. Juraj Jurčík, MBA Member

Report of the Supervisory Board of Generali Poisťovňa, a. s.

Lamačská cesta 3/A, 841 04 Bratislava,
CRN (IČO): 35 709 332, registered with the Commercial Register of the Bratislava I
District Court, Section: Sa, File No. 1325/B
(the Company)
on the results of its supervisory activities regarding the separate financial statements for 2013, the Auditor's Report and the proposal of the Board of Directors for the Company's profit distribution as
adopted per rollam in accordance with the provisions of Article 9, Section 14, of the Company's Articles of Association

In accordance with the provisions of Article 9, Section 1, Letter a) of the Company's Articles of Association, the Supervisory Board has approved this report on the results of its supervisory activities regarding the separate financial statements for 2013, the Auditor's Report, and the proposal of the Board of Directors for the Company's profit distribution.

In 2013, the Supervisory Board carried out its rights and duties in line with the Company's Articles of Association 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 Articles of Association and the General Meeting's resolutions.

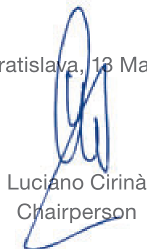
The Company's separate financial statements for 2013 were audited by Ernst & Young Slovakia, spol. s r.o. The Supervisory Board acknowledged and accepted the Auditor's Report. The Supervisory Board reviewed the Company's separate financial statements for 2013, prepared and submitted by the Board of Directors. It has accepted the proposal of the Board of Directors for the 2013 Company's profit distribution and reviewed the Report of the Board of Directors on the Company's business activities and its asset position for 2013, without raising any objections to any of these documents.

As proposed by the Board of Directors, the Company's profit of EUR 6,954,974.94, presented in the separate financial statements for 2013 will be distributed as follows:

a) EUR 695,497.49 will be appropriated to the legal reserve fund according to Article 13, para. 2, of the Company's Articles of Association,
b) EUR 6,259,477.45 will be carried forward to the next period to retained profit from previous periods.

The Supervisory Board recommends the General Meeting to approve the separate financial statements for the financial year 2013 and distribute the Company's profit in line with the proposal submitted by the Board of Directors.

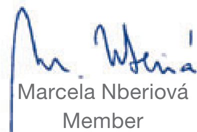
In Bratislava, 13 May 2014


Luciano Cirinà
Chairperson

Klára Starková
Member

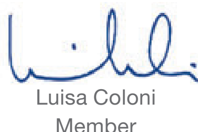
Gregor Pilgram
Member

In Bratislava, 16 May 2014


Marcela Nberiová
Member

Michaela Ďurišinová
Member

In Terst, 16 May 2014


Luisa Coloni
Member

Financial Section

Report on the Verification of the Annual Report Compliance with the Financial Statements

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
ey.com

**Appendix to the independent 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 Poisťovňa, a. s. (formerly known as Generali Slovensko poisťovňa, a. s.):

I. We have audited the financial statements of Generali Poisťovňa, a. s. ("the Company") as at 31 December 2013 presented in the annual report. We issued the following independent audit report dated 28 March 2014 on the financial statements:

'Independent Auditors' Report

To the Shareholder of Generali Poisťovňa, a. s. (formerly known as Generali Slovensko poisťovňa, a. s.):

We have audited the accompanying financial statements of Generali Poisťovňa, a. s. (formerly known as Generali Slovensko poisťovňa, a. s.) ('the Company'), which comprise the balance sheet as at 31 December 2013 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 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 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 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 financial statements are free from material misstatement.

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, 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.

28 March 2014
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 2013. 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 2013 and is in accordance with the Act on Accounting No 431/2002 Z.z., as amended by later legislation.

28 May 2014
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

Independent Auditor’s Report

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
ey.com

Independent Auditors’ Report

To the Shareholder of Generali Poisťovňa, a. s. (formerly known as Generali Slovensko poisťovňa, a. s.):

We have audited the accompanying financial statements of Generali Poisťovňa, a. s. (formerly known as Generali Slovensko poisťovňa, a. s.) ('the Company'), which comprise the balance sheet as at 31 December 2013 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 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 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 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, 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.

28 March 2014
Bratislava, Slovak Republic

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

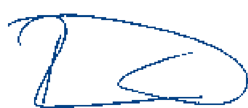
Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Separate Financial Statements

AS AT 31 DECEMBER 2013, PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION



Ing. Roman Juráš
Chairman of the
Board of Directors

Ing. Juraj Jurčík, MBA
Member of the
Board of Directors

Mgr. Michal Marendiak
Person responsible
for accounting

Ing. Silvia Joštiaková
Person responsible
for the Financial Statements

Table of Contents

20 Separate Balance Sheet
21 Separate Income Statement
22 Separate Statement of Comprehensive Income
22 Separate Statement of Changes in Equity
24 Separate Cash Flow Statement – Indirect method

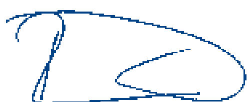
26 Notes to the Financial Statements
26 1 General information
26 2 Summary of significant accounting policies
26 2.1 Basis of preparation of the Financial Statements
31 2.2 Investments in subsidiaries and joint ventures
31 2.3 Foreign currency translation
31 2.4 Intangible assets
32 2.5 Tangible assets
32 2.6 Reinsurance contracts
32 2.7 Financial assets and liabilities
34 2.8 Deferred acquisition costs (DAC)
34 2.9 Income tax
34 2.10 Offsetting financial assets and liabilities
34 2.11 Cash and cash equivalents
35 2.12 Share capital
35 2.13 Technical liabilities from insurance contracts
37 2.14 Receivables and payables related to insurance contracts
37 2.15 Deposits from reinsurers
37 2.16 Revenue recognition
37 2.17 Impairment of assets
38 2.18 Insurance and investment contracts – classification and measurement
41 2.19 Leasing
41 2.20 Employee benefits
41 2.21 Dividend distribution
41 2.22 Share-based payment
41 3 Critical accounting estimates and judgments
43 4 Risk management
43 4.1. Insurance risk
44 4.1.1 Life insurance risk
46 4.1.2 Non-life insurance risk
48 4.2 Market risk
51 4.3 Liquidity risk
53 4.4 Credit risk
56 4.5 Operational risk
56 4.6 Capital management
57 4.7 Fair value hierarchy
59 5 Tangible assets
60 6 Intangible assets
61 7 Investments in subsidiaries, joint ventures and associates
62 8 Financial assets and liabilities
64 9 Reinsurance assets
64 10 Loans and receivables
65 11 Deferred acquisition costs
65 12 Deferred income tax
67 13 Cash and cash equivalents
67 14 Equity
69 15 Technical liabilities arising from insurance contracts
74 16 Deposits from reinsurers
74 17 Trade and other payables
75 18 Net insurance premium
76 19 Financial investments income/(expense) and derivative financial instruments income/(expense)
77 20 Impairment of financial assets available for sale
77 21 Other revenue
77 22 Net insurance benefits and claims
77 23 Commissions and other acquisition costs
78 24 Investment management expenses
78 25 Expenses by nature
79 26 Income tax
79 27 Information about employees
80 28 Transactions with related parties
83 29 Contingent liabilities and contingent receivables
84 30 Events after the reporting period
Affidavit
Contact Details

SEPARATE BALANCE SHEET

	Note	At 31 December 2013	At 31 December 2012
ASSETS			
Tangible assets	5	4,337	4,918
Intangible assets	6	42,523	46,879
Other non-financial assets		1,836	2,303
Investments in subsidiaries and joint ventures	7	16,604	17,416
Financial assets			
- term deposits	8	6,170	7,535
- available for sale assets	8	247,365	243,730
- assets at fair value through profit or loss	8	151,597	147,454
- derivatives	8	202	233
Reinsurance assets	9,15	44,788	44,326
Loans and receivables	10	14,321	16,998
Deferred acquisition costs	11	26,682	24,479
Cash and cash equivalents	13	4,347	3,267
Total assets		**560,772**	**559,538**
EQUITY			
Share capital		25,000	25,000
Legal reserve fund		4,177	3,550
Available-for-sale financial assets revaluation reserve		7,225	8,093
Share-based payment		25	-
Profit for the year and retained earnings		72,495	66,167
Total equity	**14**	**108,922**	**102,810**
LIABILITIES			
Technical liabilities from insurance contracts	15	403,637	404,187
Deposits from reinsurers	16	425	407
Financial liabilities			
- derivatives	8	36	1,101
Income tax - liability		117	309
Deferred tax liabilities	12	8,088	9,950
Trade and other liabilities	17	39,547	40,774
Total liabilities		**451,850**	**456,728**
Total equity and liabilities		**560,772**	**559,538**

SEPARATE INCOME STATEMENT

	Note	2013	2012
Gross earned premium		175,919	184,375
Earned premium ceded to reinsurers		(47,471)	(51,113)
Net earned premium	**18**	**128,448**	**133,262**
Income/(loss) from financial investments	19	17,225	22,186
Income/(loss) from derivative financial instruments	19	905	(1,185)
Impairment of available-for-sale financial assets	20	(116)	-
Commission from reinsurers		10,393	11,363
Other income	21	1,801	2,502
		158,656	**168,128**
Insurance benefits and loss adjustment expenses in life insurance		57,779	64,461
Insurance benefits in life insurance ceded to reinsurers		(177)	(44)
Insurance benefits and claims loss adjustment expenses in non-life insurance		50,040	55,424
Insurance benefits and claims settlement expenses ceded to reinsurers in non-life insurance		(20,447)	(22,581)
Net insurance benefits and claims	**22,25**	**87,195**	**97,260**
Commissions and other acquisition costs	23,25	40,449	39,666
Investment management expenses	24,25	682	254
Administration costs	25	20,800	20,706
		149,126	**157,886**
Profit before taxes		**9,530**	**10,242**
Income tax	26	(2,575)	(3,969)
Profit after taxes		**6,955**	**6,273**



Ing. Roman Juráš
Chairman of the Board of Directors

Ing. Juraj Jurčík, MBA
Member of the Board of Directors

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	2013	2012
Profit after taxes		**6,955**	**6,273**
Other comprehensive income/(loss)			
Profit/(Loss) from revaluation of available-for-sale financial assets, from transfers to net profit when sold and impaired		(1,248)	22,447
Profit/(Loss) from revaluation of available-for-sale financial assets, from transfers to net profit when sold and impaired - deferred tax impact		380	(4,782)
Other comprehensive income/(loss)		**(868)**	**17,665**
Total comprehensive income/(loss)	**14**	**6,087**	**23,938**

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve fund	Revaluation of assets available for sale	Share-based payment reserve	Retained earnings and profit for the year	Total
Equity at 1 January 2012	**25,000**	**3,408**	**(9,572)**	**-**	**60,036**	**78,872**
Other comprehensive income and losses for 2012	-	-	17,665	-	-	17,665
Profit after taxes	-	-	-	-	6,273	6,273
Total comprehensive income/(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**
Other comprehensive income and losses for 2013	-	-	(868)	-	-	(868)
Profit after taxes 14	-	-	-	-	6,955	6,955
Total comprehensive income/(losses) for 2013	**-**	**-**	**(868)**	**-**	**6,955**	**6,087**
Share-based payment reserve creation 14	-	-	-	25	-	25
Contributions to legal reserve fund 14	-	627	-	-	(627)	-
	-	**627**	**-**	**25**	**(627)**	**25**
Equity at 31 December 2013	**25,000**	**4,177**	**7,225**	**25**	**72,495**	**108,922**

SEPARATE CASH FLOW STATEMENT – INDIRECT METHOD

	Note	2013	2012
Cash flows from operating activities			
Profit/(Loss) before taxes		9,530	10,242
Adjustments for:			
Depreciation and amortization of tangible and intangible assets	5,6	7,229	6,969
Impairment losses	20	116	-
Loss from sale of associates		32	-
Creation/(release) of bad debt provisions	25	(1,273)	(1,718)
Write-offs of receivables		1,583	929
(Gains)/losses from revaluation of financial assets at fair value through profit or loss	19	(5,660)	(11,385)
Interest income	19	(8,085)	(8,870)
Interest expense		-	16
Dividend income	19	(1,201)	(979)
(Gains)/losses from sales/disposals of tangible assets		(15)	(154)
Interest received		9,584	9,179
Dividends received, except for dividends from investments in joint venture		201	229
(Increase)/decrease in financial assets		(3,276)	7,609
(Increase)/decrease in reinsurance assets		(462)	(445)
(Increase)/decrease in loans and receivables and other assets		2,834	2,519
(Increase)/decrease in deferred acquisition costs		(2,203)	(6,379)
Increase/(decrease) in insurance contracts liabilities		(859)	4,026
Increase/(decrease) in deposits from reinsurers		18	(7)
Increase/(decrease) in trade and other payables		(1,202)	(1,341)
Increase/(decrease) in financial liabilities		(1,065)	112
Interest paid		-	(17)
Income tax paid		(4,249)	(3,288)
Net cash from operating activities		**1,577**	**7,247**
Cash flows from investing activities			
Acquisition of tangible and intangible assets	5,6	(2,315)	(3,405)
Proceedings from sale of tangible assets		38	207
Income from sale of investment in associates		780	-

Dividend income from investments in joint ventures		1,000	750
Net cash from investing activities		**(497)**	**(2,448)**
Cash flows from financing activities			
Loan payments	8	-	(5,000)
Net cash from financing activities		**-**	**(5,000)**
Net increase/(decrease) in cash and cash equivalents		1,080	(201)
Cash and bank accounts at the beginning of the year		3,267	3,468
Cash and cash equivalents at the end of the year	**13**	**4,347**	**3,267**

Notes to the Separate Financial Statements

1. GENERAL INFORMATION

Generali 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 operates in the Slovak Republic and employs 615 people (as at 31 December 2012: 643).

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 2013 ARE:

BOARD OF DIRECTORS:

Name, Surname	Function	Period until - since
Vladimír Bezděk	Chairman	until 7 June 2013
Roman Juráš	Chairman	since 8 June 2013
Jozef Tanzer	Member	until 12 August 2013
Eva Štefániková	Member	until 31 December 2013
Stanislav Uma	Member	until 31 August 2013
Juraj Jurčík	Member	since 4 September 2013
Jiří Doubravský	Member	since 4 September 2013
Marian Hrotka	Member	since 19 July 2013

SUPERVISORY BOARD:

Name, Surname	Function	Period until - since
Luciano Ciriná	Chairman	since 1 September 2013
Klára Starková	Member	
Luisa Coloni	Member	
Marcela Nberiová	Member	
Gregor Pilgram	Member	since 1 September 2013
Michaela Ďurišinová	Member	since 4 December 2013

The shareholder of the company Generali 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 Abruzii 2, Trieste, Italy.

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

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 2013 ("financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Notes to the Separate Financial Statements

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 2013. 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 except from the subsidiary GSL Services s.r.o.

The Company did not prepare Consolidated Financial Statements including subsidiary GSL Services, s.r.o. as the exception set out in paragraph 22 (12) of Accounting Act applies; by preparing only Separate Financial Statements of the parent company, the judgement of financial position, expenditures, revenues and profit or loss of the consolidated group will not be affected.

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 2013, 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.

Board of the Directors can suggest to shareholders to amend the Financial Statements even after the approval on General Meeting of the shareholders.

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.

CHANGES TO EXISTING ACCOUNTING STANDARDS APPLIED IN 2013

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

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 the pricing models:

- Level 1 represents quoted prices for assets or liabilities in an active market. Consistent 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 inpuit variables 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.

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. This includes accrual between benefits provided in return for 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 2012 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.

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 was approved by the European Union in March 2013.

Improvements to IFRS (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 IFRS - 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 were approved by the European Union in March 2013.

New or revised standards and interpretations which will be mandatory for accounting periods beginning on or after 1 January 2014 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 2013.

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 majority 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

Notes to the Separate Financial Statements

European Union in December 2012 with a delayed effect from 1 January 2014.

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 2013 with a delayed effect from 1 January 2014.

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 with a delayed effect from 1 January 2014.

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.

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. These amendments were approved by the European Union in April 2013.

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. Amendment in December 2011 changed its effective date from 2013 to 2015 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-in-

Notes to the Separate Financial Statements

strument 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 Statements can be significant. IFRS 9 has not been approved by the European Union yet.

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.

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) 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 was approved by the European Union in November 2013.

IFRIC 21, Levies (effective since 1 January 2014 or later). This interpretation of accounting of levies imposed on entities by governments is IAS 37 interpretation and will have impact on companies which are subject to levy which is not an income tax according to IAS 12. IAS 37 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The interpretation provides examples of how to account for various types of levies. This amendment has not been approved by the European Union yet.

Novation of derivatives and continuation of hedge accounting – Amendment to IAS 39 (issued in June 2013 and effective for periods beginning on 1 January 2014 and later) was prepared as a result of extensive legislation changes in order to improve transparency and supervision over OTC derivatives. The companies novate derivatives to central counterparty (CCP) in order to reduce credit risk. The companies would be obliged to stop recognition of hedge accounting as the original derivative would cease to exist. New derivative with CCP would be recognized since the novation date. IAS 39 amendment provides an exception in case that novation of detivative to CCP fulfills following criteria:

- As a result of legislative change, the parties to the hedging instrument agree that CCP or the company acting as a counterparty replaces the original party in order to recognize settlement with CCP, and
- Other changes in hedge instrument are only the changes necessary to enable the exchange of counterparty (change of collateral, right to offset assets and liabilities and charges)

This amendment was approved by the European Union in December 2013.

Recoverable amount disclosures for non-financial assets – amendment to IAS 36 (issued in May 2013 and effective for periods beginning on 1 January 2014 and later) contains minor changes to what information the company is obliged to report under IAS 36 if the recoverable amount is determined as the fair value less any selling costs. The amendment removes the obligation to recognize recoverable amount if the cash generating unit contains goodwill or intangible assets with indefinite useful life and impairment loss is not recognized on the assets. In case that impairment loss was recognized or released, realizable value must be recognized as well as details on the procedure for calculating the fair value less selling costs. This amendment has been approved by the EU in December 2013.

Improvements to International Financial Reporting Cycle 2010 - 2012 (issued in December 2013 and effective for periods beginning 1 July 2014 and later). The improvements consist of a mixture of substantive changes and clarifications in the following standards:

- IFRS 2 Share-based payment – clarifies vesting condition by defining performance condition and service condition
- IFRS 3 Business combinations – improvement clarifies certain aspects of accounting for contingent consideration in a business combination
- IFRS 8 Operating segments – amends § 22 of IFRS 8 which requires companies to recognize the factors that were used to identify the reported segments if the operating segments have been aggregated. It also determined that companies have to recognize a reconciliation of total assets reported in reported segments to total assets of the company, if this information is regularly provided to the responsible management.
- IFRS 13 Fair value measurement - modification of the basis for IFRS 13 conclusions specifies that by deleting of paragraphs from IFRS 9 and IAS 39, the IASB did not intend to change the requirements for measuring current assets and liabilities.
- IAS 16 Property, plant and equipment and IAS 38 Intangible assets –aim of this modification was to specify requirements for the revaluation model regarding the calculation of accumulated depreciation and accumulated amortization at the date of revaluation.
- IAS 24 Related party disclosures – provides that key management is not only individuals, but also entities that provide services to key management.

Notes to the Separate Financial Statements

Improvements to International Financial Reporting Cycle 2011 - 2013 (issued in December 2013 and effective for periods beginning on 1 July 2014 and later). 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 – clarification of the meaning of „each IFRS effective at the end of the reporting period, when the company applied IFRS for the first time“ in case that the application of the new IFRS is not yet mandatory, but earlier application is permitted.
- IFRS 3 Business combinations –exclusion of creating any type of joint venture as defined in IFRS 11 from the scope of IFRS 3 and the exclusion applies to financial statements of joint venture or joint venture itself.
- IFRS 13 Fair value measurement – determination of fair value of the financial assets and liabilities groups on a net basis (portfolio exemption) is excluded from the scope of IFRS 13. The aim of this improvement is to clarify that the portfolio exemption applies to all contracts within the scope of IFRS 9 and IAS 39, regardless of whether they meet the definition of a financial asset or financial liability as defined in IAS 32.
- IAS 40 Investment property – objective of this improvement is to specify that in order to determine whether the acquisition of investment property represents acquiring assets, groups of assets or a business combination under IFRS 3, it is necessary to use judgment and that the judgment should be based on the instructions stated in IFRS 3.

These improvements have not been approved by European Union yet.

Amendment to IAS 19, Employee Benefits: employee contributions (effective from 1 July 2014 or later). This amendment clarifies the requirements relating to to account for contributions from employees or third parties. Contributions from employees or third parties reduce the overall cost of the programme with defined benefit and therefore contributions that depend on the services should be assigned to the period in which the service was rendered and recorded as a reduction of cost of service. This amendment has not been approved by the European Union yet.

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 and performs the impairment test.

b) Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity. Joint ventures are carried at cost. As of the 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 and performs the impairment test. 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

Notes to the Separate Financial Statements

the future development of the non-life portfolio (cancellations, 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 5 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 significant portion of risks and rewards of ownership are retained by the Company are classified as the financial lease. Assets acquired through the financial lease and used by the lessee are initially recognised at the lower of fair value of the leased asset or at the present value of the minimum lease payments at the commencement date of the lease reduced by accumulated depreciation (see below)
and the impairment losses (Note 2.17).

c) Depreciation

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

Buildings	15 to 40 years
Machinery and equipment	3 to 15 years
Motor vehicles	3 to 4 years
Office equipment	10 years
Low-value tangible assets	2 years

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate. Gains and losses on disposals are determined as the difference between the proceeds and the asset's carrying amount and are recognized in the income statement.

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

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 reinsurers (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 for 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). If 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 which is managed and its performance is evaluated on a fair value basis in line with the Company's investment strategy. Information regarding 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 the income statement.

b) Loans and receivables

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

c) Financial assets available for sale

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

Financial assets available for sale are subsequently carried at fair value. Unrealized gains and losses on financial assets available for sale are recognized in other comprehensive income as part of a revaluation reserve for available for sale financial assets, until they are sold or determined to be impaired. Unrealized foreign exchange gains and losses on debt securities are recognized in income statement.

At time of sale or permanent impairment, cumulative gains and losses previously recognized in other comprehensive income are reclassified in the income statement.

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

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

d) Derivative financial instruments

Derivative financial instruments are classified as financial assets and financial liabilities stated at fair value through profit or loss. Initially and also subsequently, derivative financial instruments are measured at fair value, and fair value changes are recognized in the income statement. Transaction costs related to the purchase and sale of derivative financial instruments are recognized in the income statement when incurred. The Company does not recognize the first day profit, though.

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

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 to new insurance contracts and, in 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 (commissions) 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 life insurance contracts, acquisition costs capitalization is not applied in cases where its application would lead to time inconsistency between the costs incurred and revenues, especially in the following cases:

a. Products gained based on an acquisition
b. Products with single premium payment
c. Commissions for special deposits
d. Products to which the Zillmer method is applied
e. Products which are not available for sale and their acquisition costs were not historically expected to be deferred

For amortization of deferred acquisition costs, the principle of linear amortization, conducted out of initial capitalized costs is applied:

a. For a period during which the initial charges are deducted from the premium
b. For a period during which the premium is paid if no initial charges are established

The product groups Dynamik Plus and Dynamik (portfolio in run-off) are exceptions, where the amortization period according to the original amortization scheme was set at five years.

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 accounted 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 differences can be utilized.

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

2.10 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held at call with banks. Term deposits are presented as part of

financial assets since they are primarily intended to cover the liabilities 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. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

2.13 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

Technical provision for life insurance consists of the following segments:

a. Provision for guaranteed claims
b. Provision for profit share
c. Deferred liability to the insured
d. Provision of the liability adequacy test. The liability adequacy test description is in Note 2.18, point c)

Technical provision for life insurance – provision for guaranteed claims is created for guaranteed liabilities from the life insurance contracts with guaranteed technical interest rate. Technical provision is computed as sum of provisions computed for individual life insurance contracts. Depending on the technical features of insurance, the following principles are applied for the calculation of technical provision:

a. The present value principle: provision amount is set as the present value of future payables of the insurance company, including administrative expenses less future premium. At provision calculation, same assumptions are used as those used in premium determination.
b. The capital value principle: provision amount is set in the amount of capital value, i.e. paid insurance premium less risk premium and charges, measured with the technical interest rate as at the balance sheet date (hereinafter referred to as "account type provision").
c. The Zillmer method principle: technical provision is reduced by unamortized portion of the costs up to a maximum of one-off initial costs of the premium.
   Zillmer method is not applied in case of
   – Products with account type provision
   – Products with regular premium payments for which initial costs are not included in the Premium as one-off cost
   – Products with one-off premium payments
d. The non-negativity principle: negative provision amount is replaced by zero.

Shadow accounting

In accordance with IFRS, 4 the Company can 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 for covering the risk of investments in the name of the insured has been set up for insurance contracts linked to investment life insurance (unit linked) where the economic risk of variability in yield or growth of the invested funds is carried only by a person who concluded an insurance contract with the insurance company.

Technical provision is calculated as the sum of provisions calculated for individual life insurance contracts referred to in paragraph above. The insurance company manages account in a form of units (hereinafter referred to as „client units") for each such insurance policy. Insurance account is increased by units of the premium paid and reduced by units of risk premium and administrative charges in accordance with the particular insurance terms. The provision is set in participation units and its value is determined by multiplying the participation units and the current price at the date as at the balance sheet date. In case of negative value of technical provision for individual policy, the insurance company posts the negative portion as a receivable from the insured.

Unearned premium reserve

Unearned premium reserve includes the unearned part of the written premium that relates to subsequent accounting periods as at the balance sheet date.

The unearned premium reserve is calculated using the pro-rata temporis method based on an exact number of days related to the future periods and based on an exact number of days for which the premium is written. Technical provision is set as sum of provisions for all insurance contracts.

The technical provision is not created for:

a. Contracts with a one-off premium
b. Contracts or parts of contracts where the whole premium is used as provision to cover the risk of investing funds on behalf of the insured
c. Contracts or parts of contracts where the whole premium is used as account type provision

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 1.9 % (2012: 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 balance sheet date (IBNR) is set up on the basis of the estimates of insurance benefits from these events. For additional life insurance and for claims related to death, the provision is set up identically as for accidental insurance in non-life insurance (Note 2.13 b).

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 balance sheet date.

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 assessment is then 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 accident insurance and 2.5% in MTPL annuities.

The estimate of RBNS always includes an estimated amount of related internal and external loss adjustment 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 not sufficiently reported. The amount of this provision is determined as the difference between the estimated ultimate loss and the following items: insurance benefits paid, the balance of RBNS and the estimate of IBNR.

The estimate of so-called ultimate loss is calculated by the 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 balance sheet date (IBNR) is set up on the basis of the estimates of insurance benefits from these insurance 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.

Notes to the Separate Financial Statements

2.14 RECEIVABLES AND PAYABLES RELATED TO INSURANCE CONTRACTS

Receivables and payables related to insurance contracts are financial instruments including amounts due to policy holders, agents and brokers. Receivables are valued at fair value at acquisition and afterwards at amortized costs using the effective interest rate. If objective indicators show 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 obligations and to participate in cases of major claims or in reinsurance of large insurance portfolios. These deposits are primarily recognized according to contractual conditions reflecting the reinsurer's share in the business ceded. Interest on these deposits is recognized in the income statement as interest expense on the amortized cost basis, using the effective interest method.

2.16 REVENUE RECOGNITION

a) Income from fees and commissions

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

A reinsurance commission is recognized in the same way as costs incurred for the acquisition of the respective reinsurance contracts in accordance with the reinsurance terms and conditions effective for the respective year. The profit commission related to reinsurance contracts is accrued.

b) Interest income and interest expenses

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

c) Dividend income

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

d) Income from liquidation of insurance claims

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

2.17 IMPAIRMENT OF ASSETS

a) Financial assets carried at amortized cost

At each balance sheet date, the Company reassesses 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.

Objective indicators that a financial asset or a group of financial assets is impaired include the following:

- Significant financial problems of the debtor or issuer
- A breach of contractual conditions, such as a default or delinquency in payments
- A creditor, due to legal or economic reasons related to the debtor's financial problems, gives the debtor a discount which was originally not meant to be provided
- It becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganization
- Termination of the active market for the given financial asset due to financial difficulties
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be matched to individual financial assets in the group, including:
  - Adverse changes in the solvency of issuers or debtors in the group or
  - National or regional 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. Exceptions 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 financial asset's carrying amount.

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

b) Financial assets carried at fair value

The Company assesses at each balance sheet date whether there is an objective indication that a financial asset is impaired. In the case of equity securities classified as available for sale, a prolonged (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. Eventual 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 on an annual basis. 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 and value in use. For the purposes of impairment assessment, 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 insurance and financial risk. 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 to be 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 activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (coverage in case of interrupted business operation).

Personal insurance contracts primarily protect the Company's customers from the consequences of events (such as accidental death or disability) that would affect 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 recognized before deduction of commissions. 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, acquisition and administrative expenses, guaranteed interest rate and such items which are established at the time of contract issuance. Liabilities are recalculated at each balance sheet date, using assumptions established at contract conclusion. Changes in liabilities are charged to the income statement.

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

Universal capital life insurance contracts contain a minimum guaranteed interest rate per annum (between 2.4% and 6%). These contracts also contain DPF, giving the policyholder the right to participate in the investment income exceeding the minimum guaranteed interest rate in the form of a share in the profits. The decision about the participation rate and the share in the profits for the year depends on the Company's decision. 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 particular 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 is increased by the premium paid net of acquisition costs and is decreased by the 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 balance sheet date.

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 before 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 analyses of losses which occurred but have not been reported.

b) Embedded derivatives

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

According to IFRS 4 the Company does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative.

c) Liability adequacy test

Non-life insurance

At each balance sheet date, a liability adequacy test for unearned premium reserve in non-life insurance is performed by comparing the expected values of claim payments and expenses related 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 which are not expected to recur. 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.

Notes to the Separate Financial Statements

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 % (31.12.2012: 35.2 %) of the gross salaries up to the amount of monthly salary pursuant to relevant legal regulations. The employee contribution was 13.4 % (31. 12. 2012: 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.

2.22 SHARE-BASED PAYMENT

Provision for share-based payment is a form of long-term plan for remuneration of the Group's top management. Reward for achieving the objectives will be paid in form of shares of Assicurazioni Generali S.p.A. The plan is set out in cycles that last three financial years. The total number of shares is divided into three tranches – 30 %, 30 % and 40 % each year. The payment of each tranche depends on whether the criterion was met in the year and whether the manager is still the Group's employee at the end of the three-year cycle.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and uses assumptions that affect the reported amounts of assets and liabilities in the following accounting periods. Estimates and judgments are continually revaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Significant estimates and assumptions, 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 acco-

unting 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 loss adjustment expenses, 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 trends of insurance claims are not available (mainly in the first years after introduction of a new product or risk), prudent assumptions are used.

Expenses for claims, which were not settled, 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 extraordinary scale

Provision for motor third party liability insurance deficit (provision for MTPL deficit)

Before 1 January 2002, motor third party liability insurance (MTPL insurance) was provided solely by Slovenská poisťovňa, a.s., which administrated all contracts and set up technical provisions for that purpose. After 1 January 2002, all rights and obligations under § 28, Section 3 of Act No. 381/2001 Coll. were transferred to the Slovak Insurers' Bureau (SIB). However, Slovenská poisťovňa, a.s. had not set up sufficient provisions for liabilities from the compulsory MTPL insurance. All members of the SIB participate in the deficit incurred in proportion to their share on the number of insured vehicles. In 2005, 2007 and 2011, the audit company Deloitte performed an audit of the statutory provisions. In 2011 Deloitte estimated the set a lower and an upper limit of the deficit (less of value of cash equivalents on SIB account) to be between EUR 43,599 – 81,338 thousand. Estimates approved or acknowledged by SIB members were used for determining the amount of the provision, which has been calculated based on the average amount of the estimated deficit (using estimates made in previous years) and the Company's MTPL current market share.

Despite the updated estimate of the amount of the deficit, there is still an uncertainty related to court decisions and the lack of reliable data about the future development in insurance claims resulting from compulsory MTPL insurance. In this connection, the Company booked MTPL provision of EUR 3,355 thousand (31 December 2012: EUR 3,809 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 2013: 6.6 %).

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 impairment loss (Note 20). The Company concludes that securities available for sale are impaired when there has been a significant or long-term diminution in their fair value below their cost.

The assessment 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 operating and financing cash flows have worsened.

Subrogation receivables

The Company uses a 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 management cannot reliably estimate the potential impact of the deepening financial crisis and worsening economic situation in the country with respect to the future financial situation of the Company. On the basis of the analysis the management 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 application and implementation of mitigation measures.

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

Risk management policies

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

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability 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 developed 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.

Notes to the Separate Financial Statements

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 mitigating mortality and morbidity risk.
This instrument is mainly applied by the Company for mortality insurance.

The tables below show the concentration 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 2013

Interval SaR (in thousand EUR)	Interval total	Number of lives	Average age	Total after reinsurance
Less than 7	408,057	247,665	39	408,057
7 to 15	284,559	28,101	38	284,559
15 to 30	264,768	12,734	37	264,768
30 to 50	213,381	5,518	36	213,381
More than 50	234,300	3,171	35	213,591
Collective agreements	230,806	6,334	-	-
Total	**1,635,871**	**303,523**	**-**	**1,384,356**

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**

* 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 generating and testing profit based on new tariff assumptions derived either from the Company's experience or, if this experience is not sufficiently reliable or suitable, from the experience of other entities of the Generali Group. To mitigate lapse risk, surrender penalties

are generally included in the tariff and are set to compensate, at least partially, the loss of future profits. It is also the aim of the Company to project the commissions systems to motivate agents and brokers to care for the portfolio.

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

	2013		2012	
Mortality risk	Required minimum amount of provisions *	Provision insufficiency**	Required minimum amount of provisions *	Provision insufficiency**
Present value	105,174	1,611	114,788	3,428
Mortality +10 % shift	105,750	1,712	115,589	3,534
Mortality - 10 % shift	104,598	1,514	113,983	3,329
Lapse risk				
Present value	105,174	1,611	114,788	3,428
Gradient +25 % shift	106,944	2,197	115,959	3,532
Gradient - 25 % shift	103,172	1,219	113,482	3,392
Loss risk				
Present value	105,174	1,611	114,788	3,428
Expenses +10 % shift	106,126	1,855	116,071	3,708
Expenses - 10 % shift	104,223	1,390	113,509	3,159

* Technical provisions are reported in amounts as described in Note 2.13 and that is why they do not agree to 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 policy holder, represent the difference between the charges and the cost sum and benefits above the fund value. Any incidental deficiency of provisions for the contracts, where the investment risk is borne by the policy holder, is a part of the technical provision for life insurance and in the same amount is taken into account in the sum of liabilities in the liability adequacy test.

Recent historical experience relating to the average mortality of the portfolio and the analysis of insurance claims, showed that mortality and risk of events, applied in the prior period, in liabilities adequacy tests were adequately set at 30 % to 45 %. This applied to mortality shown in the table issued by the 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 from the beginning of the insurance. When analyzing lapses, the product and the distribution channel were taken into consideration. The Company performs regular back testing of cancellation assumptions. The Company increased the cancellation assumptions due to a change in the trend of cancellation rates during the last four 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 described above.

Notes to the Separate Financial Statements

4.1.2 NON-LIFE INSURANCE RISK

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

The price risk is linked to the possibility that premiums collected from policyholders could be insufficient to cover future claims and expenses. The Company constantly monitors the possibility that, in the event of an extreme scenario (such as major damage caused by a disaster), the total amount of claims remains within acceptable limits. The Company also tests the liability adequacy for unearned premium and in the case of its deficiency the deferred acquisition costs will be released and eventually the provision for unexpired risk will be set up.

The reserve risk represents the risk that the amount of provisions for insurance benefits will be not sufficient in comparison to the insurance benefits. The Company analyzes historical data regarding the frequency and the amount of insurance benefits and use different types of triangular methods to estimate the amount of provisions for insurance benefits and test of its adequacy.

Exposure to disasters and reinsurance coverage

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

Contractual reinsurance (also known as compulsory reinsurance) is based on economic profitability parameters and on its capability to keep volatility within acceptable limits. All methods are analyzed 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 an 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

(v EUR)	Before reinsurance		After reinsurance	
	2013	2012	2013	2012
Mean value of the amount of losses* - property	3,034	3,174	1,138	1,698
Mean value of the amount of losses * - disasters	5,410	4,007	2,120	3,006
Number of claims per 100 contracts / insured objects [in %]	3.23 %	3.00 %	3.23 %	3.00 %

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

The policy of insurance underwriting risk in non-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.

Notes to the Separate Financial Statements

PML IN ASSETS AT THE END OF 2013

Interval (in ths. EUR)	Total interval (in ths. EUR)	Number of objects	Total after reinsurance
less than 25	756,789	101,077	439,008
25 – 100	4,146,616	75,575	2,404,945
100 – 1,000	5,495,920	26,352	3,031,240
1,000 – 10,000	7,299,947	2,659	2,788,733
10,000 – 50,000	5,166,275	262	1,206,894
more than 50,000	11,463,443	65	1,656,646
Total	**34,328,990**	**205,990**	**11,527,466**

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**

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 loss by incurred year and its development from 2004 (and earlier). The ultimate loss includes paid losses, the remaining provisions for losses reported, and the estimated provisions for IBNR claims. The amounts are shown net of reinsurance, loss adjustment expenses ULAE and recourse claims. ULAE are considered at RBNS and IBNR. 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 2013 determines the claims provision related to accident years from 2004 (and earlier) to 2013.

Notes to the Separate Financial Statements

Estimate of ultimate cumulative claim costs:	2004 and earlier	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
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	54,061	
one year later	74,384	49,053	55,348	62,243	86,390	60,615	75,668	68,284	65,019		
two years later	70,044	49,609	53,617	60,863	82,762	55,978	73,276	65,733			
three years later	69,100	49,620	53,126	58,634	82,239	57,536	71,808				
four years later	68,933	49,016	51,632	57,824	80,115	56,566					
five years later	69,583	48,336	50,729	58,136	79,870						
six years later	67,199	47,841	51,046	58,113							
seven years later	66,695	47,791	51,119								
eight years later	66,244	47,551									
nine years later	65,732										
Estimate of ultimate cumulative claim costs at 31 December 2013	**65,732**	**47,551**	**51,119**	**58,113**	**79,870**	**56,566**	**71,808**	**65,733**	**65,019**	**54,061**	**615,572**
Cumulative payments at 31 December 2013	(63,864)	(45,928)	(48,570)	(56,048)	(76,704)	(52,615)	(67,111)	(55,432)	(51,240)	(30,760)	(548,272)
Provision for insurance claims shown on the balance sheet	**1,868**	**1,623**	**2,549**	**2,065**	**3,166**	**3,951**	**4,697**	**10,301**	**13,779**	**23,301**	**67,300**

4.2 MARKET RISK

i) Currency risk

The Company is exposed to currency risk as a result of transactions in foreign currencies, as well as assets and liabilities denominated in foreign currencies. Conversion from Slovak crowns to Euro at the beginning of 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 the so-called “look through” principle.

As at 31 December 2013, the value of assets denominated in foreign currencies totalled EUR 26,053 thousand and EUR 30,240 thousand including indirect exposure from mutual funds (2012: EUR 19,249 thousand and EUR 21,704 thousand respectively) and the value of liabilities denominated in foreign currencies amounted to zero (2012: 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 following foreign currencies: 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.

Notes to the Separate Financial Statements

CURRENCY RISK SENSITIVITY (OPEN FOREIGN CURRENCY POSITION)

Balance as at 31 December 2013	USD	CZK	PLN	HUF	GBP	CHF	Other
Change in the exchange rate	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %
Profit or loss	+/- 21.5	+/- 3.8	+/- 1.6	+/- 2.9	+/- 0.2	0	0
Profit or loss (including mutual funds*)	+/- 317.5	+/- 20.1	+/- 6	+/- 3.3	+/- 8.8	+/- 5.2	+/- 87.9
Balance as at 31 December 2012							
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

* does not contain financial placement in name of policyholders

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 realization). On the contrary, the technical liabilities are primarily 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 2013	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 Equtiy
Impact of change of +100 bp	(10,715)	786	(78)	(956)	1,664	(9,051)
Impact of change of -100 bp	11,774	(850)	83	2,638	(3,405)	8,369
As at 31 December 2012						
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

Technical provisions reflect 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) Other 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 2013	Profit/(loss)	Other comprehensive income
Price change	+/-10 %	+/-10 %
Profit or loss	-	+/- 1,322
Profit or loss (including mutual funds)	-	+/- 1,807
Balance as at 31 December 2012		
Price change	-/+ 10 %	-/+ 10 %
Profit or loss	-	+/- 1,646
Profit or loss (including mutual funds)	-	+/- 2,152

Notes to the Separate Financial Statements

4.3 LIQUIDITY RISK

The Company's objective is to eliminate liquidity risk. Certain assets, up to 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:

2013	Estimated cash flows (undiscounted)					
	0 – 5 years	5 – 10 years	10 – 15 years	15 – 20 years	> 20 years	Total
Bonds	134,411	66,509	73,723	2,366	-	277,009
Term deposits	6,170	-	-	-	-	6,170
Derivates	(81)	82	45	-	-	46
Shares	1,579	-	-	-	-	1,579
Index shares (exchange – traded fund)	11,646	-	-	-	-	11,646
Mutual funds	151,597	-	-	-	-	151,597
Total	**305,322**	**66,591**	**73,768**	**2,366**	**-**	**448,047**

2013	Estimated cash flows (undiscounted)					
	0 – 5 years	5 – 10 years	10 – 15 years	15 – 20 years	> 20 years	Total
Life insurance contracts with fixed and guaranteed terms*	(11,183)	31,225	25,807	17,778	22,272	85,899
Unit-linked products*	35,939	54,797	31,077	14,866	9,991	146,670
Non-life insurance	90,757	1,801	910	575	337	94,380
Active reinsurance	389	-	-	-	-	389
Deposits from reinsurers	425	-	-	-	-	425
Trade and other liabilities	39,547	-	-	-	-	39,547
Total	**155,874**	**87,823**	**57,794**	**33,219**	**32,600**	**367,310**

* 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: 5.08 years
Average maturity of liabilities: 4.29 years

Notes to the Separate Financial Statements

2012	Estimated cash flows (undiscounted)					
	0 – 5 years	5 – 10 years	10 – 15 years	15 – 20 years	> 20 years	Total
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
Mutual funds	147,454	-	-	-	-	147,454
Total	**306,403**	**60,777**	**78,974**	**-**	**-**	**446,154**

2012	Estimated cash flows (undiscounted)					
	0 – 5 years	5 – 10 years	10 – 15 years	15 – 20 years	> 20 years	Total
Life insurance contracts with fixed and guaranteed terms*	(23,465)	20,826	26,810	23,707	43,665	91,543
Unit-linked products*	(433)	63,758	46,223	25,471	22,989	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	**109,206**	**86,407**	**73,933**	**49,752**	**66,983**	**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

Notes to the Separate Financial Statements

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 2013	Bonds available for sale		Loans and receivables				
Credit risk	corporate	government	to customers and reinsurers	Other receivables	Reinsurance assets	Cash	Term deposits
AAA	-	-	-	-	22		
AA+	-	-	-	-	-	7	-
AA	-	-	-	-	32	-	-
AA-	2,832	1,013	-	-	1,031	-	-
A+	6,142	-	146	-	592	-	-
A	3,170	148,384	-	-	70	-	-
A-	19,099	-	-	-	3,038	9	-
BBB+	9,029	5,238	413	-	36,911*	7	410
BBB	15,799	2,053	196	-	1,577	18	-
BBB-	9,684	4,418	-	-	-	1,770	5,660
BB+	352	1,093	-	-	-	-	-
BB	-	-	-	-	-	-	-
BB-	4,722	-	-	-	-	-	-
B	892	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-
Unrated	220	-	12,750	816	1,515	2,535	100
Total	**71,941**	**162,199**	**13,505**	**816**	**44,788**	**4,347**	**6,170**

* of which EUR 36,584 thousand represents the share of GP Reinsurance EAD (Note 28)

Notes to the Separate Financial Statements

As at 31 December 2012	Bonds available for sale		Loans and receivables				
Credit risk	corporate	government	to customers and reinsurers	Other receivables	Reinsurance assets	Cash	Term deposits
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	-	-	-	-	-	-	-
Unrated	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)

THE MAXIMUM CREDIT RISK EXPOSURE IS SHOWN IN THE FOLLOWING TABLE

		Overdue, not impaired			Impaired	
As at 31 December 2013	Not yet due, not impaired	0 – 3 months	3 – 6 months	6 months – 1 year	More than 1 year	Total
Financial assets available for sale (without shares)	234,140	-	-	-	-	234,140
Financial assets and liabilities at fair value at profit and loss (without shares and bonds)	166	-	-	-	-	166
Cash and term deposits	10,517	-	-	-	-	10,517
Loans and receivables*	3,656	8,320	891	334	1,120	14,321
Reinsurance assets	44,788	-	-	-	-	44,788
Total	**293,267**	**8,320**	**891**	**334**	**1,120**	**303,932**

* 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.

Notes to the Separate Financial Statements

As at 31 December 2012	Not yet due, not impaired	Overdue, not impaired 0 – 3 months	Overdue, not impaired 3 – 6 months	Overdue, not impaired 6 months – 1 year	Impaired More than 1 year	Total
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.

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

	2013	2012
Opening balance	9,117	10,691
Write-offs of receivables	(838)	(814)
Creation/(Release)	268	(760)
Closing balance	**8,547**	**9,117**

VALUATION ALLOWANCES FOR OTHER RECEIVABLES

	2013	2012
Opening balance	966	1,110
Write-offs of receivables	(745)	(115)
Creation/(Release)	45	(29)
Closing balance	**266**	**966**

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 revealing 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 the amount of EUR 108,922 thousand (2012: EUR 102,810 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 quantitative capital limit in order 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.

Notes to the Separate Financial Statements

	2013	2012
Actual solvency margin	89,133	82,151
Required solvency margin	24,410	23,818

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 2013 and 31 December 2012.

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 2013, 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 2013, the Company performed classification of fair value valued financial assets and liabilities, according to requirements stated above as follows:

Notes to the Separate Financial Statements

FAIR VALUE ESTIMATION AND FAIR VALUE HIERARCHY

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Derivative financial assets				
Interest swaps	-	130	-	130
Futures	-	-	-	-
Currency swaps	-	36	-	36
Total	**-**	**166**	**-**	**166**
Other financial assets at fair value through profit or loss				
Bonds	-	-	-	-
Investment funds	151,597	-	-	151,597
Total	**151,597**	**-**	**-**	**151,597**
Available-for-sale financial assets				
Bonds	201,348	32,792	-	234,140
Shares	13,225	-	-	13,225
Total	**214,573**	**32,792**	**-**	**247,365**
Total financial assets measured at fair value	**366,170**	**32,958**	**-**	**399,128**

FAIR VALUE ESTIMATION AND FAIR VALUE HIERARCHY

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets				
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**

Notes to the Separate Financial Statements

5. TANGIBLE ASSETS

As at 1 January 2012	Buildings	Land	Motor vehicles	Office equip-ment	Machinery and equip-ment	Total
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**
Year ended 31 December 2013						
Opening balance	1,647	102	1,211	832	1,126	4,918
Additions	34	-	123	96	547	800
Disposals – at acquisition cost	(31)	-	(136)	(241)	(1,255)	(1,663)
Disposals – accumulated depreciation	31	-	118	238	1,253	1,638
Depreciation	(133)	-	(487)	(193)	(545)	(1,340)
Net book value at the end of the year	**1,548**	**102**	**829**	**732**	**1,126**	**4,337**
As at 31 December 2013						
Acquisition cost	2,112	102	2,031	752	3,924	8,921
Accumulated depreciation	(564)	-	(1,202)	(20)	(2,798)	(4,584)
Net book value	**1,548**	**102**	**829**	**732**	**1,126**	**4,337**

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

Notes to the Separate Financial Statements

6. INTANGIBLE ASSETS

As at 1 January 2012	Software	VOBA	Other intangible assets	Total
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 cos	7,597	64,989	3	72,589
Accumulated amortization	(4,354)	(21,353)	(3)	(25,710)
Net book value	**3,243**	**43,636**	**-**	**46,879**
Year ended 31 December 2013				
Opening balance	3,243	43,636	-	46,879
Additions	1,515	-	-	1,515
Disposals -at acquisition cost	(93)	-	-	(93)
Disposals - accumulated amortization	93	-	-	93
Amortization	(1,572)	(4,299)	-	(5,871)
Net book value	**3,186**	**39,337**	**-**	**42,523**
As at 31 December 2013				
Acquisition cost	9,019	64,989	3	74,011
Accumulated amortization	(5,833)	(25,652)	(3)	(31,488)
Net book value	**3,186**	**39,337**	**-**	**42,523**

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 linked insurance and there are no reasons in principle to review the assumptions used in determining the value of the portfolio.

Notes to the Separate Financial Statements

7. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Investments in subsidiaries and joint ventures as at 31 December 2013 related to shares in the pension company VÚB Generali d.s.s., a. s. and GSL Services, s.r.o.. VUB Generali d.s.s., a.s. and GSL Services, s.r.o. have their registered offices in the Slovak Republic. During 2013, the Company sold its share in Generali Belarus which had its registered office in Belarus.

	2013	2012
As at 1 January	17,416	17,416
Changes – sale of Generali Belarus	(812)	-
As at 31 December	**16,604**	**17,416**

As at 31 December 2013	Equity share	Acquisition cost	Valuation allowance	Book value
VUB Generali d.s.s., a.s. (joint venture)	50 %	16,597	-	16,597
GSL Services, s.r.o. (subsidiary)	100 %	7	-	7
Total		**16,604**	**-**	**16,604**
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**

Financial information on subsidiaries, joint ventures and associates

As at 31 December 2013	Assets	Liabilities	Equity	Revenue	Profit/(loss)
VUB Generali d.s.s., a.s.	16,330	641	15,689	5,237	2,612
GSL Services, s.r.o.	235	711	(476)	-	(18)
As at 31 December 2012					
VUB Generali d.s.s., a.s.	16,152	1,046	15,106	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)

Notes to the Separate Financial Statements

8. FINANCIAL ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
Term deposits	6,170	7,535
Available for sale	247,365	243,730
At fair value through profit or loss	151,597	147,454
Derivatives	202	233
Total financial assets	**405,334**	**398,952**
Derivatives	36	1,101
Financial liabilities at amortized value	-	-
Total financial liabilities	**36**	**1,101**

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 2013	31 December 2012
Government bonds	162,199	173,090
Corporate bonds	71,941	54,182
Total bonds	**234,140**	**227,272**
Shares	13,225	16,458
Total financial assets available for sale	**247,365**	**243,730**

Financial assets and liabilities at fair value through profit or loss	31 December 2013	31 December 2012
Bond funds	74,268	15,177
Equity funds	68,990	55,087
Mixed funds	-*	75,903
Money market funds	8,339	1,287
Derivatives	202	233
Total financial assets	**151,799**	**147,687**
Derivatives	(36)	(1,101)
Total financial liabilities	**(36)**	**(1,101)**

* The Company divided the Mixed funds in 2013 in the following way: the portion invested in bond funds is recognized as Bond funds and portion invested in equities is recognized as Equity funds. The remaining balance is recognized as Money market funds.

Notes to the Separate Financial Statements

Mutual funds covering provision in covering risks from investing financial resources on behalf of the insured amounted to EUR 143,053 thousand (as at 31. December 2012: EUR 140,855 thousand), mutual funds held by the Company amounted to EUR 8,544 thousand (as at 31 December 2012: EUR 6,599 thousand).

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 2012	**128,379**	**213,771**
Disposals (sale and maturity)	(3,803)	(66,720)
Acquisitions	10,466	68,220
Loss 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 beginning of 2013	**146,586**	**243,730**
Disposals (sale and maturity)	(11,326)	(67,646)
Acquisitions	10,109	72,732
Profit from revaluation (other comprehensive income and loss)	-	872
Net movement in fair value (profit or loss)	6,394	(1,458)
Impairment loss	-	(116)
Change of accrued interest income	-	(749)
As at the end of 2013	**151,763**	**247,365**

The fair value of financial assets with an existing market price as at 31 December 2013 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 2013 was calculated by using the method of discounted cash flows from the yield curve interest rates for individual financial instruments denominated in the given currency, published by Bloomberg or Reuters. Zero-coupon rates for discounting cash flows are calculated from the yield curve, using linear interpolation (the Bootstrapping method).

	Underlying asset value due				Fair value
As at 31 December 2013	within 1 month	within 1 year	within 10 years	over 10 years	Assets/ (Liabilities)
Interest swaps	-	7,251	13,701	2,500	130
Futures	-	-	-	-	-
Currency swaps	25,793	-	-	-	36
Total	**25,793**	**7,251**	**13,701**	**2,500**	**166**
As at 31 December 2012					
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)**

Notes to the Separate Financial Statements

9. REINSURANCE ASSETS

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

	31 December 2013	31 December 2012
Unearned Premium Reserve (UPR)	10,742	11,627
Provision for claims Reported But Not Settled (RBNS) and loss adjustment expenses	32,015	30,594
Provision for claims Incurred But Not Reported (IBNR)	2,031	2,105
Total	**44,788**	**44,326**

10. LOANS AND RECEIVABLES

	31 December 2013	31 December 2012
Receivables from clients	12,905	14,529
Receivables from reinsurers	600	1,317
Other receivables	816	1,152
Total	**14,321**	**16,998**

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 2013	31 December 2012
Bad debt provision for receivables from clients*	(8,547)	(9,117)
Bad debt provision for receivables from agents	(143)	(143)
Bad debt provision for other receivables	(120)	(823)
Total	**(8,810)**	**(10,083)**

* Of the total sum of provisions for receivables from clients a provision for receivables from unit-linked insurance amounted to EUR 2,727 thousand (2012: EUR 2,917 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 provisions in life insurance.

Notes to the Separate Financial Statements

11. DEFERRED ACQUISITION COSTS

	31 December 2013	31 December 2012
At the beginning of the period	24,479	18,100
Additions/(Disposals) of deferred acquisition costs during the year (Note 23)	2,203	6,379
At the end of the period	**26,682**	**24,479**

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 2014 of 22 % (until 2013: 23 %), as follows:

	31 December 2013	31 December 2012
Deferred tax assets		
- with the expected realization after more than 12 months	2,423	2,695
- with the expected realization within 12 months	1,455	1,085
	3,878	**3,780**
Deferred tax liabilities		
- with the expected settlement after more than 12 months	(11,039)	(12,562)
- with the expected settlement within 12 months	(927)	(1,168)
	(11,966)	**(13,730)**
Net deferred tax liability	**(8,088)**	**(9,950)**

Movements in the deferred income tax are as follows:

Year ended	31 December 2013	31 December 2012
At the beginning of the year	(9,950)	(4,796)
Tax recognized in the income statement (Note 26)	1,482	(372)
Tax charged to other comprehensive income (Note 14)	380	(4,782)
At the end of the year	**(8,088)**	**(9,950)**

Notes to the Separate Financial Statements

MOVEMENTS IN THE DEFERRED TAX ASSET AND LIABILITY DURING THE YEAR ARE AS FOLLOWS:

				Change in tax rate		
	1 January 2013	Other comprehensive income	Income statement	Other comprehensive income	Income statement	31 December 2013
Deferred tax asset						
Impairment of receivables	1,052	-	(125)	-	(41)	886
Expenses deductible after having been paid	109	-	(7)	-	(5)	97
Employee benefits	12	-	11	-	(1)	22
Provision for bonuses	376	-	1	-	(16)	361
Provision for the MTPL insurance deficit	60	-	(8)	-	(2)	50
IBNR	1,246	-	333	-	(69)	1,510
Unrealised revaluation gain credited to policyholders	925	70	-	(43)	-	952
Total	**3,780**	**70**	**205**	**(43)**	**(134)**	**3,878**

				Change in tax rate		
	1 January 2013	Other comprehensive income	Income statement	Other comprehensive income	Income statement	31 December 2013
Deferred tax liability						
Tangible assets	(351)	-	14	-	15	(322)
Available for sale financial assets revaluation	(3,342)	217	-	136	-	(2,989)
VOBA	(10,037)	-	989	-	393	(8,655)
Total	**(13,730)**	**217**	**1,003**	**136**	**408**	**(11,966)**

				Change in tax rate		
	1 January 2012	Other comprehensive income	Income statement	Other comprehensive income	Income statement	31 December 2012
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**

Notes to the Separate Financial Statements

	1 January 2012	Other comprehensive income	Income statement	Change in tax rate: Other comprehensive income	Change in tax rate: Income statement	31 December 2012
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)**

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 2013	31 December 2012
Bank accounts	4,340	3,254
Cash equivalents	7	13
Total	**4,347**	**3,267**

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

14. EQUITY

SHARE CAPITAL

	Number of shares	Ordinary shares in EUR thousand
As at 1 January 2012	**75,302**	**25,000**
Changes during the year	-	-
As at 31 December 2012	**75,302**	**25,000**
Changes during the year	-	-
As at 31 December 2013	**75,302**	**25,000**

The Company issued a total of 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 2012: 75,302). The nominal value 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 of 10 % of net profit for the ordinary accounting period up to a minimum of 20 % of the share capital. The 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 2012 (in absolute value of EUR 627 thousand) from EUR 3,550 thousand as at 31 December 2012 to EUR 4,177 thousand.

Notes to the Separate Financial Statements

PROFIT / (LOSS) FROM PREVIOUS AND CURRENT YEARS

	31 December 2013	31 December 2012
Profit/(loss) from previous years	65,540	59,894
Profit/(loss) of the current year	6,955	6,273
Total	**72,495**	**66,167**

The Financial Statements for 2012 were approved at the General Meeting held on 5 June 2013. The profit of EUR 6,273 thousand was transferred as follows:

- EUR 627 thousand as an addition to the legal reserve fund,
- EUR 5,646 thousand to retained earnings of previous years.

REVALUATION DIFFERENCES FROM SECURITIES AVAILABLE FOR SALE

At the beginning of 2012	**(9,572)**
Unrealized gain from revaluation attributable to policyholders	(4,405)
Unrealized gain from revaluation attributable to policyholders – deffered tax	925
Loss from the available-for-sale financial assets revaluation	28,927
Loss from the available-for-sale financial assets revaluation – deferred tax	(6,101)
Transfers to net profit upon impairment	-
Transfers to net profit upon impairment – deferred tax	-
Transfers to net profit upon sale	(2,075)
Deferred tax upon sale	394
At the end of 2012	**8,093**
Unrealized gain from revaluation attributable to policyholders	(309)
Unrealized gain from revaluation attributable to policyholders – deffered tax	27
Gain from the available-for-sale financial assets revaluation	872
Gain from the available-for-sale financial assets revaluation – deferred tax	(63)
Transfers to net profit upon impairment	116
Transfers to net profit upon impairment – deferred tax	(27)
Transfers to net profit upon sale	(1,927)
Deferred tax upon sale	443
At the end of 2013	**7,225**

Notes to the Separate Financial Statements

15. TECHNICAL LIABILITIES ARISING FROM INSURANCE CONTRACTS

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

Gross	31 December 2013	31 December 2012
- Claims reported but not settled (RBNS) and loss adjustment expenses	67,854	65,420
- Claims incurred but not reported (IBNR)	8,906	7,511
- Provision for unearned premiums	26,549	28,123
- Provision for profit sharing and premium refund	451	510
- Provision for the deficit in MTPL insurance (Note 3)	3,355	3,809
- Life insurance provision	153,469	157,959
- Provision for risks from investing on behalf of the insured	143,053	140,855
Total insurance liabilities, gross	**403,637**	**404,187**

Share of reinsurers (reinsurance assets)	31 December 2013	31 December 2012
- Claims reported but not settled (RBNS) and loss adjustment expenses	32,015	30,594
- Claims incurred but not reported (IBNR)	2,031	2,105
- Provision for unearned premiums	10,742	11,627
- 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	**44,788**	**44,326**

Net	31 December 2013	31 December 2012
- Claims reported but not settled (RBNS) and loss adjustment expenses	35,839	34,826
- Claims incurred but not reported (IBNR)	6,875	5,406
- Provision for unearned premiums	15,807	16,496
- Provision for profit sharing and premium refund	451	510
- Provision for the deficit in MTPL insurance (Note 3)	3,355	3,809
- Life insurance provision	153,469	157,959
- Provision for risks from investing on behalf of the insured	143,053	140,855
Total net liabilities from insurance	**358,849**	**359,861**

Notes to the Separate Financial Statements

Movements in liabilities from insurance contracts and reinsurance assets

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

NON-LIFE INSURANCE

	31 December 2013			31 December 2012		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
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 beginning of the year	**65,967**	**(32,547)**	**33,420**	**67,392**	**(30,990)**	**36,402**
Insurance claims paid for claims settled in the year	(47,799)	19,011	(28,788)	(56,889)	21,033	(35,856)
Change in liabilities	49,132	(20,340)	28,792	55,464	(22,590)	32,874
Total at the end of year	**67,300**	**(33,876)**	**33,424**	**65,967**	**(32,547)**	**33,420**
RBNS	62,678	(31,845)	30,833	60,784	(30,442)	30,342
IBNR	4,622	(2,031)	2,591	5,183	(2,105)	3,078
Total at the end of year	**67,300**	**(33,876)**	**33,424**	**65,967**	**(32,547)**	**33,420**

LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS

	31 December 2013			31 December 2012		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	3,567	-	3,567	2,878	-	2,878
IBNR	2,012	-	2,012	750	-	750
Total at the beginning of the year	**5,579**	**-**	**5,579**	**3,628**	**-**	**3,628**
Insurance claims paid for claims settled in the year	(28,385)	177	(28,208)	(28,932)	44	(28,888)
Change in liabilities	30,103	(177)	29,926	30,883	(44)	30,839
Total at the end of year	**7,297**	**-**	**7,297**	**5,579**	**-**	**5,579**
RBNS	3,327	-	3,327	3,567	-	3,567
IBNR	3,970	-	3,970	2,012	-	2,012
Total at the end of year	**7,297**	**-**	**7,297**	**5,579**	**-**	**5,579**

Notes to the Separate Financial Statements

CONTRACTS WHERE THE INSURED BEARS THE RISK FROM INVESTING

	31 December 2013			31 December 2012		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	849	-	849	733	-	733
IBNR	316	-	316	525	-	525
Total at the beginning of the year	**1,165**	**-**	**1,165**	**1,258**	**-**	**1,258**
Insurance claims paid for claims settled in the year	(28,875)	-	(28,875)	(25,246)	-	(25,246)
Change in liabilities	29,624	-	29,624	25,153	-	25,153
Total at the end of year	**1,914**	**-**	**1,914**	**1,165**	**-**	**1,165**
RBNS	1,600	-	1,600	849	-	849
IBNR	314	-	314	316	-	316
Total at the end of year	**1,914**	**-**	**1,914**	**1,165**	**-**	**1,165**

ACTIVE REINSURANCE

	31 December 2013			31 December 2012		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	220	(152)	68	287	(201)	86
IBNR	-	-	-	-	-	-
Total at the beginning of the year	**220**	**(152)**	**68**	**287**	**(201)**	**86**
Insurance claims paid for claims settled in the year	(125)	88	(37)	(58)	40	(18)
Change in liabilities	154	(106)	48	(9)	9	-
Total at the end of year	**249**	**(170)**	**79**	**220**	**(152)**	**68**
RBNS	249	170	79	220	(152)	68
IBNR	-	-	-	-	-	-
Total at the end of year	**249**	**(170)**	**79**	**220**	**(152)**	**68**

b. Provisions for unearned premiums

NON-LIFE INSURANCE

	31 December 2013			31 December 2012		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	25,247	(11,549)	13,698	28,454	(12,607)	15,847
Change	(1,790)	1,021	(769)	(3,207)	1,058	(2,149)
At the end of the year	**23,457**	**(10,528)**	**12,929**	**25,247**	**(11,549)**	**13,698**

Notes to the Separate Financial Statements

LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS

	31 December 2013			31 December 2012		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	2,856	(61)	2,795	2,898	(64)	2,834
Change	96	(68)	28	(42)	3	(39)
At the end of the year	**2,952**	**(129)**	**2,823**	**2,856**	**(61)**	**2,795**

ACTIVE REINSURANCE

	31 December 2013			31 December 2012		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	20	(17)	3	22	(19)	3
Change	120	(68)	52	(2)	2	-
At the end of the year	**140**	**(85)**	**55**	**20**	**(17)**	**3**

c. Provision for MTPL deficit

	31 December 2013			31 December 2012		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	3,809	-	3,809	4,299	-	4,299
Payments to SKP	-	-	-	-	-	-
Release during the year	(454)	-	(454)	(490)	-	(490)
At the end of the year	**3,355**	**-**	**3,355**	**3,809**	**-**	**3,809**

d. Technical provision for life insurance

	31 December 2013			31 December 2012		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	157,959	-	157,959	158,538	-	158,538
Increase from premiums	24,720	-	24,720	25,343	-	25,343
Release for payments on death, surrender and other terminations in the year	(27,915)	-	(27,915)	(30,861)	-	(30,861)
Change – provision for the share on profit (DPF)	214	-	214	(82)	-	(82)
Change – Liability adequacy test	(1,818)	-	(1,818)	616	-	616
Change – Deferred liabilities to the insured (DPF)	309	-	309	4,405	-	4,405
At the end of the year	**153,469**		**153,469**	**157,959**	**-**	**157,959**

Notes to the Separate Financial Statements

DEFERRED LIABILITIES TO THE INSURED – MOVEMENTS

At the beginning of 2012	**(385)**
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	4,405
At the end of 2012	**4,020**
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	309
At the end of 2013	**4,329**

TECHNICAL PROVISION FOR LIFE INSURANCE – BREAKDOWN BY COMPONENTS

	31 December 2013	31 December 2012
Technical provision for life insurance	**153,469**	**157,959**
Provision for guaranteed benefits	147,529	150,511
Provision for unallocated share on profit	-	-
Provision from liability adequacy test	1,611	3,428
Deferred liability to policyholders	4,329	4,020

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

	31 December 2013			31 December 2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	140,855	-	140,855	128,386	-	128,386
Insurance premium less the charges	24,080	-	24,080	26,005	-	26,005
Insurance claims from death, surrender, and other terminations in the year	(28,279)	-	(28,279)	(24,183)	-	(24,183)
Change in valuation of mutual funds shares	6,397	-	6,397	10,647	-	10,647
At the end of the year	**143,053**	**-**	**143,053**	**140,855**	**-**	**140,855**

Notes to the Separate Financial Statements

16. DEPOSITS FROM REINSURERS

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

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

	31 December 2013	31 December 2012
from the unearned premium reserve	123	109
from provisions for insurance claims	302	298
Total	**425**	**407**

The effective interest rate of the Company's deposits from reinsurers amounts to 3 % (2012: 3 %) on average.

17. TRADE AND OTHER PAYABLES

	31 December 2013	31 December 2012
Financial and insurance liabilities:		
Payables to clients	11,684	10,493
Payables – brokers and agents	1,669	1,943
Payables – co-insurance	56	63
Payables from reinsurance	12,306	13,289
Amounts due to related parties	-	58
Payables – suppliers	189	1,288
Accruals:		
Commissions	2,111	2,250
General expenses – not settled rental, services and other expenses	2,635	2,467
Payable from Rental agreement	1,165	1,241
Total financial liabilities	**31,815**	**33,092**
Non-financial liabilities:		
Payables – employees	665	659
Payables – social security	379	369
Accruals – personal cost	1,826	1,906
Provisions for employee benefits	98	52
Other provisions	469	41
Accrued commissions from reinsurers	2,499	2,616
Contribution to the Emergency Medical Service (8% from MPTL premium)	1,560	1,698
VAT and other taxes	236	341
Total non-financial liabilities	**7,732**	**7,682**
Total liabilities	**39,547**	**40,774**

Notes to the Separate Financial Statements

ACCRUED COMMISSIONS FROM REINSURERS

	31 December 2013	31 December 2012
Opening balance	2,616	2,941
Net usage	(117)	(325)
Closing balance	**2,499**	**2,616**

All liabilities are within due date.

LIABILITIES TO EMPLOYEES ALSO INCLUDE LIABILITIES FROM THE SOCIAL FUND

	31 December 2013	31 December 2012
Opening balance	55	35
Creation from salaries	149	143
Creation of non-taxable	-	-
Use	(140)	(123)
Closing balance	**64**	**55**

18. NET INSURANCE PREMIUM

	Gross amount		Reinsurance share		Net amount	
	2013	2012	2013	2012	2013	2012
Written premium in non-life insurance	91,469	99,413	(44,246)	(48,022)	47,223	51,391
Written premium in life insurance	80,081	79,217	(664)	(479)	79,417	78,738
Written premium in active reinsurance	2,796	2,495	(1,675)	(1,550)	1,121	945
Total written premium	**174,346**	**181,125**	**(46,585)**	**(50,051)**	**127,761**	**131,074**
Non-life insurance, change in unearned premium reserve	1,790	3,207	(1,022)	(1,058)	768	2,149
Life insurance, change in unearned premium reserve	(97)	41	68	(3)	(29)	38
Active reinsurance, change in unearned premium reserve	(120)	2	68	(1)	(52)	1
Total change in unearned premium reserve	**1,573**	**3,250**	**(886)**	**(1,062)**	**687**	**2,188**
Earned premium in non-life insurance	93,259	102,620	(45,268)	(49,080)	47,991	53,540
Earned premium in life insurance	79,984	79,258	(596)	(482)	79,388	78,776
Earned premium in active reinsurance	2,676	2,497	(1,607)	(1,551)	1,069	946
Total earned premium	**175,919**	**184,375**	**(47,471)**	**(51,113)**	**128,448**	**133,262**

Notes to the Separate Financial Statements

19. FINANCIAL INVESTMENTS INCOME/(EXPENSE) AND DERIVATIVE FINANCIAL INSTRUMENTS INCOME/(EXPENSE)

	2013	2012
Financial assets and liabilities at fair value through profit or loss		
Interest income from securities (coupon) and amortization	-	1
Unrealized gain/ loss from other financial assets at fair value through profit or loss	380	-
Realized gain/ loss from other financial assets at fair value through profit or loss	682	(72)
Net change in fair value of investments on behalf of policy holders	5,716	10,718
	6,778	**10,647**
Unrealized net profit/loss from derivative financial instruments	298	826
Realized net profit/loss from derivative financial instruments	607	(2,011)
	905	**(1,185)**
Total	**7,683**	**9,462**
Financial assets available for sale		
Interest income from securities (coupon)	8,833	9,077
Amortization discount/ premium	(750)	(240)
Realized net gain/ loss from financial assets available for sale	2,031	1,814
Realized net FX gain/ loss from equity financial assets available for sale	(104)	261
Realized net FX gain/ loss from debt financial assets available for sale	(49)	(31)
Unrealized net gain/ loss from financial assets available for sale	(708)	(161)
Dividend income	201	229
Total	**9,454**	**10,949**
Term deposits		
Interest income	2	32
Total	**2**	**32**
Other income*	**991**	**558**
Total	**18,130**	**21,001**

*includes dividend income from joint venture VUB Generali-DSS

Notes to the Separate Financial Statements

20. IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE

Except for expenses and revenues from financial assets available for sale disclosed in Note 19. the Company recognized loss from the impairment of financial assets available for sale in the amount of EUR 116 thousand (2012: EUR 0 thousand).

21. OTHER REVENUE

Other revenue includes commission from the management companies of investment funds in the amount of EUR 802 thousand (2012: EUR 693 thousand), proceeds from the claims processing for foreign partners in the amount of EUR 256 thousand (2012: EUR 296 thousand), net proceeds from sale of assets in the amount of EUR 38 thousand (2012: EUR 206 thousand).

22. NET INSURANCE BENEFITS AND CLAIMS

	Gross amount		Reinsurance share		Net amount	
	2013	2012	2013	2012	2013	2012
Claims paid	101,118	105,736	(19,276)	(21,117)	81,842	84,619
- of which regresses	(4,065)	(5,331)	1,626	2,132	(2,439)	(3,199)
Settling of claims expenses*	5,499	6,294	-	-	5,499	6,294
Change in provisions for insurance claims	3,828	366	(1,348)	(1,508)	2,480	(1,142)
Change in provisions for profit sharing and premium refund	(58)	(85)	-	-	(58)	(85)
Change in MTPL deficit provision	(454)	(490)	-	-	(454)	(490)
Profit sharing	487	578	-	-	487	578
Change in the technical provision for life insurance	(4,799)	(4,984)	-	-	(4,799)	(4,984)
Change in the provision for unit-linked insurance contracts on behalf of policyholders	2,198	12,470	-	-	2,198	12,470
Other costs for insurance benefits	-	-	-	-	-	-
Total	**107,819**	**119,885**	**(20,624)**	**(22,625)**	**87,195**	**97,260**

* out of which internal claims handling costs allocated from administrative expenses represent the amount of EUR 3,939 thousand (2012: EUR 4,596 thousand).

23. COMMISSIONS AND OTHER ACQUISITION COSTS

	Commissions		Accruals		Other acquisition costs		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Non-life insurance	15,975	15,852	260	357	8,197	8,947	24,432	25,156
Life insurance	12,555	14,994	(2,463)	(6,736)	4,990	5,540	15,082	13,798
Active reinsurance	799	712	-	-	136	-	935	712
Total	**29,329**	**31,558**	**(2,203)**	**(6,379)**	**13,323**	**14,487**	**40,449**	**39,666**

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

Notes to the Separate Financial Statements

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 682 thousand in 2013 (2012: EUR 254 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:

	2013	2012
Wages and salaries	10,301	10,533
Remuneration paid to the Board of Directors – short-term employee benefits	1,035	647
Pension costs (members of the Board of Directors)	33	23
Other social costs (members of the Board of Directors)	55	33
Social costs (employees)	3,719	3,579
Other personnel costs, of which:	171	148
- defined benefit plan (change of provision)	3	5
- defined benefit plan	147	143
Total personnel costs	**15,314**	**14,963**
Advertising and promotional activities	3,476	4,334
Rental	2,458	2,594
IT expenses	2,205	4,186
Postal and telecommunication services	1,733	1,958
Advisory	835	955
Audit fee*	180	166
Travel costs	402	393
Training courses	378	440
Depreciation and amortization (Note 5 and 6)	7,229	6,969
Costs of investments management (Note 24)	682	254
Commissions (including accruals)	27,126	25,179
Change in the valuation allowance for receivables (Note 10)	(1,273)	(1,718)
Written off receivables	1,583	929
Assistance services	557	545
Contributions to SKP	-	507
Other	2,985	2,568
out of which internal loss adjustment expenses	(3,939)	(4,596)
Total costs other than insurance claims and benefits	**61,930**	**60,626**

* of which: audit EUR 86 thousand
other services EUR 94 thousand

The members of the Supervisory Board received no income for their membership in the Supervisory Board in 2013.

Notes to the Separate Financial Statements

26. INCOME TAX

	2013	2012
Income tax for the current period	3,672	3,040
Tax from previous periods	114	452
Tax levy	271	105
Deferred tax (Note 12)	(1,482)	372
Total tax expenses	**2,575**	**3,969**

RECONCILIATION OF THE EFFECTIVE TAX RATE

	2013	2012
Profit/ (loss) before taxes	9,530	10,242
Income tax calculated using 23 %/19 % tax rate	2,192	1,946
Tax non-deductible expenses, non-tax income	273	155
Deferred tax – change in tax rate	(275)	1,311
Tax levy	271	105
Additional tax for the year	114	452
Total tax expense	**2,575**	**3,969**

27. INFORMATION ABOUT EMPLOYEES

	2013	2012
Top management	5	4
Middle management	41	39
Other employees	569	600
Total	**615**	**643**

Notes to the Separate Financial Statements

28. TRANSACTIONS WITH RELATED PARTIES

Related parties are those counterparties that represent:

a. 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
b. Key management, consisting of those persons who have authority and responsibility for planning, directing and controlling the activities of the Company (for Board of Director's remuneration see Note 25)

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

Parent company:
Generali PPF Holding B.V. Amsterdam

Subsidiaries:
GSL Services, s.r.o. Bratislava

Joint ventures:
VÚB Generali, d.s.s., a.s., Bratislava

Associates:
Generali Belarus (sold in 2013)

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

Notes to the Separate Financial Statements

Related parties without reinsurance 2013	Receivables	Payables	Financial investments*	Expenses	Income
Generali Holding Vienna, AG, Vienna	-	-	-	142	-
Generali Versicherung, AG, Vienna	-	-	-	11	-
Česká pojišťovna, a.s., Prague	-	-	-	110	-
GSL Services, s.r.o., Bratislava	-	-	7	673	-
Generali IT, s.r.o., Bratislava	-	-	-	-	-
Generali PPF Asset Management, a.s., Prague	-	14	-	516	-
Generali PPF Holding B.V., Amsterdam	31	571	-	572	-
Europäische Reisevesicherung, AG, Vienna	-	-	-	13	-
Europ Assistance, s.r.o., Prague	106	1	-	290	-
PPF Banka, a.s., Prague	-	-	1,163	542	1,300
Generali Foreign Insurance Co. Inc., Minsk	-	-	-	33	-
Home Credit Finance Bank, Russia	-	-	3,723	-	263
CP INVEST investiční společnost, a.s., Prague	-	-	1,626	-	141
Generali Fund Management S.A., Luxemburg	-	-	63,875	-	2,301
Generali PPF Invest Plc, Dublin	-	-	25,846	-	1,680
Intesa Sanpaolo SpA, Milano	-	-	1,792	-	86
VÚB Generali, dôchodková správcovská spoločnosť, a.s., Bratislava	-	-	16,597	11	1,013
Board of Directors	-	-	-	1,123***	-
Total	**137**	**586**	**114,629**	**4,036**	**6,784**

* PPF Bank - deposits in banks; Home Credit Finance Bank - bond, coupon 7 %; Intesa Sanpaolo SpA – bond, coupon 5 %;
** CP INVEST investiční společnost, a.s., Generali Fund Management S.A. and Generali PPF Invest Plc, - Mutual funds investments. Income represent revaluation of mutual funds.
*** represent wages, bonuses and social costs.

Related parties – reinsurers' share	Receivables	Payables*	2013 Share on provisions	Expenses	Income	Change in technical provisions**
Assicurazioni Generali, S.p.A., Trieste	-	394	263	1,395	398	(13)
Generali Holding Vienna, AG, Vienna	-	304	630	9	-	(1)
Generali Versicherung, AG, Vienna	-	538	939	1,144	427	218
Generali Rückversicherung, AG, Vienna	-	37	-	6	1	1
Generali Italia S.p.A., Mogliano Veneto	25	-	2,606	32	120	(61)
Generali IARD S.A., Paris	-	234	137	309	32	(106)
Generali France S.A., Paris	-	218	-	-	-	-
AachenMünchener Versicherung AG, Aachen	5	-	7	20	10	1
GP Reinsurance EAD	-	11,643	36,675	36,584	25,888	150
Česká pojišťovna, a.s., Prague	360	-	152	83	10	(67)
Generali Zavarovalnica, Ljubljana	-	7	-	8	1	-
Total	**390**	**13,375**	**41,409**	**39,590**	**26,887**	**122**

* including deposits from reinsurers and accured reinsurance commission.
** "()"= income, "+" = expense

Notes to the Separate Financial Statements

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	-
CP INVEST investiční společnost, a.s., Prague	-	-	1,478	-	144
Generali Fund Management S.A., Luxemburg	-	-	54,518	-	3,388
Generali PPF Invest Plc., Dublin	-	-	31,896	-	2,350
Europäische Reisevesicherung, 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 správcovská spoločnosť, a.s. Bratislava	15	-	16,597	-	762
Board of Directors	-	-	-	703***	-
Total	**807**	**698**	**112,889**	**3,561**	**8,206**

* PPF Bank - deposits in banks; Home Credit Finance Bank - bond, coupon 7 %; Intesa Sanpaolo SpA – bond, coupon 5 %;
** CP INVEST investiční společnost, a.s., Generali Fund Management S.A. and Generali PPF Invest Plc, - Mutual funds investments. Income represent revaluation of the mutual funds.
*** represent wages, bonuses and social costs.

Notes to the Separate Financial Statements

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, Varšava	-	-	-	-	-	-
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 accured reinsurance commission.
** including change of accrued reinsurance commission,"()"= income, "+" = expense

The balances due to or from the companies mentioned above are related to reinsurance, advisory and management services. The balances of GSL Services, s.r.o. in 2012 were related to a 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. This receivable was written off in 2013. All other balances were short-term balances due 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

Ligitations

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 on which the Company believes that it should not be taxed. Tax authorities have not inspected the taxable periods 2006 and 2007 for the former Generali poisťovňa, a.s., the periods 2006, 2007 and 2008 for the former Česká poisťovňa – Slovensko, akciová spoločnosť and years 2008, 2010, 2011 and 2012 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 subject to tax inspection up to 2018 – up to five years after the end of the year, in which the Company was obliged to file a tax return.

Operating leasing

The Company has rented headquarters premises for a fixed term. The value of future minimum lease payments as at 31 December 2013 is as follows:

	31 December 2013	31 December 2012
Up to 1 year	1,489	1,407
1 to 5 years	5,956	5,629
More than 5 years	2,234	1,994
Minimum lease payments	**9,679**	**9,030**

30. EVENTS AFTER THE REPORTING PERIOD

After the preparation date of the Financial Statements, no significant events have occurred that would require a change in the Financial Statements as at 31 December 2013.

The Company changed its name to Generali Poisťovňa, a. s. as at 1 January 2014.

Affidavit

I declare that the information contained in the annual report of Generali Poisťovňa, a. s., for the year 2013 is true and that no material circumstances have been omitted or misrepresented.

Bratislava 2014

Ing. Juraj Jurčík, MBA
Board member and Deputy General Director for Finance

Contact Details

Company name:
Generali Poisťovňa, a. s.

Registered Office:
Lamačská cesta 3/A, 841 04 Bratislava, Slovak Republic

Telephone:
0850 111 117, 0850 111 116 (when calling from within Slovakia)
+421 2 58 57 66 66 (when calling from outside Slovakia)

Fax:
+421 2 58 57 61 00

E-mail:
generali.sk@generali.com

Website:
www.generali.sk

The company is part of the Generali Group, which is included in the Italian List of Insurance Companies maintained by IVASS.

PAX TIBI MARCE EVANGELISTA MEVS

GENERALI