Annual Report 2015

GENERALI

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Company profile

BUSINESS NAME: Generali Poisťovňa, a. s.

LEGAL FORM: Joint stock company

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

COMPANY REGISTRATION NO.: 35 709 332

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

DATE OF REGISTRATION: 12 February 1997

SHARE CAPITAL: €25,000,264

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

Generali insurance company is one of the market leaders in Slovakia. It is part of one of the largest insurance groups in Central and Eastern Europe, Generali CEE Holding, which operates in 10 countries of the region. It provides services to more than 10 million customers, who can benefit from its extensive international experience and well-established tradition in providing both life and non-life insurance.

Generali also retained its strong market position as a universal insurance company in 2015. We wish to remain a reliable partner in insurance and therefore the quality of client service 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 with the greatest possible convenience. This begins with superior insurance consultancy and continues throughout policy management and the prompt settlement of claims. We operate in more than 100 branches in Slovakia and our call center is available to you, our clients, 24 hours a day and seven days a week.

We provide a complex portfolio of life and non-life insurance, insurance for small and medium-sized businesses, as well as individual solutions for large businesses. Our aim is to constantly monitor market requirements, in order to provide superior and innovative products. These have been regularly recognized, as again in 2015, by prestigious insurance company and financial institution competitions. Last year, Generali won awards in the competitions Zlatá minca, SIBAF and Hypotéka roka.

We continuously work to improve the quality of client services by implementing innovations. In 2015 we completed an online services menu, allowing reporting and tracking of claims for life and non-life insurance products. Our introduction of innovative „electronic correspondence“ services allows free, quick and effective communication between clients and the insurance company. Generali has also brought an essential innovation into the field of accident insurance called “advance liquidation”. In practice this means that we expedite the process of paying our clients their insurance benefits, while they are receiving treatment following an accident. In November Generali commenced activities on Facebook to provide followers with interesting and useful content.

In early 2015, the transformation of the Genertel and Európska cestovná poisťovňa insurance companies under Generali was accomplished successfully, strengthening the position of our company in the market. We have become the market leader in travel insurance and significantly strengthened our activities in direct and online sales of insurance products.

Generali financially supported several non-profit organizations and community associations. In cooperation with Siemens, for the second time we organized charitable Christmas markets for children from various crisis centers, helping them to fulfill their Christmas wishes. Now established as a tradition, this project received an award at the international FEIDA Grand Prix competition for internal communications.

The best investment is in the future of children. Combining this idea with support to sport, Generali continued its cooperation with JUPIE Marek Hamsik’s football school in 2015.

In cooperation with the Slovak Police Force, Generali organized its second road safety event, “Jablko – citrón”. The aim of the event was to raise awareness of traffic violations and to present Generali as a socially responsible company, committed to increasing road safety.

In the field of internal communications, Generali continued with the successful projects from last year. It relaunched the program supporting the loyalty towards the brand and products and as well as the year-round project consisting of various motivational activities aiming to strengthen the relationship towards the insurance company as an employer.

History of Generali

2015
At the turn of 2014 and 2015 Európska cestovná poisťovňa and the Slovak branch of the insurance company Genertel became a part of Generali

2015
Generali Group acquired 100% ownership of the company Generali PPF Holding B. V. With the acquisition of full ownership it changed the name to Generali CEE Holding B. V.

2008
Formation of Generali Slovensko poisťovňa, a. s.by a m erger 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.

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 in 2015

LIFE INSURANCE PRODUCTS

- Personal accident and sickness insurance AKTIV+ (until 31 December 2015)
- Group personal accident insurance ŠKOLÁK
- Life insurance La Vita
- Prima Vita capital insurance (until 31 December 2015)
- Group accident insurance
- Self-sufficiency insurance Sempre (until 1 June 2015)
- Group risk insurance (since 1 July 2015)

TRAVEL INSURANCE PRODUCTS

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

MOTOR CASO INSURANCE AND COMPULSORY THIRD-PARTY LIABILITY PRODUCTS

- Motor caso insurance SUPERAUTO (until 31 December 2015)
- Motor casco insurance AUTOMAX
- Additional motor casco insurance AUTOSET
- Fleet casco insurance

- Motor casco insurance riders:
  - Windscreen
  - Insurance of car windows
  - Customized equipment
  - Luggage and personal belongings
  - Passenger accident
  - Replacement vehicle
  - Business cover
  - Insurance of financial loss (GAP)
  - “Kasko Plus” assistance service
  - “Premium” assistance service

- AUTOMATIK štandard – compulsory motor third-party liability insurance
- AUTOMATIK plus – compulsory motor third-party liability insurance
- Compulsory fleet motor third party liability insurance

PROPERTY AND LIABILITY INSURANCE PRODUCTS

- DOMino comprehensive property insurance
  - Immovable property
  - Household contents
  - Liability
- Individual civil liability
- DOMino Extra comprehensive property insurance (since 15 February 2015)
  - Immovable property
  - Household contents
- Riders
  - Živel Plus — Immovable property
  - Živel Plus — Household contents
  - Elektro – Immovable property
  - Elektro – Household contents
  - Buildings
  - Entrepreneurs
  - Travel insurance
  - Micro accident insurance
  - Garden
  - Assistant services
  - Car accessories
  - Pets
  - Gravestone
  - Smart insurance
  - Civil liability
  - Ownership, rent, possession or management of immovable property liability

BUSINESS PROPERTY INSURANCE PRODUCTS

- Natural disaster or all risks insurance
- 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)
- Environmental liability
- Members of the Company liability, called D&O (since 5 December 2015)

AGRICULTURAL RISK INSURANCE PRODUCTS

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

Chairperson's statement

Dear clients, shareholders and business partners.

We present Generali's 2015 annual report, which reflects the most important events and financial results of the Company.

In view of the achieved financial results, I would venture to suggest that the past year was an extremely successful one. Despite relative market stagnation, Generali has grown more than 5% and the written premium reached EUR 194.3 million. We closed the year 2015 with the operating profit of EUR 9.6 million, which represents an annual increase of 23.9%. With the achieved business results, we strengthened our market position as one of the strongest universal insurance companies.

Excellent results were achieved in almost all product areas in which we specialize. We performed well in life insurance, where we became the leader in risk life insurance in Slovakia. We were also very successful in the segment of motor vehicle insurance, mainly in sales of compulsory motor third-party liability insurance, where we acquired more than 50,000 clients during our autumn campaign. We faced a big challenge in introducing the pioneering telematics systemin the insurance market; within the group we were the first country in CEE to have launched this project. We also implemented a large number of innovations in property insurance, giving us space to strengthen our position in this segment in the future.

I consider the acquisition of the remaining 24% minority share, which was owned by PPF, an extremely important transaction made by the Generali group in the past year. By acquiring full ownership we changed not only the name of the holding company to Generali CEE Holding B. V., but more importantly we opened the possibility of using all investments to accelerate development and improve our competitiveness in the CEE region.

In 2015 we focused on creating and implementing a new company strategy for the years 2015 to 2018, which is closely connected with the Generali group and Generali CEE Holding strategies. The primary strategy objective is to become the European market retail leader. During the year we have been working hard on implementing the key areas of the strategy in the Slovak Generali activities by using the approach "simpler and smarter" in respect of communication and client solutions.

In 2015 we also renewed our cooperation with the VÚB bank not only for life and credit insurance but also for travel and motor third-party liability insurance. At the end of the year we opened a new level of cooperation between the two companies by signing a strategic contract for the next period. We also continued the practice of strengthening our position with external partners, not only for large multi-level brokers, but also with major specialized brokers.

Last year was crucial for our company since we started with the payment of annuities from the second pillar within the pension system. We were one of three insurance companies which decided to offer payment of pensions through annuities for their clients who have saved or will save their money with them for decades. We have been working hard to explain to savers why it is important to stay in the second pillar and not just rely on the first – state pillar. In hindsight, we can say that we were successful and clients have mostly decided to continue saving money in their own DSS accounts, while our subsidiary VUB Generali d.s.s. again achieved extremely positive results.

As the first in Slovakia, we launched the system of so-called advance liquidation in life insurance, which represents an accelerated process of liquidation and insurance claim payment, based on preliminary medical records. For up to a third of insurance claims solved through advance liquidation, we sent money to clients within one day of the claim reporting.

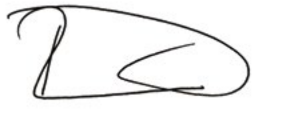
Our other innovations simplified and accelerated the insurance claims settlement process for our clients. During the year 2015, the clients were able to report their claims for all product areas via the Generali web, verify the status of the claim on the website and if necessary, provide the required documents.

I am pleased to report that increasingly we conduct paperless processes. We support online processes not only for service provision to clients, but we also focus on improving the quality of services in advisory itself. Our aim is to continue in this fashion and further enhance both convenience and service levels. One of our aspirations for the future is to become synonymous with digital insurance in Slovakia.

Within our company internal activities, for the first time in our history, we participated in the worldwide Generali Employee Satisfaction Survey. With the utmost seriousness we responded to the survey results and immediately proceeded to implement concrete measures to make Generali an even better place to work. We are fully aware that the primary basis for a successful company are satisfied and motivated employees.

On behalf of all the members of the Board of Directors of Generali Poisťovňa, I would like to thank our clients for their trust, our shareholders for their support and also our business partners for their cooperation. I would also like to express a special thanks to all colleagues, including our insurance brokers, who have contributed to the achievement of our common objectives.

I am convinced that in 2016 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

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

BOARD OF DIRECTORS

Ing. Roman Juráš
Chairperson (since 1 June 2013)

Ing. Juraj Jurčík, MBA
Member (since 14 August 2013)

Ing. Jiří Doubravský, PhD., MBA
Member (since 1 September 2013)

Ing. Marian Hrotka, PhD.
Member (since 9 July 2013)

Ing. Eva Štefániková
Member (from 1 June 2015 to 31 December 2015)

Ing. Igor Palkovič
Member (since 1 March 2016)

SUPERVISORY BOARD

Luciano Cirinà
Chairperson (since 1 September 2013)

Klára Starková
Member (since 10 July 2014)

Marcela Nberiová
Member (since 3 April 2012)

Gregor Pilgram
Member (since 1 September 2013)

Michaela Ďurišinová
Member (since 7 November 2013)

Organizational structure as at 31 December 2015

CEO Division **R. JURÁŠ**	Technical Division **M. HROTKA**	Sales Division **E. ŠTEFÁNIKOVÁ**	Finance Division **J. JURČÍK**	Client Services Division **J. DOUBRAVSKÝ**
Internal Audit Section **M. Filipková**	Branch office Genertel **M. Chovan**	External Distribution Channels Section **M. Zelko**	Branch office Európska cest.poisťovňa **M. Ondráš**	IT Section **V. Šmidt**
Risk Management Section **J. Kľúčovská**	Life Insurance Section **A. Pavlovičová**	Tied Agents Network Section **M. Dobiaš**	Economic Section **M. Marendiak**	Policy Administration & Payments Section **H. Virgovičová**
Marketing & Communication Section **J. Hajdu**	Motor Insurance Section **M. Havriľák**	Leasing & Dealership Business Section **M. Lukačik**	Legal Services Section **S. Mihalovič**	Claims Settlement Section **J. Páleš**
Human Resources & Organization Section **A. Bukovčan**	Property Insurance Section **P. Lukács**	Strategic Development Section **J. Aštary**		Contact Centre Section **J. Hanzlík**
Bancassurance Section **Ľ. Foltánová**	GC & C Section **M. Fučík**			

Shareholders

Since January 1997, Generali has exercised its insurance activities in the Slovak Republic, based on the approval of the Slovak Ministry of Finance. Since its incorporation, Generali has belonged to the Generali group, which is one of the biggest insurance companies worldwide.

As at 1 October 2008 Generali Poisťovňa, a. s. merged with the company Česká poisťovňa – Slovensko, a. s. and created one company Generali Slovensko poisťovňa, a. s.

Generali Poisťovňa, a. s. is owned by the only shareholder Generali CEE Holding B. V. with its registered office at Diemerhof 32, 1112XN Diemen, Netherlands which owns 75,302 shares, which represents 100% of the Company's share capital and 100% share of voting rights. Since 16 January 2015 Generali CEE Holding B.V has been fully owned by Assicurazioni Generali S. p. A., Piazza Duca degli Abruzzi 2, I-34132 Trieste, Italy.

Generali CEE Holding B. V. operates in 10 countries of Central and Eastern Europe – Bulgaria, Montenegro, Czech Republic, Croatia, Hungary, Poland, Romania, Slovakia, Slovenia and Serbia. In 2015, companies in these countries provided services to more than 10 million customers with gross written premiums of EUR 3.6 billion.

Report of the Board of Directors on the Company's business activities and assets for 2015

During 2015, 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.

The Board of Directors is responsible for preparing the separate financial statements for 2015. The financial statements have been audited by Ernst & Young Slovakia, spol. s r.o., which issued the opinion that the financial statements give a true and fair view of the financial position of the Company, its financial performance and cash flows for the year 2015.

During the calendar year 2015 the Company strengthened its position in the Slovak insurance market. The Company's main focus was on process improvement to maximize the quality of products and services offered and to maintain the upward trend in cost effectiveness.

The Company has launched a variety of simple and smart innovations in the environment of our products and services, especially in respect of insurance claims settlement as well as the introduction of telematics solutions.

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 2015 in year-on-year comparison by a total of 0.9%. Gross written premiums of the Company in 2015 increased by 5.2% (on the basis of a comparable year-on-year evaluation, i.e., the year 2014 was recalculated including Genertel and Európska cestovná poisťovňa), whereby the market share increased to 8.8%. The dynamics of the business also significantly increased, which is also reflected in higher quality of the product portfolio. In non-life insurance, the Company experienced an increase of 3.7%, while the insurance market increased by 2.7% on a comparable basis. The Slovak life-insurance market experienced a decline of -0.6%, while the gross written premiums of the Company increased by 7.2%. In non-life insurance, a good result was achieved in compulsory motor third-party liability insurance with an increase of 11.7% as well as in the private property insurance segment (home/apartment/household insurance), with an increase in gross written premiums of 9.0%.

In 2015 the downward trend in the motor casco insurance was halted and we recorded a slight increase of 1.6%. The Company achieved a net non-life insurance loss ratio of 55%.

In 2015, the Company achieved total gross written premiums of EUR 194.3 million, comprising EUR 110.3 million in non-life insurance and EUR 84.0 million in life insurance.

The Board of Directors proposes the distribution of the profit after tax of EUR 9,603,130.65 reported in the separate financial statements for 2015 as follows:

a) EUR 960,313.07 to replenish the reserve fund under the provision of Article 13, Section 2, of the Company's Articles of Association
b) EUR 960,313.06 to carry forward to the next period, through the account of retained earnings of previous periods
c) EUR 7,682,504.52 to pay to the shareholder in the form of dividends.

In 2016, the Company plans an increase in gross written premiums by 3.9% along with maintaining profitability, further improving the business dynamics in both life and non-life insurance with the focus on property insurance, increasing effectiveness, careful monitoring of operational expenses, improvement of processes and a customer-oriented approach.

In Bratislava, 12 April 2016

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

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

Lamačská cesta 3/A, 841 04 Bratislava,
Company registration number: 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 2015, 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 2015, the auditor's report, and the proposal of the Board of Directors for the Company's profit distribution.

In 2015, 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 are 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 2015 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 2015, prepared and submitted by the Board of Directors. It has reviewed the report of the Board of Directors on the Company's business activities and its asset position for 2015 and it has accepted the proposal of the Board of Directors for the Company's profit distribution for 2015 , without raising any objections to any of these documents.

As proposed by the Board of Directors, the Company's profit of EUR 9,603,130.65, presented in the separate financial statements for 2015 will be distributed as follows:

a) EUR 960,313.07 will be used to replenish the legal reserve fund according to Article 13, Section 2, of the Company's Articles of Association.

b) EUR 960,313.06 will be carried forward to the next period to retained earnings of previous periods.

c) EUR 7,682,504.52 will be paid to the shareholder in the form of dividends.

The Supervisory Board recommends that the General Meeting approves the separate financial statements for the financial year 2015 and distributes the Company's profit in line with the proposal submitted by the Board of Directors.

In Prague, 25 April 2016

Luciano Cirinà Chairperson	Gregor Pilgran Member	Klára Starková Member

In Bratislava, 25 April 2016

Marcela Nberiová Member	Michaela Ďurišinová Member

Financial Section

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

V ZMYSLE § 23 ZÁKONA Č. 540/2007 Z. z. (DODATOK K SPRÁVE AUDÍTORA)

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Appendix to the independent auditor's report on the consistency of annual report with the financial statements in accordance with Act No. 540/2007 Coll. § 23 par. 5

To the Shareholder of Generali Poisťovňa, a. s.:

I. We have audited the financial statements of Generali Poisťovňa, a. s. ("the Company") as at 31 December 2015 presented in the annual report. We issued the following independent audit report dated 24 March 2016 on the financial statements:

"Independent Auditors' Report

To the Shareholder of Generali Poisťovňa, a. s.:

We have audited the accompanying financial statements of Generali Poisťovňa, a. s. ('the Company'), which comprise the balance sheet as at 31 December 2015 and statements of income, comprehensive income, changes in equity and cash flows for the year then ended and the notes, which include 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 2015, 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.

24 March 2016
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.

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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 financial statements as at 31 December 2015. We have not audited information that has not been derived from 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 2015 and is in accordance with the Act on Accounting No 431/2002 Coll., as amended by later legislation.

9 May 2016
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

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Independent Auditors' Report

To the Shareholder of Generali Poisťovňa, a. s.:

We have audited the accompanying financial statements of Generali Poisťovňa, a. s. ("the Company"), which comprise the balance sheet as at 31 December 2015 and statements of income, comprehensive income, changes in equity and cash flows for the year then ended and the notes, which include 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 2015, 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.

24 March 2016
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

(All amounts are in thousands of EUR, unless stated otherwise) Annual Report 2015 – Generali Poisťovňa, a. s. | 21

Separate financial statements

AS AT 31 DECEMBER 2015 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION

Ing. Roman Juráš Chairman of the Board of Directors	**Ing. Igor Palkovič** Member of the Board of Directors	**Mgr. Michal Marendiak** Person responsible for accounting	**Ing. Silvia Joštiaková** Person responsible for the financial statements

Contents

SEPARATE BALANCE SHEET

	Note	31 December 2015	31 December 2014
ASSETS			
Tangible assets	5	3,569	3,817
Intangible assets	6	36,150	39,541
Other non-financial assets		893	910
Investments in subsidiaries and joint ventures	7	16,604	16,604
Financial assets			
- term deposits	8	12,095	1,250
- available-for-sale assets	8	283,373	268,359
- assets at fair value through profit or loss	8	144,865	152,552
- derivatives	8	232	–
Reinsurance assets	9.15	47,486	45,079
Loans and receivables	10	14,716	13,699
Tax assets		–	217
Deferred acquisition costs	11	37,090	28,153
Cash and cash equivalents	13	10,541	16,554
Total assets		**607,614**	**586,735**
EQUITY			
Share capital		25,000	25,000
Legal reserve fund		5,648	4,872
Available-for-sale financial assets revaluation reserve		14,430	13,369
Share-based payment		277	95
Profit for the year and retained earnings		82,528	76,052
Total equity	**14**	**127,883**	**119,388**
LIABILITIES			
Technical liabilities from insurance contracts	15	421,577	412,737
Deposits from reinsurers	16	197	286
Financial liabilities			
- derivatives	8	1,445	2,012
Income tax – liability		889	–
Deferred tax liabilities	12	5,798	7,780
Trade and other liabilities	17	49,825	44 532
Total liabilities		**479,731**	**467,347**
Total equity and liabilities		**607,614**	**586,735**

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SEPARATE INCOME STATEMENT

	Note	2015	2014
Gross earned premium		191,629	172,418
Earned premium ceded to reinsurers		(53,976)	(47,402)
Net earned premium	**18**	**137,653**	**125,016**
Income/(loss) from financial investments	19	10,909	14,337
Income/(loss) from derivative financial instruments	19	(359)	(428)
Impairment loss on financial assets available for sale	20	(88)	(420)
Commission from reinsurers		13,597	10,820
Other income	21	2,579	2,160
		164,291	**151,485**
Insurance benefit and claims handling expenses in life insurance		51,135	54,252
Insurance benefits in life insurance ceded to reinsurers		17	(344)
Insurance benefit and claims handling expenses in non-life insurance		52,477	41,769
Insurance benefit and claims handling expenses ceded to reinsurers in non-life insurance		(20,817)	(14,374)
Net insurance benefits and claims	**22**	**82,812**	**81,303**
Commission and other acquisition costs	23.5	48,572	39,476
Investment management expenses	24.25	767	720
Administration costs	25	20,771	20,494
		152,922	**141,993**
Profit before taxes		**11,369**	**9,492**
Income tax	26	(1,766)	(1,740)
Profit after taxes		**9,603**	**7,752**

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	2015	2014
Profit after taxes		**9,603**	**7,752**
Other comprehensive income/(loss)			
Profit/(Loss) from revaluation of available-for-sale financial assets, from transfers to net profit when sold and impaired		1,361	7,877
Profit/(Loss) from revaluation of available-for-sale financial assets, from transfers to net profit when sold and impaired – deferred tax impact		(300)	(1 733)
Other comprehensive income/(loss)		**1,061**	**6,144**
Total comprehensive income/(loss)	**14**	**10,664**	**13,896**

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Legal reserve fund	Revaluation of securities available for sale	Share-based payment reserve	Retained earnings and profit for the year	Total
Equity as at 1 January 2014		**25,000**	**4,177**	**7,225**	25	**72,495**	**108,922**
Other comprehensive income and loss for 2014		–	–	6,144	–	–	6,144
Profit after taxes		–	–	–	–	7,752	7,752
Total comprehensive income/(loss) for 2014		**–**	**–**	**6,144**	**–**	**7,752**	**13,896**
Share-based payment reserve creation		–	–	–	70	–	70
Business combination under common control		–	–	–	–	(3,500)	(3,500)
Contributions to legal reserve fund	14	–	695	–	–	(695)	–
		–	**695**	**–**	**70**	**(4,195)**	**(3,430)**
Equity as at 31 December 2014		**25,000**	**4,872**	**13,369**	**95**	**76,052**	**119,388**
Other comprehensive income and loss for 2015		–	–	1,061	–	–	1,061
Profit after taxes	14	–	–	–	–	9,603	9,603
Total comprehensive income/(loss) for 2015		**–**	**–**	**1,061**	**–**	**9,603**	**10,664**
Share-based payment reserve creation	14	–	–	–	182	–	182
Business combination under common control		–	–	–	–	(2,351)	(2,351)
Contributions to legal reserve fund	14	–	776	–	–	(776)	–
		–	**776**	**–**	**182**	**(3,127)**	**(2,169)**
Equity as at 31 December 2015		**25,000**	**5,648**	**14,430**	**277**	**82,528**	**127,883**

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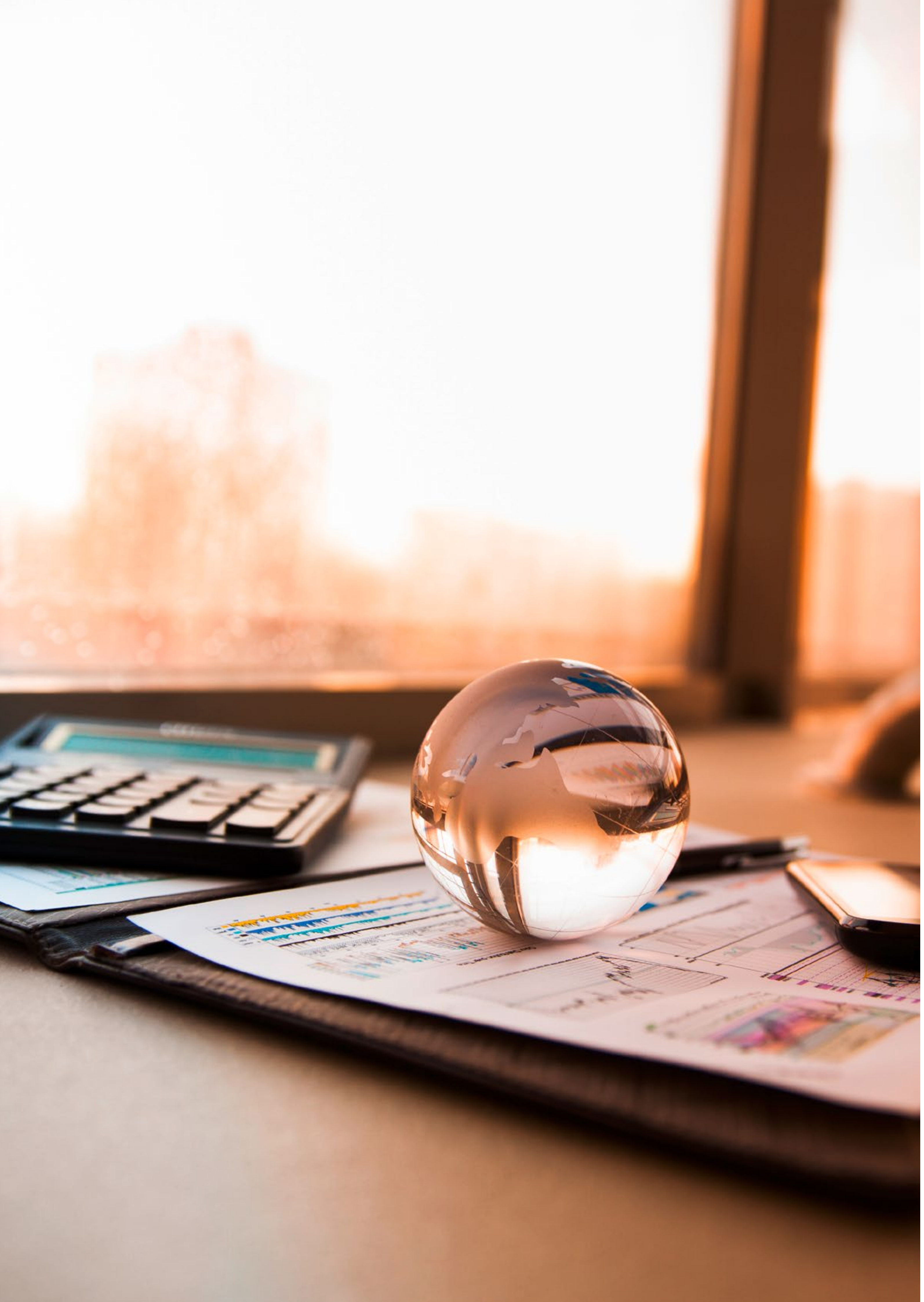

SEPARATE CASH FLOW STATEMENT – INDIRECT METHOD

	Note	2015	2014
Cash flows from operating activities			
Profit/(Loss) before taxes		11,369	9,492
Adjustments for:			
Depreciation and amortization of tangible and intangible assets	5.6	6,557	6,557
Impairment losses from financial assets available for sale	20	88	420
Impairment losses from intangible assets	6	(87)	239
Creation/(release) of bad debt provision		(973)	(520)
Write-offs of receivables	25	837	854
(Gains)/losses from revaluation of financial assets at fair value through profit or loss	19	(3,131)	(4,088)
Interest income	19	(8,440)	(8,847)
Interest expense		–	–
Dividend income	19	(2,572)	(1,403)
(Gains)/losses from sales/disposals of tangible assets		40	42
Interest received		8,749	9,113
Dividends received, except for dividends from investments in joint ventures		292	201
(Increase)/decrease in financial assets		(13,401)	(1,559)
(Increase)/decrease in reinsurance assets		(2,407)	2,095
(Increase)/decrease in loans and receivables and other assets		110	1,421
(Increase)/decrease in deferred acquisition costs		(8,484)	(1,471)
Increase/(decrease) in insurance contract liabilities		5,211	(811)
Increase/(decrease) in deposits from reinsurers		(89)	(139)
Increase/(decrease) in trade and other payables		2,737	2,975
Increase/(decrease) in financial liabilities		(567)	1,976
Increase in payables from business combination under common control		4,574	(4,575)
Interest paid		–	–
Income tax paid		(2,942)	(4,115)
Net cash flows from operating activities		**(2,529)**	**7,857**
Cash flows from investment activities			
Purchase of tangible and intangible assets	5.6	(3,115)	(2,974)
Proceeds from sale of tangible assets		261	61
Purchase of part of business		(5,575)	–

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Dividend income from investments in joint ventures		2,280	1,140
Net cash flows from investment activities		**(6,149)**	**(1,773)**
Cash flows from financing activities			
Loan repayments	8	–	–
Net cash flows from financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		(8,678)	6,084
Net increase in cash and cash equivalents from business combination under common control		2,665	6,123
Cash and bank accounts at the beginning of the year		16,554	4,347
Cash and cash equivalents at the end of the year	**13**	**10,541**	**16,554**

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 643 people (as at 31 December 2014: 600).

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 the 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 2015 ARE:

BOARD OF DIRECTORS:

Title, Name, Surname	*Function*	*Period since – until*
Ing. Roman Juráš	Chairman	since 8 June 2013
Ing. Juraj Jurčík, MBA	Member	since 4 September 2013
Ing. Jiří Doubravský, PhD., MBA	Member	since 4 September 2013
Ing. Marian Hrotka, PhD.	Member	since 19 July 2013
Ing. Eva Štefániková	Member	since 4 June 2015

DOZORNÁ RADA:

Title, Name, Surname	*Function*	*Period since – until*
Luciano Ciriná	Chairman	since 1 September 2013
Klára Starková	Member	since 11 July 2014
Marcela Nberiová	Member	since 18 April 2012
Gregor Pilgram	Member	since 1 September 2013
Michaela Ďurišinová	Member	since 4 December 2013

The Company has two branches (both with the registered office at Lamačská street 3/A, Bratislava):
Generali Poisťovňa, a. s., branch Európska cestovná poisťovňa
Director: Ing. Milan Ondráš
Generali Poisťovňa, a. s., branch Genertel
Director: Miroslav Chovan

The shareholder of the company Generali Poisťovňa, a. s. is GENERALI CEE Holding B. V. with the registered office at Diemerhof 32, 1112XN Diemen, Kingdom of the Netherlands, registered in the Business Register administered by the Chamber of Commerce in Amsterdam under the registration number 34275688.

The Company's ultimate parent company and ultimate controlling entity 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 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

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 are part of the 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 2015. The Company GENERALI CEE Holding B. V., with its registered office at Diemerhof 32, 1112XN Diemen, Kingdom of the Netherlands, will prepare the consolidated financial statements, in accordance with IFRS 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 for the subsidiary GSL Services s. r. o.

The Company did not prepare consolidated financial statements including the subsidiary GSL Services, s. r. o. as the exception set out in paragraph 22 (12) of the Act on Accounting applies; by preparing only separate financial statements of the parent company, the judgment of the financial position, expenses, 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 2015, as soon as they become available.

The Company acquired from the company Europäische Reiseversicherung Aktiengesellschaft, its Slovak branch – **Europäische Reiseversicherung AG, pobočka poisťovne z iného členského štátu** (further "ECP"), with effect from 1 January 2015. Based on the concluded Contract of Sale of the part of business, assets, rights, brand, contracts, liabilities (except for income tax and value added tax liabilities), insurance policies portfolio and employees within the Slovak branch were transferred. ECP is a subject which conducts business in non-life insurance, specializing in the sale of travel insurance.

The aim of the transaction was to consolidate the activities of the Generali Group within the Slovak Republic under joint management and under one company. The purpose was to utilize mutual synergies resulting from business consolidation on the Slovak insurance market.

For accounting of this business combination that included accounting entities under a joint control, the Company used the "pooling of interests" method in such a way that financial information from the period before the date of the business combination was not adjusted. Furthermore, the Company used the carrying amount of the assets and liabilities recognized in the ECP financial statements before the date of the business combination and the difference between the purchase price (EUR 1,000 thousand), which the Company paid and the net assets, which were acquired, were recognized within equity. The costs associated with the business combination were recognized as an expense.

In acquiring the part of business, the Company acquired the following items from ECP:

	As at 1 January 2015
ASSETS	
Tangible assets	17
Other assets	24
Loans and receivables	952
Deferred acquisition costs	453
Cash and cash equivalents	2,665
Total assets	**4,111**
LIABILITIES	
Technical liabilities from insurance contracts	2,721
Trade and other liabilities	2,741
Total liabilities	**5,462**
Net assets	**(1,351)**

The Company did not adjust ECP's carrying amounts as at 1 January 2015 due to unification of the accounting methods, as the accounting methods of ECP did not materially differ from those used by the Company.

The Company acquired from the company Genertel Biztozító Zrt, its Slovak branch – **Genertel poisťovňa a. s. pobočka poisťovne z iného členského štátu**, (further "Genertel"), with effect from 31 December 2014. Based on the concluded Contract of Sale of the part of business, assets, rights, brand, contracts, liabilities (except for income tax and VAT liabilities), insurance policies portfolio and employees within the Slovak branch were transferred. Genertel conducted business in non-life insurance, specializing in on-line sale of motor third party liability insurance (MTPL).

The aim of the transaction was to consolidate the activities of the Generali Group within the Slovak Republic under joint management and under one company. The purpose was to utilize mutual synergies resulting from business consolidation on the Slovak insurance market.

For accounting of this business combination that included accounting entities under a joint control, the Company used the "pooling of interests" method in such a way that financial information from the period before the date of the business combination was not adjusted and the income statement for the year ending on 31 December 2014 included the profit / loss for the consolidated companies after the date of the business combination. Furthermore, the Company used the carrying amount of the assets and liabilities recognized in the Genertel financial statements before the date of the business combination and the difference between the purchase price (EUR 4,575 thousand), which the Company paid and the net assets, which were acquired, were recognized within equity. The costs associated with the business combination were recognized as an expense.

In acquiring the part of business, the Company acquired the following items from Genertel:

	As at 31 December 2014
ASSETS	
Tangible assets	17
Intangible assets	406
Reinsurance assets	2,385
Loans and receivables	207
Cash and cash equivalents	6,123
Total assets	**9,138**
LIABILITIES	
Technical liabilities from insurance contracts	5,983
Trade and other liabilities	2,080
Total liabilities	**8,063**
Net assets	**1,075**

The Company did not adjust Genertel's carrying amounts as at 31 December 2014 due to unification of the accounting methods, as the accounting methods of Genertel did not materially differ from those used by the Company.

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 EUR (unless stated otherwise).

The preparation of financial statements in accordance with IFRS, requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Board of Directors can suggest amendment of the financial statements to shareholders even after their approval at the General Meeting.

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 2015

Application of the below new standards, amendments and interpretations to existing standards has no significant effect on the financial statements (unless stated otherwise).

The Company in 2015 did not adopt new standards, amendments and interpretations to existing standards.

The Company did not voluntarily adopt new standards, amendments and interpretations early, which will be mandatory for accounting periods beginning on 1 January 2016 or later:

None of the following standards, amendments and interpretations to existing standards was voluntarily applied in preparing of financial statements as at 31 December 2015, before their effective date.

IFRS 9 Financial Instruments (effective from 1 January 2018). IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Subsequent amendments to IFRS 9 from October 2010 modify the classification and measurement of financial liabilities. The amendment from December 2011 changed the effective date from 2013 to 2015 and completed disclosure requirements. The final version of the standard was issued on 24 July 2014 and it unifies these phases: classification and measurement, impairment testing and hedge accounting, into a single document.

IFRS 9 is based on an integrated approach to classification and measurement of financial assets, which takes into account the business model for managing financial instruments and the contractual cash flow characteristics of the financial assets. Based on this, the model of expected losses was created, which will result in timely accounting for credit losses and the model will be applicable to all financial instruments that are subject to impairment testing. In addition, IFRS 9 deals with the so-called own credit risk problem, where banks and others show gains in their income statement, resulting from a reduction in the value of their own debts due to decreased credibility, having decided to measure their liabilities at fair value. The standard also includes an improved model of hedge accounting that better connects the economic substance of risk management and its accounting.

Key characteristics of the standard are the following:

- Financial assets will be classified into two categories for valuation purposes: assets at fair value and assets carried at amortized cost using the effective interest method. The classification is to be made at the time of acquisition of financial assets and depends on the business model for managing its financial instruments and the contractual cash flow characteristics of the financial assets.
- Financial assets will be measured at amortized cost using the effective interest rate only if it is a debt instrument and both (i) the aim of the entity's business model is to hold the asset to collect the contractual cash flows and (ii) contractual cash flows represent only payments of principal and interest (i.e., it has only basic loan characteristics). All other debt instruments are measured at fair value with revaluation result affecting profit or loss or other comprehensive income or loss (if the aim is to collect contractual cash flows and the sale of assets).
- All equity instruments are measured at fair value. Shares held for trading will be measured at fair value through profit or loss. The entity will be able to once, and irrevocably at the time of acquisition, opt for revaluation of shares and other shares (i) through profit or loss, or (ii) through other comprehensive income or loss. Reclassification or recycling of fair value through profit or loss at the time of sale or impairment will not be possible. That classification decision will be made separately for each acquired investment in shares or ownership interests. Dividends will be recognized through profit or loss, in case they represent income from investment rather than return on investment.
- Most of the requirements of IAS 39 on the classification and measurement of financial liabilities were transferred without a change to IFRS 9. The main change is the obligation of an entity to recognize the effects of changes in credit risk of financial liabilities at fair value, where changes are recognized in the income statement, in other comprehensive income.

The impact of the standard on the financial statements is currently being assessed, while it is expected that the impact of this standard on the financial statements can be material. IFRS 9 has not yet been approved by the EU.

IFRS 15, Revenue from contracts with customers (effective from 1 January 2017). IFRS 15 was issued in May 2014 and replaced IAS 18, IAS 11 and related interpretations IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31 December. IFRS 15 establishes requirements for the recognition of revenue for all types of contracts with customers other than contracts according to the standards of the leases, insurance contracts and financial instruments. IFRS 15 establishes a comprehensive framework which recognizes income and in what amounts. The basic principle is that the company has to recognize the income to reflect the transfer of promised goods or services to the customer at an amount reflecting the consideration the company expects to receive in exchange for the goods or services. IFRS 15 has not yet been approved by the EU.

IFRS 14, Regulatory deferral accounts (effective from 1 January 2016). IFRS 14 was issued in January 2014 and is an interim standard, which allows units beginning to prepare financial statements in accordance with IFRS, to use the same procedures for reporting values of the regulated prices as previously. In order to improve comparability with units which already apply IFRS and which do not report accruals, IFRS 14 requires recognition of the deferred effect of regulated prices to be recorded separately. IFRS 14 has not yet been approved by the EU.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment in associates: the application of the exemption from consolidation (effective from 1 January 2016) issued in December 2014. These amendments were issued to clarify the following three issues regarding investment companies:

- IFRS 10 – clarifies which subsidiaries of investment companies are consolidated in accordance with Section 32 of IFRS 10
- Exemption from preparing consolidated financial statements in the case of a doubtful parent company of the investment company
- Application of the equity method for an investor who is not in investment company and that invests in an investment company.

The amendments have not yet been approved by the EU.

The amendment to IAS 1 Disclosure initiative (effective from 1 January 2016), which was released in December 2014 states that other comprehensive income arising from investments accounted for under the equity method should be reported separately. The amendment was approved in December 2015 by the EU.

IFRS 11 Acquisition of an interest in a joint operation (effective from 1 January 2016) was released in May 2014. This amendment requires the use of accounting for business combinations when acquiring of interests in joint operations, which represent a company. If a joint operator retains joint control, accounting for business combinations is also applied to the acquisiton of further participation in a joint operation. The additional participation is measured at fair value. The revaluation of participation in a joint operation, which has been acquired previously is not performed. The amendment was approved in November 2015 by the EU.

Amendments to IAS 16 and IAS 38 Acceptable methods of depreciation and amortization (effective from 1 January 2016), issued in May 2014. The amendment introduced strict restrictions on the use of income as a basis for amortization of intangible assets and prohibited it entirely for property, plant and equipment. The amendments were approved in December 2015 by the EU.

Amendments to IAS 16 and IAS 41 Bearer plants (effective from 1 January 2016) were issued in June 2014. As a result of these amendments the bearer plants no longer fall under IAS 41 regarding measurement and reporting, but under IAS 16. Fruits of bearer plants remain within the scope of IAS 41 and are measured at fair value less costs to sell. The amendments were approved in January 2015 by the EU.

IAS 27 Equity method in the separate financial statements (effective from 1 January 2016) was released in August 2014. The amendment authorizes the use of the equity method in the separate financial statements not only for associates and joint ventures, but also for subsidiaries. The amendment was approved in December 2015 by the EU.

Improvements to International Financial Reporting Standards 2012 – 2014 (issued in September 2014 and effective for periods beginning on 1 January 2016 and later). The improvements consist of a mixture of substantive changes and clarifications in the following standards:

- IFRS 5 – improvement, explains how to change the method of disposal of the asset (or disposal group) – for example, the reclassification of assets (asset group) from held for sale to held for distribution to owners – reclassification is regarded as a continuation of the original plan for retirement and the company continues to account under IFRS 5.
- IFRS 7 – improvement states when service contracts fall under the reporting requirements of continuing participation in transferred financial assets if they cease to be recognized as a whole.
- IAS 19 – the discount rate on regional markets with a common currency e.g. the Eurozone – the improvement states that high-quality corporate bonds or government bonds used to determine the discount rate have to be in the same currency as that in which the benefits will be paid.
- IAS 34 – disclosure of information "elsewhere in the interim financial report" – the improvement states that some items that are not shown in the notes to the interim financial statements may be reported elsewhere in the interim financial report and included in the interim financial statements only as a reference to another part of the interim financial report.

Unless stated otherwise, the new standards and interpretations will have no material impact on the 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 date of the financial statements, the Company assesses whether there is any objective evidence about the impairment of subsidiaries in the same way as described in Note 2.17 for non-monetary assets and performs an 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 date of the financial statements, the Company assesses whether there is any objective evidence about the impairment of joint ventures in the same way as described in Note 2.17 for non-monetary assets and performs an impairment test. The Company applies the same accounting policy for associates.

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.

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2.4 INTANGIBLE ASSETS

a) Value of business acquired ("VOBA")
Insurance liabilities assumed and insurance assets acquired in a business combination from a party 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 the best estimate assumptions.

As at 1 January 2008, VOBA of the non-life portfolio of the original ČPS was determined on the basis of best estimates of the future development of the non-life portfolio (lapses, 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 the life part of VOBA it is 30 years and for the 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 five 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 land, 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 used on a leasing basis
Lease contracts in which a significant portion of the risks and rewards of ownership are retained by the Company are classified as financial leases. Assets acquired through financial lease and used by the lessee are recognized at the lower of fair value of the leased asset and the present value of the minimum lease payments at the commencement date of the lease, reduced by accumulated depreciation (see below) and 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 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 corresponding 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 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 the impairment loss in the income statement. The Company gathers objective evidence that a reinsurance asset is impaired using the same process as adopted for financial assets held at amortized cost. The impairment loss on reinsurance assets is also calculated following the same method as 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 flow 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 at fair value through profit or loss
Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, 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 evaluated on a fair value basis in line with the Company's investment strategy. Information regarding the fair value of these financial assets is provided internally to the Company's management.

Financial assets designated at fair value through profit or loss upon initial recognition are those that are in internal and external funds to match insurance contract liabilities where the risk of fair value changes is born 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 the day-one profit in this respect.

Financial assets 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 recognized 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 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 impairment allowances. An impairment allowance for loans and receivables is established when there is objective evidence that the Company will not be able to collect the all amounts due according to their original terms (Note 2.17). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment in the same way as other loans and receivables. An exception are receivables arising from unit-linked insurance, for which the impairment allowances are created for the full amount of the receivable.

c) Financial assets available for sale
Financial assets available for sale are non-derivative financial assets, 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 the income statement.

When sold or impaired, the 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 an 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 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 day-one profit in this respect.

Financial derivatives include currency and interest rate swaps 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 in 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.

In 2014 the Company adopted hedge accounting. The Company uses two types of hedging (both of them are fair value hedges) – interest rate risk and foreign exchange risk hedges.

- **Interest rate risk hedge**
  Thes strategy of the Company is to hedge against the change in fair value of the portfolio with fixed income. The Company hedges against changes in fair value, which occur as a result of a change in the risk-free interest rate (for the purpose of hedge accounting defined as a change in the IRS rate). The Company does not hedge against changes in fair value due to changes in the credit risk.

  The Company adopted hedge accounting in order to reflect the strategy also in the financial statements. The Company manages the risk by using a dynamic strategy – it modifies positions within the fixed income portfolio and the hedging derivates (interest rate swaps), which are used for modifying and hedging interest sensitivity of the whole portfolio.

  The position of individual instruments in the portfolio, either underlying assets or hedging derivatives, are closed, modified or terminated even before the date of maturity of the instruments according to the actual risk capacity or apetite, development of issuer credit quality, change of instrument liquidity or its relative ratio between risk and income. Hedge accounting is applied on a group of assets. The Company selects instruments with fixed income representing hedged items, as well as their volume, always at the beginning of the month. It determines that the group of assets fulfills the conditions stated in Article 83 of IAS 39 – that the assets in the group share the risk exposure and that a change in fair value attributable to the hedged risk for each individual item in the group is approximately proportional to the overall change in fair value attributable to the hedged risk of the group of items.
- **Foreign exchange risk hedge**
  The Company dynamically hedges instruments in its investment portfolios, which are denominated in foreign currency by foreign currency derivates (mainly currency swaps). All foreign currency risks are hedged (all foreign currencies and instruments – bonds, shares, etc.). Revaluation of hedging derivates is recognized in the income statement. Revaluation of non-monetary assets (e.g. shares) classified as available for sale is recognized in equity. This inconsistency can lead to profit / loss volatility. The purpose of hedge accounting is to eliminate this inconsistency and to recognize revaluation of non-monetary assets available for sale related to the foreign exchange rate changes in the income statement.

For both types of hedges the Company performs prospective and retrospective testing of hedge effectiveness on a monthly basis. Hedges were effective as of the date of the financial statements.

2.8. DEFERRED ACQUISITION COSTS (“DAC”)

DAC include costs incurred in relation to new insurance contracts and for non-life insurance also with the renewal of existing insurance contracts. They include direct costs (such as commission, 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 amount of their expected return on future income from related insurance contracts. The exception is for acquisition costs in life insurance for products with the 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 in the same ratio as the provision for unearned premium to gross written premium.

For life insurance contracts, acquisition costs are not deferred in cases where it would lead to inconsistencies in periods between 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 extraordinary deposits
d) Products for which the Zillmer method is applied
e) Products which are not available for sale and historically, their acquisition costs were not 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.

Recoverabiliy of deferred acquisition costs is tested within the liability adequacy test at each balance sheet date. In the event of insufficient provisions in non-life insurance, the Company releases the relevant DAC. Should this not be sufficient to cover future costs, the Company creates a provision for unexpired risks. In the event 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 this case 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, calculated 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 financial statements. However, the deferred income tax is not recognized if it relates to the initial recognition of an asset or liability in a transaction other than a business combination which, at the time of the transaction, affects neither accounting nor taxable profit or loss. 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 recognized for temporary differences relating to 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 reversed 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 bank deposits due on demand. 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 from the issue, net of tax.

2.13 TECHNICAL LIABILITIES FROM INSURANCE CONTRACTS

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

a) Life insurance provisions
Technical provision for life insurance
Technical provision for life insurance consists of the following segments:
– Provision for guaranteed claims
– Provision for profit share
– Deferred liability to the insured
– Provision resulting from the liability adequacy test, a description of which 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 a guaranteed technical interest rate. The technical provision is calculated as the sum of provisions for individual life insurance contracts. Depending on the technical features of insurance, the following principles are applied for the calculation of the technical provision:
– The present value principle: the provision amount is set as the present value of future payables of the insurance company, including administrative expenses less future premium. At provision calculation, the same assumptions are used as those at premium determination.
– The capital value principle: the provision amount is set in the amount of the capital value, i.e., paid insurance premium less risk premium and charges, increased by the guaranteed technical interest as at the balance sheet date (“account type provision”).
– The Zillmer method principle: the technical provision is reduced by the unamortized portion of the acquisition costs up to the amount of acquisition costs included in

the premium as a one-off cost.
The Zillmer method is not applied in the case of:
- Products with the account type provision.
- Products with regular premium payments for which initial costs are not included in the premium as one-off costs.
- Single premium products.
- The non-negativity principle: a 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 also called "shadow accounting". The Company therefore, using the shadow accounting principle, adjusts the technical provision in life insurance against other comprehensive income in an amount corresponding to the 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 the person who concluded the insurance contract with the insurance company.

Technical provision is calculated as the sum of provisions calculated for individual life insurance contracts referred to in the paragraph above. The insurance company manages the account in the form of units ("client units") for each such insurance policy. The 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 the amount of the actual value of the client units at the balance sheet date, i.e. the amount of client units is multiplied by their actual value as at the balance sheet date. In the event of a negative value of the technical provision for an individual policy, the Company records the negative portion as a receivable from the insured.

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

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

The technical provision is not created for:
- Single premium contracts.
- Contracts or parts of contracts where the whole premium is used as a provision to cover the risk of investing funds on behalf of the insured.
- Contracts or parts of contracts where the whole premium is used as the 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 the expected insurance benefit. If the insurance benefit concerns survival, death or an insured event from the supplementary insurance for which a technical provision has been created (i.e. insurance benefits related to the termination of an insurance contract/risk), simultaneously with the setting up of the RBNS, the technical provision for life insurance is released. After closing of the insurance claim, the RBNS is released and the final insurance benefit expense is recognized.

For insurance benefits paid as annuities or a pension, the RBNS provision is created in the amount of the present value of future payments discounted at an interest rate of 1.9%.

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

For riders in life insurance a so-called IBNER provision (i.e. a provision for insured events incurred but not enough reported) is created as part of RBNS. The method of determining the amount of this provision is the same as for IBNER in non-life insurance (Note 2.13 b).

A 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 insured 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 also an estimated amount of the related internal and external loss adjustment expenses.

b) Non-life insurance provisions
Provision for unearned premium
The provision for unearned premium is set up in non-life insurance for the part of the written premium relating to future accounting periods. Its amount is calculated, using the pro-rata temporis method, as the sum of technical provisions calculated for individual insurance contracts at the date of the financial statements.

The provision for unexpired risk is part of the unearned premium technical provision. The provision for unexpired risk is set up if the written premium relating to future periods is not sufficient to cover all insurance benefits for future insured events and future costs that relate to valid insurance contracts (liability 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 the expected insurance benefit. In case that the amount of the insurance benefit cannot be estimated based on the known facts at the time of reporting the insured event, the typical average values for the particular type of the insured event is used as the first estimate, which is adjusted each time new data related to the insured event are supplemented. After closing of the insurance claim, the RBNS is released and the final insurance benefit expense is recognized.

For insurance benefits paid as annuities or a pension, the RBNS provision is created in the amount of the present value of future payments discounted an an interest rate of 1.9% in accident insurance (a change from 3% to 1.9% was made in the second half of 2014) and of 2.5% for MTPL annuities.

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

A so-called IBNER provision (i.e. a provision for insured events incurred but not enough reported) is set up as a part of the RBNS provision in non-life insurance. The amount of this provision is determined as the difference between the estimated ultimate loss and the following items: insurance benefits already paid, the RBNS balance and the IBNR estimate.

The estimate of the so-called ultimate loss is calculated using the method of triangles. The rows of the triangle contain the accident year and the columns show the cumulative data about the payment process of insurance benefits and the RBNS change in each subsequent accounting period. The triangle data are adjusted for 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 insured events. The estimate of IBNR is determined by the method of triangles using a special modified triangle of cumulative data about the insured events. The rows of the triangle contain the accident year and the columns show data about the insurance benefits and the balance of RBNS at the first date of reporting the insured event. The triangle data are adjusted for extremely high losses. The estimated total amount of insurance benefit is determined from data on and over the diagonal by using the weighted development coefficients. IBNR will then be determined as the final amount less the sum of the values on and over the diagonal.

The estimate of IBNR always includes also an estimated amount of the 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 compulsory motor third-party liability insurance. Details are set out in Note 3.

2.14 RECEIVABLES AND PAYABLES RELATED TO INSURANCE CONTRACTS

Receivables and payables related to insurance contracts are financial instruments that include amounts due to policyholders, agents and brokers. Initially, receivables are valued at fair value and subsequently they are measured at amortized cost using the effective interest rate, less impairment allowances. If there is objective evidence that impairment loss has occurred, the carrying amount of insurance receivables is reduced by an impairment allowance, which is recognized in the income statement. The process of impairment testing is described in Note 2.17.

Payables related to insurance contracts are initially recognizedat fair value less related transaction costs. Subsequently they are measured at amortized cost 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 of 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 commissions include commissions received from reinsurers or receivables from reinsurers resulting from reinsurance commissions and the share in profit resulting from reinsurance contracts. Reinsurance com-

missions 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 respective reinsurance contracts in accordance with the reinsurance terms and conditions valid 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 measured at fair value through profit or loss, are recognized within income/(loss) 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 closing of insurance claims
Income from closing 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 objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial 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 evidence that a financial asset or a group of financial assets is impaired includes the following:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting a borrower a concession that the lendor would not otherwise consider.
- It becoming probable that the issuer or debtor will enter into bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of 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 identified with the individual financial assets in the group, including:
    - Adverse changes in the payment status of borrowers in the group or
    - National or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets which are significant. If the Company concludes that there is no objective evidence of impairment 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, industry, geographical location, maturity and similar relevant factors and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized, 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, which did not to affect the period on which the historical loss experience is based and at the same time, to remove the effects of conditions in the past 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 the impairment allowance is recognized in the full amount of the receivable, which reduces an accounting mismatch between written premium and the created technical provision for life insurance. The carrying amount of the asset is reduced by using an impairment 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 used for calculating an impairment loss is 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 the carrying amount.

If, in a subsequent period, the amount of the impairment loss decreases and this decrease is objectively related to an event that 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 objective evidence that a financial asset is impaired. In the case of equity instruments classified as available for sale, a prolonged (more than one year) or significant (more than 30%) decline in the fair value of the instrument below its cost is taken into account. If such evidence exists for financial assets available for sale, the cumulative loss is reclassified from equity to the income statement. The cumulative loss is calculated as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in the income statement. If, in the subsequent period, the fair value of an equity instrument increases, the increase in the fair value is recognized in other comprehensive income. The impairment loss on debt instruments is reversed through the income statement, if in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

c) Impairment of investments in subsidiaries and joint ventures
In the case of investments in subsidiaries and joint ventures, the test for impairment is performed as a comparison of the acquisition cost with thet recoverable amount of investment, decreased by any impairment loss previously recognized in profit or loss. The impairment loss is recognized in the income statement.

d) Impairment of other non-monetary assets
Assets which have an indefinite useful life are not amortized but they are tested for impairment on an annual basis. Assets which are amortized or depreciated are tested for impairment whenever events indicate that the carrying amount may not be recoverable. An impairment loss is recognized in 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 testing, assets are grouped at the lowest levels for which separately identifiable cash flows (cash-generating units) exist. Impaired non-monetary assets other than goodwill are reviewed at each balance sheet date to establish whether or not the impairment can be reversed.

Intangible assets that represent the value of an acquired insurance portfolio in life and non-life insurance are assets with a definite useful life. The carrying value of these assets is tested for impairment when there is objective evidence that impairment loss may have occurred such as a change in the assumptions used in the initial recognition of these assets. If necessary, the test is conducted using the "embedded value" methodology on the actual balance of the acquired portfolio using the current best estimates.

2.18 INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION AND MEASUREMENT

The Company concludes contracts 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 a risk, when an insured event would cause the Company to pay additional benefits in an amount exceeding at least 10% those that would be payable if no insured event occurred and such insurance event is probable. Investment contracts are those 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:

c) Which are likely to be a significant portion of the total contractual benefits.
d) Whose amount or timing is at the discretion of the Company.
e) 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 injury, 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 business interruption).

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 their dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insured 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 claim 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 commission. Insurance benefits are recorded as an expense when incurred.

The liability is determined as the sum of the expected discounted value of insurance benefit payments and future administrative expenses which are directly related to the contract, less the expected discounted value of theoretical premiums which would be required to meet the benefits and administrative expenses based on the valuation assumptions used (the valuation premiums). The liability is based on such assumptions as mortality, 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 claim 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 investment income exceeding the minimum guaranteed interest rate in the form of a share in the profits. The Company's management decides, with full discretion, on the participation rate and profit distribution for the current year based on the achieved investment income. 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 in accordance with relevant insurance contract terms and conditions, as long as the policy is still active at that time, or on 31 December of the relevant year.

Variable life insurance contracts
Accounting policies for these contracts are the same as those 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 paid insurance premiums and reduced by applicable fees from insurance. On a monthly basis, the liability is reduced by risk charges, administrative and other agreed fees and, if appropriate, by surrender values. The liability is also increased by the agreed guaranteed percentage, which is declared by the Company, or by the guaranteed interest rate, based on the type of 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 provision is determined as the actual 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 administrative charges, risk premium, surrender values and the termination of an insurance contract in any way. The provision is calculated by multiplying participation units and the actual price at the date of the financial statements.

Claims and loss adjustment expenses are charged to the income statement when incurred, based on the estimated liability for compensation owed to the insured or the policyholders. They include direct and indirect claim 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 have occurred but not been reported.

b) Embedded derivatives
Certain derivatives embedded in insurance contracts are treated separately when their economic characteristics and risks are not closely related to those of the host contract, which 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 provision in non-life insurance is performed by comparing the expected values of claim payments and expenses related to the remaining period of active contracts at the balance sheet date 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 covered by writing off deferred acquisition costs through the income statement. If writing off deferred acquisition costs is insufficient to cover the deficiency, a provision for unexpired risks will be created. 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 created 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 deferred acquisition costs in life insurance. 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 Company takes into account basic principles, when assessing the best estimate and risk margin, which are established in legal enactments adopting Solvency II (mainly Directive 2009/138/EC and legislative proposal of the delegating legal directive at the balance sheet date). Any insufficiency is immediately charged to the income statement, initially by writing off DAC and subsequently by creating a provision for the deficiency of life insurance provisions. Any DAC written off as a result of this test cannot be subsequently reinstated.

The Company performs the adequacy test separately for individual life insurance product groups. Any sufficiency or deficiency between these groups is not compensated.

As set out in (a) above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract.

2.19 LEASING

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

2.20 EMPLOYEE BENEFITS

Short-term employee benefits
Short-term employee benefits include salaries, wage compensation for public holidays, annual holiday entitlement 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 statutory health, medical and injury insurance and to the guarantee and the unemployment funds at amounts determined by law, based on gross salaries. During the year, the Company contributes to these funds at 35.2 % (31.12.2014: 35.2 %) of the gross salaries up to the amount of monthly salary pursuant to relevant legal regulations. The employee contribution was 13.4 % (31.12.2014: 13.4 %).

The costs of the statutory health, medical and injury insurance and the guarantee and unemployment funds are recognized 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 pension savings) as defined contribution plans.

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

Unfunded defined benefit pension plans

Based on IAS 19, except for short-term employee benefits, employee benefits include post-employment benefits (such as retirement benefits), termination benefits and other long-term employee benefits. In order to calculate a reliable estimate of the employee benefits that the employees have earned, actuarial methods (projected unit credit method in accordance with IAS 19) are used. The calculation is influenced by many variables, such as mortality, employee turnover, salary trends, expected inflation and discount rates. The liability recognized on the balance sheet represents the net present value of the defined benefit obligation.

The rate used to discount future cash flows is determined by reference to market yield curves on high-quality corporate bonds as at the balance sheet date. 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 the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.21 DIVIDEND DISTRIBUTION

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

2.22 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 objectives will be paid in the 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 SIGNIFICANT 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 re-evaluated 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

Estimating the ultimate liability arising from claims made under insurance contracts is the Company's most significant accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

At the balance sheet date a provision is created for expected final expenses for the settlement of all insurance claims up to that time, regardless of whether they have been reported or not. This reserve includes claims handling costs, less the amount of already paid claims. The provision for non-life insurance claims is not discounted.

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

If sufficient data for determination of reliable trends of insurance claims is not available (mainly in the first years after introduction of a new product or risk), prudent assumptions are used.

Expenses for claims, which have not been closed, and IBNR provisions (Note 15) are estimated by various statistical methods. These methods extrapolate the trend of paid and incurred claims, average cost for insurance claims and final expenses for insurance claims for each accident year on the basis of the historical trends and expected loss ratio.

When using the statistical data of the claims development it is assumed that past claims development will recur in the future. However, there are 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:

- Economic, legal, political and social trends,
- Changes in the composition of the portfolio of insurance contracts,
- Impact of insurance claims of extraordinary scale.

Estimate of the provision for deficit in motor third party liability insurance (provision for MTPL deficit)

Before 1 January 2002, MTPL insurance was provided solely by Slovenská poisťovňa, a. s., which administrated all contracts and recognized 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 of the number of insured vehicles.

In 2015, SIB members agreed payment of the contributions for the year 2015, equal to the full balance of provisions as at 31 December 2015, decreased by SIB's own funds. The total amount of the provision was determined as EUR 41,603 thousand, based on the valuation of SIB's future liabilities by an independent valuation expert, Deloitte Advisory s. r. o. The deficit of SIB represents EUR 24,454 thousand and the Company´s share of the total number of insured vehicles as at 30 September 2015 was 10.35%. The Company´s share of the total contribution for 2015 is EUR 2,531 thousand. The contribution will be paid in 2016.

In accordance with the above, the Company accounted for a technical provision of EUR 3,388 thousand as at 31 December 2014 (the Company´s share of insured vehicles was 7.6% and 2% for the contracts acquired by a business combination under common control). As at 31 Decemer 2015 the Company released the provision and accounted for a liability of EUR 2,531 thousand.

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 are measured, prior to putting a new product on the market.

For life insurance contracts, the Company sets assumptions of mortality, that some other insured event will occur, that an insurance policy will be voluntarily terminated, of future expenses and future investment income increased by a safety premium. 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 calculate liabilities during the entire lifetime of the policy.

In the second step, at every balance-sheet date the Company reassesses 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 operational assumptions, increased by a safety margin.

The liability adequacy test in life insurance is determined by the method of discounted cash flows.

Future cash flows for all life insurance products include mainly premiums, insurance benefits, administrative expenses, loss adjustment expenses, investment costs and commissions. The present value of cash flows is compared with the value of technical provisions in life insurance, including deferred liabilities to the insured, provision for covering the risk of investments in the name of the insured, provision for unearned premium and technical provision for claims, paid as pension decreased by deferred acquisition costs. If the present value of cash flows is higher, the Company will recognize an appropriate technical provision through the income statement.

Impairment of securities available for sale

At every balance-sheet date, the Company establishes whether there is objective evidence that a financial asset 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 establishes that securities available for sale are impaired when there has been a significant or prolonged decline in their fair value below cost. The assessment of whether a significant or prolonged decline 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, industry and sector performance, changes in technology, plus 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 or when changes in technology have occurred and operating and financing cash flows have worsened.

Subrogation receivables

The Company uses mathematical and statistical methods (Chain-Ladder) in calculation of subrogation receivables, 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 the Slovak economy.

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 has 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, the risk management of the Generali Group serves as a framework for the local risk management.

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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, an adverse development of the insurance risk in life and non-life insurance and other risks affecting ongoing economic operations. These risks can be grouped in the following five main categories: insurance risk, market risk, liquidity risk, credit risk and operational risk.

4.1 INSURANCE RISK

Insurance risk is analyzed separately for life and non-life insurance.

Insurance risk relates to the fact that it is not clear whether or when an insured event will occur, or how big the related claim will be. The main feature of an insurance contract is 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 to which the Company is exposed 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 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. 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 industrial sector.

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

4.1.1 LIFE INSURANCE RISK

The Company's life insurance portfolio comprises long-term insurance contracts with fixed and guaranteed terms, variable (investment) life insurance (unit-linked) and short-term group life insurance contracts. In this portfolio, except for the bank insurance portfolio and group contracts, saving contracts prevail, but it also includes contracts that cover the insurance risk only (death plus riders, such as accident, permanent disability, serious illness etc.).

The insurance risks related to policies with guaranteed terms are taken into account when setting prices and guaranteed terms have been set prudently. Mortality and morbidity tables are normally used with adequate safety margins. The comparison of estimated and actual mortality, which is performed annually has shown that the mortality and other insurance risk assumptions used in pricing have been sufficiently prudent. 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 instrument for mitigating the mortality and morbidity risks.

It is mainly applied by the Company for death 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 the impact of reinsurance mitigating the risk exposure.

SUM AT RISK * (SAR) FOR MORTALITY AT THE END OF 2015

Interval SaR (in thousand EUR)	Interval total	Number of lives	Average age	Total after reinsurance
Less than 7	364,385	222,374	39	364,385
7 to 15	300,222	29,290	39	300,222
15 to 30	354,876	16,578	38	354,876
30 to 50	377,934	9,547	36	377,934
More than 50	559,970	7,486	35	489,249
Collective agreements	254,442	38,054	–	1,053
Total	**2,211,829**	**323,329**	**–**	**1,887,719**

SUM AT RISK * (SAR) FOR MORTALITY AT THE END OF 2014

Interval SaR (in thousand EUR)	Interval total	Number of lives	Average age	Total after reinsurance
Less than 7	374,050	234,645	39	374,050
7 to 15	279,692	27,576	38	279,692
15 to 30	268,217	12,866	38	268,217
30 to 50	226,373	5,829	36	226,373
More than 50	283,665	3,829	36	248,233
Collective agreements	222,288	5,959	–	–
Total	**1,654,285**	**290,704**	**–**	**1,396,564**

*The amount of sum at risk is calculated for one life for all relevant contracts.

Important risks within the insurance risk 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 commission systems to motivate agents and brokers to care for the portfolio.

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

	2015		2014	
Mortality risk	Required minimum amount of provisions*	Provision insufficiency**	Required minimum amount of provisions*	Provision insufficiency**
Present value	192,870	399	189,215	529
Mortality + 10% shift	194,277	402	190,999	534
Mortality - 10% shift	191,458	395	187,425	524
Lapse risk				
Present value	192,870	399	189,215	529
Gradient +25% shift	206,860	310	198,664	415
Gradient - 25% shift	172,930	501	175,997	660
Loss risk				
Present value	192,870	399	189,215	529
Expenses + 10% shift	197,346	412	193,482	547
Expenses - 10% shift	188,394	385	184,947	510

* The Company included the provision for covering the risk of investments on behalf of the insured into the liability adequacy test.
** Deficiency of the provisions is fully recognized in these financial statements

The liability adequacy test for long-term insurance contracts was performed as at the balance sheet date. Future liabilities arising from long-term life insurance contract terms were estimated using the best estimates as the present value of the discounted future cash flows increased by a risk margin. Any deficiency of provisions for the contracts, where the investment risk is born by the policyholder, is a part of the technical provision for life insurance and in the same amount is taken into account in the sum of liabilities in the liability adequacy test.

For the risk of death, the historical trend of mortality decreasing, observed in population tables, was included in the future cash flow estimation by the Company. The Company also included the effect of risk underwriting into the future cash flow estimation. The effect of underwriting the risk is set based on the death analysis registered from life policies compared to the death assumptions in population mortality tables. For the risk of disability, sickness or injury claims, the Company assumes incidence of these claims, based on the historical observation analysis of its own portfolio. Compared to the previous period, the Company included the trend of decreasing mortality in its best estimate of future cash flows, plus the increased likelihood of claims due to the necessary healing period after an accident.

In the event of death, 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 lapse assumptions. No material changes occurred in the trend of lapse rates compared with the previous period. If the number of lapses with or without surrender changes by 25% in future years, this change in assumptions will have a minor impact on the liability adequacy test result, as described above. However, compared with the other parameters, the provision is the most sensitive to the changes in lapse rates.

4.1.2 NON-LIFE INSURANCE RISK

The insurance risk in non-life insurance 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 claims development and the frequency of claims and models extreme scenarios (such as a major damage caused by a disaster) in order to assess premium and economic capital adequacy. The Company also tests the adequacy of the provision for unearned premium and in case of its deficiency, the deferred acquisition costs are released, or if necessary, a provision for unexpired risk is recognized.

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 uses different triangle methods to estimate the amount of provisions for insurance claims and to test their adequacy.

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

Obligatory reinsurance is based on economic profitability parameters and on the ability to keep volatility of insurance benefits within acceptable limits. All methods are analysed and the most suitable reinsurance programmes are adopted, thus granting adequacy, appropriateness and expected profitability of the reinsurance coverage.

Facultative 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.

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

	Before reinsurance		After reinsurance	
(in EUR)	2015	2014	2015	2014
Mean value of the amount of losses* – property	1,356	1,765	645	854
Mean value of the amount of losses* – disasters	3,069	7,812	2,493	4,533
Number of claims per 100 contracts/insured objects [in %]	4.19 %	5.37 %	4.19 %	5.37 %

* 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 types of insurance sold, 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
As in life insurance, also in non-life insurance the Company is exposed to the risk of occurance of several major damages due to the lack of risk diversification. The following table shows the diversification of the insurance risk according to probable maximum loss (PML) and the number of insured objects for PML within the specified intervals.

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PML IN ASSETS AT THE END OF 2015

Interval (in ths. EUR)	Total interval (in ths. EUR)	Number of objects	Total after reinsurance
Less than 25	966,188	149,834	561,173
25 – 100	4 ,425,817	79,271	2,566,691
100 – 1,000	7,235,072	33,816	4,069,835
1,000 – 10,000	9,405,599	3,982	3,530,566
10,000 – 50,000	4,629,675	231	115,905
More than 50,000	12,152,961	62	127,439
Total	**38,815,312**	**267,196**	**10, 971,609**

PML IN ASSETS AT THE END OF 2014

Interval (in ths. EUR)	Total interval (in ths. EUR)	Number of objects	Total after reinsurance
Less than 25	667,723	107,494	386,924
25 – 100	2,515,700	45,763	1,451,433
100 – 1,000	4,572,441	20,544	2,517,529
1,000 – 10,000	7,016,804	2,618	2,097,648
10,000 – 50,000	4,710,700	236	121,905
More than 50,000	12,523,989	66	45,050
Total	**32,007,357**	**176,721**	**6,620,489**

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 claims development table in the non-life insurance (excluding active reinsurance) shows the estimated ultimate loss by accident year and the development of this estimate in the subsequent reporting periods for all losses from 2005 (and earlier). The ultimate loss includes paid losses and the RBNS and IBNR provisions. The amounts are shown net of reinsurance, claims handling 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 estimate in the subsequent reporting periods has changed according to actually paid claims and new information about frequency and the average amount of unpaid claims.

The difference between the ultimate cost of claims and cumulative claims paid for 2015 determines the claims provision related to accident years from 2005 (and earlier) to 2015.

Estimate of ultimate cumulative claim costs:	2005 and earlier	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Spolu
at the end of the accident year	119,582	50,430	56,796	87,964	69,133	73,915	74,003	64,013	54,061	51,544	57,539	
one year later	119,097	55,348	62,243	86,390	60,615	75,668	68,284	65,019	52,128	50,969		
two years later	118,709	53,617	60,863	82 ,762	55,978	73,276	65,733	64,126	50,350			
three years later	118,553	53,126	58,634	82,239	57,536	71,808	63,472	63,464				
four years later	118,599	51,632	57,824	80,115	56,566	71,679	62,746					
five years later	115,534	50,729	58,136	79,870	56,004	71,105						
six years later	114,536	51,046	58,113	79,157	56,055							
seven years later	114,034	51,119	57,679	79,249								
eight years later	113,283	50,308	57, 677									
nine years later	113,034	50,120										
ten years later	113 ,040											
Estimate of ultimate cumulative claim costs at 31 December 2015	**113,040**	**50,120**	**57,677**	**79,249**	**56,055**	**71,105**	**62,746**	**63,464**	**50,350**	**50,969**	**57,539**	**712,314**
Cumulative payments at 31 December 2015	(110,295)	(48,688)	(56,178)	(77,093)	(52,779)	(68,152)	(56,380)	(55,247)	(44,305)	(38,506)	(31,260)	(638,883)
Provision for insurance claims shown on the balance sheet	**2,745**	**1,432**	**1,499**	**2 ,156**	**3,276**	**2,953**	**6,366**	**8,217**	**6,045**	**12,463**	**26,279**	**73,431**

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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 euros at the beginning of 2009 decreased the currency risk significantly.

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

As at 31 December 2015, the value of assets denominated in foreign currencies totalled EUR 29,126 thousand and EUR 30,485 thousand including indirect exposure from mutual funds (2014: EUR 28,707 thousand and EUR 34,154 thousand including indirect exposure from mutual funds) and the value of liabilities denominated in foreign currencies amounted to zero (2014: 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 the 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 currency exchange rates to the euro on the Company’s profit/(loss) is therefore insignificant.

CURRENCY RISK SENSITIVITY (OPEN FOREIGN CURRENCY POSITION)

Balance as at 31 December 2015	USD	CZK	PLN	HUF	GBP	CHF	Other
Change in the exchange rate	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %
Profit or loss	+/- 101.6	+/- 9.6	+/- 104.4	+/- 1.9	+/- 0.1	0	0
Profit or loss (including mutual funds*)	+/- 174.7	+/- 3.2	+/- 107.5	+/- 2.3	+/- 2.4	+/- 1.9	+/- 48.7
Balance as at 31 December 2014							
Change in the exchange rate	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %	+/-10 %
Profit or loss	+/- 64.5	+/- 67.2	+/- 0.4	+/- 2.7	+/- 0.1	0	0
Profit or loss (including mutual funds*)	+/- 322.9	+/- 87.0	+/- 13.6	+/- 3.8	+/- 10.8	+/- 5.3	+/- 236.3

*does not contain investments in the name of the insured

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. The financial placement of technical provisions is classified in the category available for sale (“AFS”), with an impact on balance sheet values, but with no direct impact on the income statement (excluding realization and revaluation within the hedge accounting, which was established in February 2014). On the other side, the technical liabilities are primarily calculated on the basis of unchaged assumptions and are adjusted only upwards for a possible deficiency. As a result, sensitivity to changes in interest rates on the liabilities side is only a factor if provisions become insufficient. The 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 2015	Bonds book value (decrease)/ increase	Out of hedge accounting bonds	Derivatives book value (decrease)/ increase	Mutual funds book value (decrease)/ increase	Technical provisions book value (decrease)/ increase	Impact on the income statement	Impact on equity
Impact of change of +100 bp	(12,129)	(1,569)	1,439	(22)	(152)	1	(10,560)
Impact of change of -100 b	13,194	1,711	(1,574)	22	174	(15)	11,468
As at 31 December 2014							
Impact of change of +100 bp	(11,520)	(1,681)	1,688	(51)	(194)	(238)	(10,077)
Impact of change of -100 bp	12,657	1,847	(1,859)	51	112	151	10,962

Technical provisions reflect sensitivity to changes in interest rates, only if these changes affect the provision for insufficiency. Provision for insufficiency arises if the minimum required value based on the liability adequacy test is higher than the book value of the technical provisions. Discounting future cash flows in determining the minimum required value is based on the forward curve of risk-free rates apllied at the balance sheet date. The bases for deriving the curve are euro swap rates valid on the date of valuation. When constructing the risk-free rate curve, the Company took into account the basic principles, which are established in legal enactments adopting Solvency II (mainly Directive 2009/138/EC and the legislative proposal of the delegating legal directive at the balance sheet date).

The Company is exposed to interest rate risk also indirectly through financial assets invested in investment funds that invest further in coupon securities. The Company monitors the impact of such risk using the so-called “look through” principle. The majority of financial assets in investment funds represent products, for which the investment risk is born by the insured. They are included in the category valued at fair value through profit and loss. The change in the value of liabilities, which exactly reflects the value of the participation units and thus the value of the related asset, is also recognized in the profit and loss account. Therefore, the Company is not exposed to significant interest rate risk in this product segment.

In non-life insurance the Company is exposed to interest rate risk mainly through the 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 in 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 the liquidity risk.

The Company is exposed to price risk also indirectly through financial assets invested in mutual funds, which are further invested in various securities. The Company monitors the impact of such risk using the so-called “look through” principle. The majority of financial assets in investment funds represent products, for which the investment risk is born by the insured.

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PRICE CHANGE SENSITIVITY (DOES NOT INCLUDE INVESTMENTS IN THE NAME OF THE INSURED)

Balance as at 31 December 2015 Impact on	Profit/(loss)	Other comprehensive income
Price change	-/+ 10 %	-/+ 10 %
Profit or loss	–	+/- 1,441
Profit or loss (including mutual funds)	–	+/- 1,576
Balance as at 31 December 2014		
Price change	-/+ 10 %	-/+ 10 %
Profit or loss	–	+/- 1,728
Profit or loss (including mutual funds)	–	+/- 2,348

4.3 LIQUIDITY RISK

The Company's objective is to eliminate liquidity risk. Certain assets, up to 10%, are invested in term deposits with an average maturity of seven days to enable flexible access to liquidity.

The Company prepares the cash-flow plan for the whole fiscal year, with income and expenditure 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 and insurance liabilities:

2015	Estimated cash flows (undiscounted)					
	0 – 5 years	5 – 10 years	10 – 15 years	15 – 20 years	> 20 years	Total
Bonds	181,190	56,104	47,304	2,202	–	286,800
Term deposits	12,095	–	–	–	–	12,095
Derivates	(950)	(254)	(28)	–	–	(1,232)
Shares	1,597	–	–	–	–	1,597
Index shares (exchange – traded fund)	12,813	–	–	–	–	12,813
Mutual funds	144,865	–	–	–	–	144,865
Total	**351,610**	**55,850**	**47,276**	**2,202**	**–**	**456,938**

2015	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*	4,866	27,179	18,835	12,988	15,482	79,350
Unit-linked products*	37,590	41,976	25,792	13,879	11,233	130,470
Non-life insurance	95,044	5,714	707	577	903	102,945
Active reinsurance	594	2	–	–	–	596
Deposits from reinsurers	197	–	–	–	–	197
Trade and other liabilities	49,825	–	–	–	–	49,825
Total	**188,116**	**74,871**	**45,334**	**27,444**	**27,618**	**363,383**

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

Weighted duration of bonds: 4.72 years
Average maturity of liabilities: 6.85 year

2014	Estimated cash flows (undiscounted)					
	0 – 5 years	5 – 10 years	10 – 15 years	15 – 20 years	> 20 years	Total
Bonds	152,944	52,223	67,981	2,371	763	276,282
Term deposits	1,250	–	–	–	–	1,250
Derivates	(1,668)	(500)	(161)	–	–	(2,329)
Shares	1,743	–	–	–	–	1,743
Index shares (exchange – traded fund)	15,537	–	–	–	–	15,537
Mutual funds	152,552	–	–	–	–	152,552
Total	**322,358**	**51,723**	**67,820**	**2,371**	**763**	**445,035**

2014	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*	15,073	32,939	20,380	12,845	13,704	94,941
Unit-linked products*	42,946	44,081	22,952	11,088	8,786	129,853
Non-life insurance	94,603	1,635	806	487	198	97,729
Active reinsurance	1,253	–	–	–	–	1,253
Deposits from reinsurers	286	–	–	–	–	286
Trade and other liabilities	44,532	–	–	–	–	44,532
Total	**198,693**	**78,655**	**44,138**	**24,420**	**22,688**	**368,594**

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

Weighted duration of bonds: 4.82 years
Average maturity of liabilities: 5.96 years

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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 diversity and diversification of the portfolio. The portfolio of fixed-yield investments is 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 the compliance with the limits.

THE COMPANY'S CREDIT RISK EXPOSURE IS AS FOLLOWS:

As at 31 December 2015	Bonds available for sale		Loans and receivables				
Credit risk	corporate	government	To customers	Other receivables	Reinsurance assets	Cash	Term deposits
AAA	–	–	–	–	37	6	–
AA+	–	–	–	–	–	–	–
AA	1,496	–	–	–	85	–	–
AA-	2,761	–	–	–	1,627	–	–
A+	1,328	149,969	–	–	534	–	–
A	1,311	1,066	55	–	1,077	–	–
A-	17,683	599	–	–	61	4,130	–
BBB+	12,045	5,801	–	–	40,165*	5	–
BBB	12,931	–	–	–	–	–	–
BBB-	13,680	13,779	–	–	–	–	–
BB+	11,813	2,050	–	–	–	–	–
BB	2,339	–	–	–	–	–	–
BB-	2,296	–	–	–	–	–	–
B	–	–	–	–	–	–	–
CCC	–	–	–	–	–	–	–
Unrated	16,016	–	13,993	668	3,900	6,400	12,095
Total	**95,699**	**173,264**	**14,048**	**668**	**47,486**	**10,541**	**12,095**

*of which EUR 41,123 thousand represents the share of GP Reinsurance EAD. This amount is reduced by a recourse asset of EUR (957) thousand (Note 28).

As at 31 December 2014	Bonds available for sale		Loans and receivables				
Credit risk	corporate	government	To customers	Other receivables	Reinsurance assets	Cash	Term deposits
AAA	–	–	–	–	6	6	–
AA+	–	–	–	–	–	–	–
AA	–	–	–	–	63	–	–
AA-	2,831	559	–	–	1,574	–	–
A+	3,349	–	19	–	398	–	–
A	–	153,862	–	–	74	30	–
A-	22,974	–	994	–	2,820	14,883	–
BBB+	16,776	5,399	281	–	39,355*	8	650
BBB	16,419	1,975	–	–	–	–	–
BBB-	15,185	8,226	–	–	–	–	–
BB+	1,171	1,091	–	–	–	–	–
BB	–	–	–	–	–	–	–
BB-	–	–	–	–	–	–	–
B	1,035	–	–	–	–	–	–
CCC	–	–	–	–	–	–	–
Unrated	228	–	11,502	903	789	1,627	600
Total	**79,968**	**171,112**	**12,796**	**903**	**45,079**	**16,554**	**1,250**

*of which EUR 39,235 thousand represents the share of GP Reinsurance EAD (Note 28).

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

	Not yet due, not impaired	Overdue, not impaired			Impaired	
As at 31 December 2015		0 – 3 months	3 – 6 months	6 months – 1 year	More than 1 year	Total
Financial assets available for sale (without shares)	268,963	–	–	–	–	268,963
Financial assets and liabilities at fair value through profit and loss (without shares and mutual funds)	(1,213)	–	–	–	–	(1,213)
Cash and term deposits	22,636	–	–	–	–	22,636
Loans and receivables*	3,952	8,533	819	449	963	14,716
Reinsurance assets	47,486	–	–	–	–	47,486
Total	**341,824**	**8,533**	**819**	**449**	**963**	**352,588**

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

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THE MAXIMUM CREDIT RISK EXPOSURE

As at 31 December 2014	Not yet due, not impaired	Overdue, not impaired			Impaired	
		0 – 3 months	3 – 6 months	6 months – 1 year	More than 1 year	Total
Financial assets available for sale (without shares)	251,080	–	–	–	–	251,080
Cash and term deposits	17,804	–	–	–	–	17,804
Loans and receivables*	1,310	8,115	1,734	160	2,380	13,699
Reinsurance assets	45,079	–	–	–	–	45,079
Total	**315,273**	**8,115**	**1,734**	**160**	**2,380**	**327,662**

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

Financial assets are presented at net value. Movements in the respective impairment allowances were as follows:

IMPAIRMENT ALLOWANCES FOR RECEIVABLES FROM THE INSURED

	2015	2014
Opening balance	8,213	8,547
Write-offs of receivables	(837)	(854)
Addition from a business combination	455	–
Creation/(Release)	836	520
Closing balance	**8,667**	**8,213**

IMPAIRMENT ALLOWANCES FOR OTHER RECEIVABLES

	2015	2014
Opening balance	263	266
Write-offs of receivables	–	–
Creation/(Release)	135	(3)
Closing balance	**398**	**263**

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 or adverse external events. Due to the wide range of this definition, operational risks have been further segmented to liability assignment and facilitation in using tools for mitigating the 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-adjusted 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. The strategic risk owners 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 in 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.
- 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 127,883 thousand (2014: EUR 119,388 thousand). The Company's objectives in managing capital are:

- Complying with requirements regarding the amount of the 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. The management ensures the quantitative capital limit in order to maximize the return to shareholders and to have sufficient capital to expand 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.

	2015	2014
Actual solvency margin	106,592	98,522
Required solvency margin	28,450	25,063

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 2015 and 31 December 2014.

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

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4.7 FAIR VALUE HIERARCHY

In accordance with the amendment to IFRS 13 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 2015, the method of discounted cash-flows was used. This was based on the interest rates 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 risk-free 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. In case of fair value pricing of certain financial instruments, the Company used additional information not derived from the market (credit risk margin) and which require more judgment. Such instruments are recognized as Level 3 assets.

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

	Fair value 31 December 2015	Valuation technique	Non-market inputs	Range
Bonds	11,155	Discounted cash flows	Additional margin for credit risk	140 – 700 bp

In 2015, the Company performed classification of fair value financial assets and liabilities, according to requirements stated above as follows:

FAIR VALUE ESTIMATION AND FAIR VALUE HIERARCHY

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets and liabilities				
Derivative financial assets				
Interest swaps	–	(1,445)	–	(1,445)
Currency swaps	–	232	–	232
Total	–	**(1,213)**	–	**(1,213)**
Other financial assets at fair value through profit or loss				
Bonds	–	–	–	–
Investment funds	144,865	–	–	144,865
Total	**144,865**	–	–	**144,865**
Available-for-sale financial assets				
Bonds	233,365	24,443	11,155	268,963
Shares	14,410	–	–	14,410
Total	**247,775**	**24,443**	11,155	**283,373**
Total financial assets measured at fair value	**392,640**	**23,230**	11,155	**427,025**

Transfer from level 2 to level 3 was caused by specifying the methodology as at 31 December 2015.

FAIR VALUE ESTIMATION AND FAIR VALUE HIERARCHY

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Interest swaps	–	(1,620)	–	(1,620)
Futures	–	–	–	–
Currency swaps	–	(392)		(392)
Total	–	**(2,012)**		**(2,012)**
Other financial assets at fair value through profit or loss				
Bonds	–	–	–	–
Investment funds	152,552	–	–	152,552
Total	**152,552**	–	–	**152,552**
Available-for-sale financial assets				
Bonds	216,323	34,757	–	251,080
Shares	17,279	–	–	17,279
Total	**233,602**	**34,757**	–	**268,359**
Total financial assets measured at fair value	**386,154**	**32,745**	–	**418,899**

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5 TANGIBLE ASSETS

As at 1 January 2014	Buildings	Land	Motor vehicles	Office equipment	Machinery and equipment	Total
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**
Year ended 31 December 2014						
Opening balance	1,548	102	829	732	1,126	4,337
Additions	7	–	198	173	464	842
Additions from a business combination	–	–	4	–	13	17
Disposals – at acquisition cost	(260)	–	(192)	(36)	(483)	(971)
Disposals – accumulated depreciation	188	–	189	36	455	868
Depreciation	(126)	–	(420)	(240)	(490)	(1,276)
Net book value at the end of the year	**1,357**	**102**	**608**	**665**	**1,085**	**3,817**
As at 31 December 2014						
Acquisition cost	1,859	102	2,041	889	3,918	8,809
Accumulated depreciation	(502)	–	(1,433)	(224)	(2,833)	(4,992)
Net book value	**1,357**	**102**	**608**	**665**	**1,085**	**3,817**
Year ended 31 December 2015						
Opening balance	1,357	102	608	665	1,085	3 ,817
Additions	49	–	723	68	204	1,044
Additions from a business combination	–	–	6	–	11	17
Disposals – at acquisition cost	–	–	(743)	(1)	(1,030)	(1,774)
Disposals – accumulated depreciation	–	–	676	1	1,027	1,704
Depreciation	(95)	–	(453)	(268)	(423)	(1,239)
Net book value at the end of the year	**1,311**	**102**	**817**	**465**	**874**	**3,569**
As at 31 December 2015						
Acquisition cost	1,908	102	2,027	956	3,103	8,096
Accumulated depreciation	(597)	–	(1,210)	(491)	(2,229)	(4,527)
Net book value	**1,311**	**102**	**817**	**465**	**874**	**3,569**

The Company has its tangible assets insured by Allianz – Slovenská Poisťovňa, a. s. The insured amount for insurance of property of legal entities and sole traders is EUR 15,595 thousand.

6 INTANGIBLE ASSETS

As at 1 January 2014	Software	VOBA	Other intangible assets	Total
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**
Year ended 31 December 2014				
Opening balance	3,186	39,337	–	42,523
Additions	2,132	–	–	2,132
Additions from a business combination	406	–	–	406
Disposals – at acquisition cost	(32)	–	–	(32)
Disposals – accumulated amortization	32	–	–	32
Amortization	(1,223)	(4,058)	–	(5,281)
Impairment allowance	(239)	–	–	(239)
Net book value	**4,262**	**35,279**	–	**39,541**
As at 31 December 2014				
Acquisition cost	11,286	64,989	3	76,278
Accumulated amortization	(7,024)	(29,710)	(3)	(36,737)
Net book value	**4,262**	**35,279**	**–**	**39,541**
Year ended 31 December 2015				
Opening balance	4,262	35,279	–	39,541
Additions	2,071	–	–	2,071
Additions from a business combination	–	–	–	–
Disposals – at acquisition cost	(1,289)	–	–	(1,289)
Disposals – accumulated amortization	1,058	–	–	1,058
Amortization	(1,501)	(3,817)	–	(5,318)
Impairment allowance	87	–	–	87
Net book value	**4,688**	**31,462**	–	**36,150**
As at 31 December 2015				
Acquisition cost	12,155	64,989	3	77,147
Accumulated amortization	(7,467)	(33,527)	(3)	(40,997)
Net book value	**4,688**	**31,462**	**–**	**36,150**

The Company assessed whether there was any objective indication of impairment of the acquired portfolio of insurance contracts (VOBA) and concluded that no such evidence existed. VOBA is consistently lower than the difference between the book and the minimum required (as a result of the liability adequacy) value of technical provisions in life and non-life insurance and there are no reasons in principle to review the assumptions used in determining the value of the portfolio.

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7 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Investments in subsidiaries and joint ventures as at 31 December 2015 related to shares in the pension company VÚB Generali d. s. s., a. s. and GSL Services, s. r. o. VÚB Generali d. s. s., a. s. and GSL Services, s. r. o. have their registered offices in the Slovak Republic. The purpose of the business of VÚB Generali d.s.s., a. s. is creation and administration of pension funds.

	31 December 2015	31 December 2014
As at 1 January	16,604	16,604
Changes	–	–
As at 31 December	**16,604**	**16,604**

As at 31 December 2015	Equity share	Acquisition cost	Impairment allowance	Book value
VÚB 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 2014				
VÚB 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**

Financial information on subsidiaries, joint ventures and associates:

As at 31 December 2015	Assets	Liabilities	Equity	Revenue	Profit/(loss)
VÚB Generali d. s. s., a. s.	17,608	800	16,808	7,024	3,224
GSL Services, s. r. o.	245	714	(469)	10	4
As at 31 December 2014					
VÚB Generali d. s. s., a. s.	19,317	1,147	18,170	7,904	4 ,601
GSL Services, s. r. o.	239	712	(473)	6	3

8 FINANCIAL ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Term deposits	12,095	1,250
Available for sale	283,373	268,359
At fair value through profit or loss	144,865	152,552
Derivatives	232	–
Total financial assets	**440,565**	**422,161**
Derivatives	1,445	2,012
Total financial liabilities	**1,445**	**2,012**

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 2015	31 December 2014
Government bonds	173,264	171,112
Corporate bonds	95,699	79,968
Total bonds	**268,963**	**251,080**
Shares	14,410	17,279
Total financial assets available for sale	**283,373**	**268,359**

Financial assets and liabilities at fair value through profit or loss	31 December 2015	31 December 2014
Bond funds	16,203	18,015
Equity funds	45,458	51,900
Mixed funds	80,748	80,551
Money market funds	440	152
Real estates funds	2,016	1,934
Derivatives	232	–
Total financial assets	**145,097**	**152,552**
Derivatives	(1 445)	(2 012)
Total financial liabilities	**(1 445)**	**(2 012)**

Mutual funds covering provision for covering the risk of investments in the name of the insured amounted to EUR 142,799 thousand (as at 31. December 2014: EUR 144,543 thousand), mutual funds held by the Company amounted to EUR 2,066 thousand (as at 31 December 2014: EUR 8,009 thousand).

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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 2014	**151,763**	**247,365**
Disposals (sale and maturity)	(8,552)	(24,375)
Purchases	6,602	30,660
Gain from revaluation (other comprehensive income and loss)	–	12,035
Net movement in fair value	727	3,360
Impairment loss	–	(420)
Change of accrued interest income	–	(266)
As at the beginning of 2015	**150,540**	**268,359**
Disposals (sale and maturity)	(4,416)	(43,546)
Purchases	6,315	54,589
Profit from revaluation (other comprehensive income and loss)	–	2,450
Net movement in fair value	1,213	1,918
Impairment loss	–	(88)
Change of accrued interest income	–	(309)
As at the end of 2015	**143, 652**	**283,373**

The fair value of financial assets with an existing market price as at 31 December 2015 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 2015 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 2015	within 1 month	within 1 year	within 10 years	over 10 years	Assets/(Liabilities)
Interest rate swaps	–	–	26,022	2,500	(1,445)
Currency swaps	30,284	1,314	–	–	232
Total	**30,284**	**1,314**	**26,022**	**2,500**	**(1,213)**
As at 31 December 2014					
Interest rate swaps	–	–	14,884	12,500	(1,620)
Currency swaps	33,259	10,385	–	–	(392)
Total	**33,259**	**10,385**	**14,884**	**12,500**	**(2,012)**

Offsetting financial assets and liabilities

Financial assets which are subject to “master netting agreements” offsetting or other similar agreements (enforced by law) are as follows:

				Not offset			
31. 12. 2015	Gross value of financial assets	Offset gross values	Net value of financial assets	Financial instruments	Cash collateral received	Securities collateral received	Net values
Derivatives	232	–	232	–	–	–	232
Total	**232**	**–**	**232**	**–**	**–**	**–**	**232**
31. 12. 2014							
Derivatives	–	–	–	–	–	–	–
Total	–	**–**	–	–	**–**	**–**	–

Financial liabilities which are subject to “master netting agreements” offsetting or other similar agreements (enforced by law) are as follows:

				Not offset			
31. 12. 2015	Gross value of financial assets	Offset gross values	Net value of financial assets	Financial instruments	Cash collateral received	Securities collateral received	Net values
Derivatives	1,445	–	1,445	–	–	–	1,445
Total	**1,445**	**–**	**1,445**	**–**	**–**	**–**	**1,445**
31. 12. 2014							
Derivatives	2,012	–	2,012	–	–	–	2,012
Total	**2,012**	**–**	**2,012**	**–**	**–**	**–**	**2,012**

9 REINSURANCE ASSETS

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

	31 December 2015	31 December 2014
Provision for unearned premium (UPR)	12,880	12,333
Provision for claims reported but not settled (RBNS) and loss adjustment expenses	32,223	30,434
Provision for claims incurred but not reported (IBNR)	2,383	2,286
Other provisions	–	26
Total	**47,486**	**45,079**

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10 LOANS AND RECEIVABLES

	31 December 2015	31 December 2014
Receivables from clients	12,655	11,948
Receivables from reinsurers	1,393	848
Other receivables	668	903
Total	**14,716**	**13,699**

Receivables from clients, from reinsurers and other receivables are shown net of impairment allowance.

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

	31 December 2015	31 December 2014
Bad debt provision for receivables from clients*	(8,667)	(8,213)
Bad debt provision for receivables from agents	(143)	(143)
Bad debt provision for other receivables	(255)	(120)
Total	**(9,065)**	**(8,476)**

*Of the total sum of provisions for receivables from clients a provision for receivables from unit-linked insurance amounted to EUR 1,903 thousand (2014: EUR 1,734 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.

11 DEFERRED ACQUISITION COSTS

	31 December 2015	31 December 2014
At the beginning of the period	28,153	26,682
Additions/(Disposals) of deferred acquisition costs during the year (Note 23)	8,484	1,471
Additions from a business combination under common control	453	–
At the end of the period	**37,090**	**28,153**

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 2015 of 22%, as follows:

	31 December 2015	31 December 2014
Deferred tax assets		
- with the expected realization after more than 12 months	3,577	3,287
- with the expected realization within 12 months	3,883	2,531
	7,460	**5,818**
Deferred tax liabilities		
- with the expected settlement after more than 12 months	(11,138)	(11,541)
- with the expected settlement within 12 months	(2,120)	(2,057)
	(13,258)	**(13,598)**
Net deferred tax liability	**(5,798)**	**(7,780)**

Movements in the deferred income tax are as follows:

Year ended	31 December 2015	31 December 2014
At the beginning of the year	(7,780)	(8,088)
Tax recognized in the income statement (Note 26)	2,282	2,041
Tax charged to other comprehensive income (Note 14)	(300)	(1,733)
At the end of the year	**(5,798)**	**(7,780)**

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

	1 January 2015	Other comprehensive income	Income statement	31 December 2015
Deferred tax asset				
Tax goodwill – a business combination under common control	660	–	39	699
Intangible assets	52	–	(19)	33
Impairment of receivables	1,021	–	(19)	1,002
Expenses tax-deductible when paid	79	–	1,425	1,504
Employee benefits	17	–	9	26
Provision for bonuses	377	–	67	444
Provision for the MTPL deficit	40	–	(40)	–
IBNR	1,756	–	(20)	1,736
Unrealised revaluation gain credited to policyholders	1,816	200	–	2,016
Total	**5,818**	**200**	**1,442**	**7,460**

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	1 January 2015	Other comprehensive income	Income statement	31 December 2015
Deferred tax liability				
Tangible assets	(251)	–	–	(251)
Revaluation of financial assets available for sale	(5,586)	(500)	–	(6,086)
VOBA	(7,761)	–	840	(6,921)
Total	**(13,598)**	**(500)**	**840**	**(13,258)**

	1 January 2014	Other comprehensive income	Income statement	31 December 2014
Deferred tax asset				
Tax goodwill – a business combination under common control	–	–	660	660
Intangible assets	–	–	52	52
Impairment of receivables	886	–	135	1,021
Expenses tax-deductible when paid	97	–	(18)	79
Employee benefits	22	–	(5)	17
Provision for bonuses	361	–	16	377
Provision for the MTPL deficit	50	–	(10)	40
IBNR	1,510	–	246	1,756
Unrealised revaluation gain credited to policyholders	952	864	–	1,816
Total	**3,878**	**864**	**1,076**	**5,818**

	1 January 2014	Other comprehensive income	Income statement	31 December 2014
Deferred tax liability				
Tangible assets	(322)	–	71	(251)
Revaluation of financial assets available for sale	(2,989)	(2,597)	–	(5,586)
VOBA	(8,655)	–	894	(7,761)
Total	**(11,966)**	**(2,597)**	**965**	**(13,598)**

The Company recorded a deferred tax liability from revaluation of financial assets available for sale.

13 CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Bank accounts	10,535	16,548
Cash equivalents	6	6
Total	**10,541**	**16,554**

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 2014	**75,302**	**25,000**
Changes during the year	–	–
As at 31 December 2014	**75,302**	**25,000**
Changes during the year	–	–
As at 31 December 2015	**75,302**	**25,000**

The Company issued a total of 75,302 shares. All shares are held by GENERALI CEE 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 2014: 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 2014 (in absolute value of EUR 776 thousand) from EUR 4,872 thousand as at 31 December 2014 to EUR 5,648 thousand as at 31 December 2015.

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PROFIT/(LOSS) FROM PREVIOUS AND CURRENT YEARS

	31 December 2015	31 December 2014
Profit/(loss) from previous years	75,276	71,800
Profit/(loss) of the current year	9,603	7,752
Additions from a business combination	(2,351)	(3,500)
Total	**82,528**	**76,052**

The financial statements for 2014 were approved at the General Meeting held on 27 May 2015. The profit of EUR 7,752 thousand was distributed as follows:
- EUR 776 thousand as an addition to the legal reserve fund.
- EUR 6,976 thousand to retained earnings of previous years.

REVALUATION DIFFERENCES FROM SECURITIES AVAILABLE FOR SALE

At the beginning of 2014	**7,225**
Unrealized gain from revaluation attributable to policyholders	(3,928)
Unrealized gain from revaluation attributable to policyholders – deferred tax	864
Loss from the available-for-sale financial assets revaluation	12,037
Loss from the available-for-sale financial assets revaluation – deferred tax	(2,648)
Transfers to net profit upon impairment	420
Transfers to net profit upon impairment – deferred tax	(92)
Transfers to net profit upon sale	(652)
Deferred tax upon sale	143
At the end of 2014	**13,369**
Unrealized gain from revaluation attributable to policyholders	(908)
Unrealized gain from revaluation attributable to policyholders – deferred tax	200
Gain from the available-for-sale financial assets revaluation	2,449
Gain from the available-for-sale financial assets revaluation – deferred tax	(540)
Transfers to net profit upon impairment	88
Transfers to net profit upon impairment – deferred tax	(19)
Transfers to net profit upon sale	(268)
Deferred tax upon sale	59
At the end of 2015	**14,430**

15 TECHNICAL LIABILITIES ARISING FROM INSURANCE CONTRACTS

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

Gross	31 December 2015	31 December 2014
- Claims reported but not settled (RBNS) and loss adjustment expenses	75,205	68,908
- Claims incurred but not reported (IBNR)	10,273	10,676
- Provision for unearned premium	33,277	29,915
- Provision for profit sharing and premium refund	856	637
- Provision for the deficit in MTPL insurance	–	3,388
- Life insurance provision	159,167	154,607
- Provision for covering the risk of investments on behalf of the insured	142,799	144,543
- Other provisions	–	63
Total insurance liabilities, gross	**421,577**	**412,737**

Share of reinsurers (reinsurance assets)	31 December 2015	31 December 2014
- Claims reported but not settled (RBNS) and loss adjustment expenses	32,223	30,434
- Claims incurred but not reported (IBNR)	2,383	2,286
- Provision for unearned premium	12,880	12,333
- Provision for profit sharing and premium refund	–	–
- Provision for the deficit in MTPL insurance	–	–
- Life insurance provision	–	–
- Provision for covering the risk of investments on behalf of the insured	–	–
- Other provisions	–	26
Total share of reinsurance on insurance liabilities	**47,486**	**45,079**

Net	31 December 2015	31 December 2014
- Claims reported but not settled (RBNS) and loss adjustment expenses	42,982	38,474
- Claims incurred but not reported (IBNR)	7,890	8,390
- Provision for unearned premium	20,397	17,582
- Provision for profit sharing and premium refund	856	637
- Provision for the deficit in MTPL insurance	–	3,388
- Life insurance provision	159,167	154,607
- Provision for covering the risk of investments on behalf of the insured	142,799	144,543
- Other provisions	–	37
Total net liabilities from insurance	**374,091**	**367,658**

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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 2015			31 December 2014		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	62,417	(29,767)	32,650	62,678	(31,845)	30,833
IBNR	5,180	(2,286)	2,894	4,622	(2,031)	2,591
Total at the beginning of the year	**67,597**	**(32,053)**	**35,544**	**67,300**	**(33,876)**	**33,424**
Insurance claims paid for claims settled in the year	(47,349)	19,099	(28,250)	(43,262)	17,141	(26,121)
Additions from a business combination	1,970	–	1,970	3,432	(1,365)	2 ,067
Change in liabilities	51,212	(21,441)	29,771	40,127	(13,953)	26,174
Total at the end of year	**73,430**	**(34,395)**	**39,035**	**67,597**	**(32,053)**	**35,544**
RBNS	67,999	(32,012)	35,987	62,417	(29,767)	32,650
IBNR	5,431	(2,383)	3,048	5,180	(2,286)	2,894
Total at the end of year	**73,430**	**(34,395)**	**39,035**	**67,597**	**(32,053)**	**35,544**

LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS:

	31 December 2015			31 December 2014		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	3,701	(160)	3,541	3,327	–	3,327
IBNR	5,176	–	5,176	3,970	–	3,970
Total at the beginning of the year	**8,877**	**(160)**	**8,717**	**7,297**	**–**	**7,297**
Insurance claims paid for claims settled in the year	(26,612)	143	(26,469)	(26,655)	184	(26,471)
Change in liabilities	27,559	17	27,576	28,235	(344)	27,891
Total at the end of year	**9,824**	**–**	**9,842**	**8,877**	**(160)**	**8,717**
RBNS	5,154	–	5,154	3,701	(160)	3,541
IBNR	4,670	–	4,670	5,176	–	5,176
Total at the end of year	**9,824**	**–**	**9,824**	**8,877**	**(160)**	**8,717**

CONTRACTS WHERE THE INSURED BEARS THE RISK OF INVESTMENT:

	31 December 2015			31 December 2014		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	1,924	–	1,924	1,600	–	1,600
IBNR	320	–	320	314	–	314
Total at the beginning of the year	**2,244**	**–**	**2,244**	**1,914**	**–**	**1,914**
Insurance claims paid for claims settled in the year	(21,226)	–	(21,226)	(26,381)	–	(26,381)
Change in liabilities	20,818	–	20,818	26,711	–	26,711
Total at the end of year	**1,836**	**–**	**1,836**	**2,244**	**–**	**2,244**
RBNS	1,664	–	1,664	1,924	–	1,924
IBNR	172	–	172	320	–	320
Total at the end of year	**1,836**	**–**	**1,836**	**2,244**	**–**	**2,244**

ACTIVE REINSURANCE:

	31 December 2015			31 December 2014		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	866	(507)	359	249	(170)	79
IBNR	–	–	–	–	–	–
Total at the beginning of the year	**866**	**(507)**	**359**	**249**	**(170)**	**79**
Insurance claims paid for claims settled in the year	(360)	252	(108)	(131)	84	(47)
Change in liabilities	(118)	44	(74)	748	(421)	327
Total at the end of year	**388**	**(211)**	**177**	**866**	**(507)**	**359**
RBNS	388	(211)	177	866	(507)	359
IBNR	–	–	–	–	–	–
Total at the end of year	**388**	**(211)**	**177**	**866**	**(507)**	**359**

b) Provisions for unearned premium

NON-LIFE INSURANCE:

	31 December 2015			31 December 2014		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	26,469	(12,115)	14,354	23,457	(10,528)	12,929
Additions from a business combination	721	–	721	1,784	(714)	1,070
Change	2,063	(485)	1,578	1,228	(873)	355
At the end of the year	**29,253**	**(12,600)**	**16,653**	**26,469**	**(12,115)**	**14,354**

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LIFE INSURANCE CONTRACTS WITH FIXED AND GUARANTEED TERMS:

	31 December 2015			31 December 2014		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	3,157	(59)	3,098	2,952	(129)	2,823
Change	520	(36)	484	205	70	275
At the end of the year	**3,677**	**(95)**	**3,582**	**3,157**	**(59)**	**3,098**

ACTIVE REINSURANCE:

	31 December 2015			31 December 2014		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	289	(158)	131	140	(85)	55
Change	58	(27)	31	149	(73)	76
At the end of the year	**347**	**(185)**	**162**	**289**	**(158)**	**131**

c) Provision for MTPL deficit

	31 December 2015			31 December 2014		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	3,388	–	3,388	3,355	–	3,355
Additions from a business combination	–	–	–	703	–	703
Release during the year	(3,388)	–	(3,388)	(670)	–	(670)
At the end of the year	**–**	**–**	**–**	**3,388**	**–**	**3,388**

d) Technical provision for life insurance

	31 December 2015			31 December 2014		
Year ended	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	154,607	–	154,607	153,469	–	153,469
Increase from premiums	23,986	–	23,986	22,738	–	22,738
Release for payments on death, surrender and other terminations in the year	(20,147)	–	(20,147)	(24,402)	–	(24,402)
Change – provision for the share on profit (DPF)	(57)	–	(57)	(44)	–	(44)
Change – Liability adequacy test	(130)	–	(130)	(1,082)	–	(1,082)
Change – Deferred liabilities to the insured (DPF)	908	–	908	3,928	–	3,928
At the end of the year	**159,167**	–	**159,167**	**154,607**	**–**	**154,607**

DEFERRED LIABILITIES TO THE INSURED – MOVEMENTS:

At the beginning of 2014	**4,329**
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	3,982
At the end of 2014	**8,257**
Adjustment from unrealized gains and losses on assets available for sale (Note 14)	908
At the end of 2015	**9,165**

TECHNICAL PROVISION FOR LIFE INSURANCE – BREAKDOWN BY COMPONENTS:

	31 December 2015	31 December 2014
Technical provision for life insurance	**159,167**	**154,607**
Provision for guaranteed benefits	149,603	145,821
Provision for unallocated share on profit	–	–
Provision from liability adequacy test	399	529
Deferred liability to policyholders	9,165	8,257

e) Provision for covering the risk of investments in the name of the insured (investment life insurance)

	31 December 2015			31 December 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At the beginning of the year	144,543	–	144,543	143,053	–	143,053
Insurance premium less charges	20,077	–	20,077	21,027	–	21,027
Insurance claims from death, surrenders, and other terminations in the year	(22,061)	–	(22,061)	(24,063)	–	(24,063)
Change in valuation of mutual fund shares	240	–	240	4,526	–	4,526
At the end of the year	**142,799**	**–**	**142,799**	**144,543**	**–**	**144,543**

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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 2015	31 December 2014
From the provision for unearned premium	170	115
From provisions for insurance claims	27	171
Total	**197**	**286**

The average interest rate on the Company's deposits from reinsurers amounts to 3% (2014: 3%).

17 TRADE AND OTHER LIABILITIES

	31 December 2015	31 December 2014
Financial and insurance liabilities:		
Payables to clients	13,264	9,335
Payables – brokers and agents	2,703	1,343
Payables – co-insurance	49	639
Payables from reinsurance	15,810	13,389
Amounts due to related parties	(1)	4,709
Payables – suppliers	3,430	860
Accruals:		
Commission	3,233	2,628
General expenses – not settled rental, services and other expenses	961	1,879
Payable from rental agreement	806	986
Total financial and insurance liabilities	**40,255**	**35,768**
Non-financial liabilities:		
Payables – employees	703	705
Payables – social security	436	403
Accruals – personal expenses	2,244	1,965
Provisions for employee benefits	117	78
Other provisions	266	477
Accrued commission from reinsurers	3,130	2,761
Contribution to the Emergency Medical Service (8% from MPTL premium)	2,311	2,068
VAT and other taxes	363	307
Total non-financial liabilities	**9,570**	**8,764**
Total liabilities	**49,825**	**44,532**

ACCRUED COMMISSION FROM REINSURERS:

	31 December 2015	31 December 2014
Opening balance	2,761	2,499
Net usage/creation	369	262
Closing balance	**3,130**	**2,761**

All liabilities are within due date.

LIABILITIES TO EMPLOYEES ALSO INCLUDE LIABILITIES FROM THE SOCIAL FUND:

	31 December 2015	31 December 2014
Opening balance	75	64
Creation from salaries	180	149
Additions from a business combination	3	5
Usage	(245)	(143)
Closing balance	**13**	**75**

18 NET EARNED PREMIUM

	Gross amount		Reinsurance share		Net amount	
	2015	2014	2015	2014	2015	2014
Written premium in non-life insurance	106,704	92,360	(52,194)	(45,746)	54,510	46,614
Written premium in life insurance	83,984	78,331	(750)	(702)	83,234	77,629
Written premium in active reinsurance	3,582	3,308	(1,818)	(1,831)	1,764	1,477
Total written premium	**194,270**	**173,999**	**(54,762)**	**(48,279)**	**139,508**	**125,720**
Non-life insurance, change in unearned premium provision	(2,063)	(1,380)	724	874	(1,339)	(506)
Life insurance, change in unearned premium provision	(520)	(204)	35	(70)	(485)	(274)
Active reinsurance, change in unearned premium provision	(58)	3	27	73	(31)	76
Total change in unearned premium provision	**(2,641)**	**(1,581)**	**786**	**877**	**(1,855)**	**(704)**
Earned premium in non-life insurance	104,641	90,980	(51,470)	(44,872)	53,171	46,108
Earned premium in life insurance	83,464	78,127	(715)	(772)	82,749	77,355
Earned premium in active reinsurance	3,524	3,311	(1,791)	(1,758)	1,733	1,553
Total earned premium	**191,629**	**172,418**	**(53,976)**	**(47,402)**	**137,653**	**125,016**

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19 INCOME/(LOSS) FROM FINANCIAL INVESTMENTS AND INCOME/(LOSS) FROM DERIVATIVE FINANCIAL INVESTMENTS

	2015	2014
Financial assets and liabilities at fair value through profit or loss		
Unrealized gain/ (loss) from other financial assets at fair value through profit or loss	172	190
Realized gain/ (loss) from other financial assets at fair value through profit or loss	82	2,108
Net change in fair value of investments on behalf of policy holders	240	2,418
	494	**4,716**
Unrealized net profit/(loss) from derivative financial instruments	–	–
Realized net profit/(loss) from derivative financial instruments	(359)	(428)
	(359)	**(428)**
Hedge accounting – unrealized net profit/(loss) from derivative financial instruments	801	(1,881)
Hedge accounting – realized net profit/(loss) from derivative financial instruments	(3,607)	(2,905)
	(2,806)	**(4,786)**
Total	**(2,671)**	**(498)**
Financial assets available for sale		
Interest income from securities (coupon)	8,439	8,845
Amortization of discount/ premium	(756)	(901)
Realized net gain/ (loss) from financial assets available for sale	268	651
Realized net FX gain/ (loss) from financial assets available for sale	(49)	(39)
Unrealized net FX gain/ (loss) from financial assets available for sale	2,905	2,968
Unrealized net gain/ (loss) from financial assets available for sale	(231)	1,294
Dividend income	292	263
Total	**10,868**	**13,081**
- Out of which: Hedge accounting – net gain/(loss) from hedged financial investments	2,622	4,224
Term deposits		
Interest income	1	2
Total	**1**	**2**
Other income*	**2,352**	**1,324**
Total	**10,550**	**13,909**

**includes dividend income from joint venture VÚB Generali–DSS.

20 IMPAIRMENT LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE

Except for expenses and revenues from financial assets available for sale disclosed in Note 19, the Company recognized an impairment loss on financial assets available for sale of EUR 88 thousand (2014: EUR 420 thousand).

21 OTHER INCOME

Other income includes commission from the management companies of investment funds of EUR 968 thousand (2014: EUR 868 thousand), proceeds from the claims processing for foreign partners of EUR 248 thousand (2014: EUR 235 thousand), net proceeds from sale of assets of EUR 261 thousand (2014: EUR 61 thousand).

22 NET INSURANCE BENEFITS AND CLAIMS

	Gross amount		Reinsurance share		Net amount	
	2015	2014	2015	2014	2015	2014
Claims paid	91,248	92,473	(19,495)	(17,408)	71,753	75,065
- of which recourses	(4,299)	(3,956)	1,983	1,583	(2,316)	(2,374)
Claims handling expenses*	6,806	5,666	–	–	6,806	5,666
Change in provisions for insurance claims	3,925	(607)	(1,331)	2,690	2,594	2,083
Change in provisions for profit sharing and premium refund	125	(519)	–	–	125	(519)
Change in MTPL deficit provision	(3,388)	33	–	–	(3,388)	33
Profit sharing	457	275	–	–	457	275
Change in the technical provision for life insurance	3,652	(2,791)	–	–	3,652	(2,791)
Change in the provision for unit-linked insurance contracts on behalf of policyholders	(1,744)	1,490	–	–	(1,744)	1,490
Other costs for insurance benefits	2,531	–	26	–	2,557	–
Total	**103,612**	**96,021**	**(20,800)**	**(14,718)**	**82,812**	**81,303**

*Out of which internal claims handling costs allocated from administrative expenses represent the amount of EUR 4,494 thousand (2014: EUR 3,640 thousand).

23 COMMISSION AND OTHER ACQUISITION COSTS

	Commission		Accruals		Other acquisition costs		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Non-life insurance	20,914	16,368	(280)	221	9,964	7,643	30,598	24,232
Life insurance	20,166	12,022	(8,204)	(1,692)	4,327	3,591	16,289	13,921
Active reinsurance	1,338	1,045	–	–	347	278	1,685	1,323
Total	**42,418**	**29,435**	**(8,484)**	**(1,471)**	**14,638**	**11,512**	**48,572**	**39,476**

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

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24 INVESTMENT MANAGEMENT EXPENSES

Investment management expenses include all costs of managing financial investments, including staff costs of asset managers of EUR 767 thousand in 2015 (2014: EUR 720 thousand).

25 EXPENSES BY CATEGORY

Commission and other acquisition costs, investment management expenses and administrative costs are broken down by category in the following table:

	2015	2014
Wages and salaries	11,766	10,642
Remuneration paid to the Board of Directors – short-term employee benefits	924	680
Pension costs (members of the Board of Directors)	34	29
Other social costs (members of the Board of Directors)	60	76
Social costs (employees)	4,132	3,699
Other personnel costs, of which:	202	259
- defined benefit plan (change of provision)	39	27
- defined benefit plan	174	149
Total personnel costs	**17,118**	**15,385**
Advertising and promotional activities	3,186	2,010
Rental	2,075	2,128
IT expenses	2,239	2,012
Postal and telecommunication services	1,178	1,314
Advisory	109	578
Audit fee*	186	174
Travel costs	423	417
Training courses	303	308
Depreciation and amortization (Note 5 and 6)	6,557	6,557
Investment management expenses (Note 24)	767	720
Commission (including accruals)	33,934	27,964
Change in the impairment allowance for receivables (Note 10)	972	(334)
Written off receivables	836	854
Assistance services	844	560
Other	3,877	3,682
out of which internal claims handling costs	(4,494)	(3,640)
Total costs other than insurance claims and benefits	**70,110**	**60,689**

*Of which: audit EUR 93 thousand
other services EUR 93 thousand

The members of the Supervisory Board received no income for their Supervisory Board membership in 2015.

26 INCOME TAX

	2015	2014
Income tax for the current period	3,942	3,412
Tax for previous periods	(292)	94
Tax levy	398	275
Deferred tax (Note 12)	(2,282)	(2,041)
Total tax expense	**1,766**	**1,740**

RECONCILIATION OF THE EFFECTIVE TAX RATE:

	2015	2014
Profit/ (loss) before taxes	11,369	9,492
Income tax calculated using 22% tax rate	2,501	2,088
Tax non-deductible expenses, non-taxable income	(841)	(717)
Tax levy	398	275
Additional tax for the year	(292)	94
Total tax expense	**1,766**	**1,740**

27 INFORMATION ABOUT EMPLOYEES

	2015	2014
Top management	5	4
Middle management	44	39
Other employees	594	557
Total	**643**	**600**

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28 TRANSACTIONS WITH RELATED PARTIES

The terms and conditions of transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions.

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 CEE Holding B. V., Amsterdam

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

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

Other related entities:
Generali Holding Vienna, AG, Vienna
Generali Versicherung, AG, Vienna
Generali Pojištovna, a. s., Praha (belongs to Generali CEE Holding B. V.)
Generali PPF Asset Management a. s., Praha (belongs to Generali CEE Holding B. V.)
Intesa Sanpaolo SpA, Milano
Europ Assistance s. r. o., Praha
Generali IARD S. A., Paris
AachenMünchener Versicherung AG, Aachen
Generali Towarzystwo Ubezpieczen, Varšava
GP Reinsurance EAD, Bulharsko
Česká pojišťovna, a. s., Praha
Česká pojišťovna ZDRAVÍ a. s., Praha
Generali Zavarovalnica, Ljubljana
Generali-Provid. Biztosító/N
Generali IT, s. r. o., Bratislava
Generali Rückversicherung, AG, Vienna
Generali France S. A., Paris
CP INVEST investiční společnost, a. s., Praha
Europäische Reiseversicherungs AG, Wien
Generali Development spol. s. r. o., Praha
Generali Fund Management S. A., Luxemburg
Generali Infrastructure Services s. c. a. r. l., Trieste
Generali Invest CEE Plc, Dublin
Generali Investments Luxembourg S. A.
Europai Utazasi Biztosito Rt., Budapest

Related parties without reinsurance 31 December 2015	Receivables	Payables	Financial investments*	Expenses	Income
Assicurazioni Generali S. p. A., Trieste	–	518	–	494	–
CP INVEST investiční společnost, a. s., Praha	–	–	1,997	–	139
Česká pojišťovna ZDRAVÍ a. s., Praha	–	–	–	–	–
Česká pojišťovna, a. s., Praha	–	–	–	20	–
Europ Assistance s. r. o., Praha	100	–	–	642	–
Europäische Reiseversicherungs AG, Wien	1	–	–	–	6
Generali Development spol. s. r. o., Praha	–	–	–	20	–
Generali Fund Management S. A., Luxemburg	–	–	72,932	–	1,056
Generali Holding Vienna AG, Wien	–	–	–	84	–
Generali Infrastructure Services s. c. a. r. l., Trieste	–	–	–	11	–
Generali Invest CEE Plc, Dublin	–	–	17,124	1,116	–
Generali Investments Luxembourg S. A.	–	–	–	–	206
Generali IT, s .r. o., Bratislava	–	–	–	–	1
Generali PPF Asset Management a. s., Praha	–	15	–	590	–
Generali PPF Holding B. V., Praha	2	–	–	450	–
Generali-Providencia Biztosító Rt., Budapest	–	–	–	133	–
Genertel Biztosító Zrt, Budapest	1	–	–	–	–
GSL Services, s. r. o., Bratislava	3	–	7	–	–
VÚB Generali dôchodková správcovská spoločnosť, a. s., Bratislava	5	–	16,597	–	2,296
Board of Directors	–	–	–	1,018**	–
Total	**112**	**533**	**108,657**	**4,578**	**3,704**

*CP INVEST investiční společnost, a. s., Generali Fund Management S. A. and Generali PPF Invest Plc – investments in mutual funds; the income represents revaluation of the mutual funds.
**Represent wages, bonuses and social costs.

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Related parties – reinsurers' share	Receivables	Payables*	31.12.2015 Share of provisions	Expenses	Income	Change in technical provisions
AachenMünchener Versicherung AG, Aachen	–	9	7	24	18	16
Assicurazioni Generali S. p. A., Trieste	55	626	236	1,664	498	211
Česká pojišťovna, a. s., Praha	313	24	320	42	16	42
Europai Utazasi Biztosito Rt., Budapest	–	27	–	213	85	–
Generali España, S. A. de Seguros y Reaseguros, Madrid	–	15	61	11	8	71
Generali France S. A., Paris	–	159	–	–	–	–
Generali Holding Vienna AG, Wien	–	2,333	1,899	3,923	3,636	207
Generali IARD S. A., Paris	–	17	121	252	50	52
Generali Italia S. p. A., Mogliano Veneto	–	17	710	508	783	661
Generali Pojistovna a. s., Praha	–	4	22	65	12	-4
Generali Towarzystwo Ubezpieczen, Varsava	–	3	1	2	–	–
Generali Versicherung AG, Wien	642	3	739	990	706	(155)
Generali Zavarovalnica d. d., Ljubljana	–	–	–	4	1	–
Generali-Providencia Biztosító Rt., Budapest	–	–	–	–	–	–
GP Reinsurance EAD, Sofia	–	13,524	41,123	39,319	24,699	(2,612)
Total	**1,010**	**16,761**	**45,239**	**47,017**	**30,512**	**(1,511)**

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

Related parties without reinsurance 31 December 2014	Receivables	Payables	Financial investments*	Expenses	Income
Generali Holding Vienna, AG, Vienna	–	7	–	91	–
Generali Versicherung, AG, Vienna	–	–	–	–	–
Česká Pojištovna, a. s., Praha	–	–	–	–	–
GSL Services, s. r. o., Bratislava	–	–	7	–	1
Generali IT, s. r. o., Bratislava	–	–	–	–	1
Generali PPF Asset Management a. s., Praha	–	14	–	548	–
Generali PPF Holding B. V., Amsterdam	8	415	–	402	–
Europ Assistance s. r. o., Praha	92	1	–	312	–
PPF Banka a. s., Praha	–	–	672	1,825	677
Generali Development spol. s r. o., Praha	–	10	–	10	–
Home Credit Finance Bank, Russia	–	–	–	4	69
CP INVEST investiční společnost, a. s., Praha	–	–	1,948	–	59
Generali Fund Management S. A., Luxemburg	–	–	69,774	–	1,038
Generali PPF Invest Plc, Dublin	–	–	23,838	3	–
Genertel Biztosító Zrt, Budapešť	–	4,575	–	–	18
Intesa Sanpaolo SpA, Milano	–	–	1,839	–	86
VÚB Generali dôchodková správcovská spoločnosť, a. s. Bratislava	5	–	16,597	–	1,159
Board of Directors	–	–	–	785**	–
Total	**105**	**5,022**	**114,675**	**3,980**	**3,108**

*PPF Bank - deposits in banks; Intesa Sanpaolo S. p. A. – bond, coupon 5%;
CP INVEST investiční společnost, a. s., Generali Fund Management S. A. and Generali PPF Invest Plc – investments in mutual funds; income represents revaluation of the mutual funds.
**Represent wages, bonuses and social costs.

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Related parties – reinsurers' share	Receivables	Payables*	31.12.2014 Share of provisions	Expenses	Income	Change in technical provisions**
Assicurazioni Generali, S. p. A., Trieste	–	548	436	1,503	499	(140)
Generali Holding Vienna, AG, Vienna	12	–	49	–	–	579
Generali Versicherung, AG, Vienna	–	24	584	1,187	273	365
Generali Rückversicherung, AG, Vienna	–	40	–	6	7	–
Generali Towarzystwo Ubezpieczen S. A., Varšava	–	2	1	2	–	(1)
Generali Pojišťovna a. s., Praha	–	3	18	53	7	(18)
Generali Italia S. p. A., Mogliano Veneto	112	22	1,382	528	171	787
Generali IARD S. A., Paris	–	19	173	325	45	(35)
Generali France S. A., Paris	–	232	–	–	–	–
AachenMünchener Versicherung AG, Aachen	2	–	23	22	24	(16)
Generali Espana, S. A., Madrid	–	88	132	167	3	(132)
GP Reinsurance EAD	–	13,428	39,235	37,698	25,198	(456)
Česká pojišťovna, a. s., Praha	381	76	279	209	25	(127)
Generali Zavarovalnica, Ljubljana	–	–	–	8	1	–
Total	**507**	**14,482**	**42,312**	**41,708**	**26,253**	**806**

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

The balances due to or from the companies mentioned above are related to reinsurance, advisory and management services. All the balances were short-term, 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

Ligitation

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 the 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 acceptable, given the scope of insurance activities performed by the Company. The Company monitors the frequency of re-opened insured 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 its financial position.

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 on which the Company believes that it should not be taxed. Tax authorities have not inspected the taxable periods 2010, 2011 and 2013 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 checked by the tax authorities, may be subject to tax inspection up to 2020 – up to five years after the end of the year in which the Company was obliged to file a tax return.

Operating lease

The Company has rented headquarters premises for a fixed term. The value of future minimum lease payments as at 31 December 2015 is as follows:

	31 December 2015	31 December 2014
Up to 1 year	1,489	1,489
1 to 5 years	5,212	5,956
More than 5 years	–	745
Minimum lease payments	**6,701**	**8,190**

30 EVENTS AFTER THE BALANCE SHEET DATE

After the date of the preparation of the financial statements, no significant events have occurred which would require a change in these financial statements as at 31 December 2015.

These financial statements were prepared in Bratislava, Slovak Republic and authorized for issue by the Board of the Company on 24 March 2016.

Affidavit

I declare that the information contained in the annual report of Generali Poisťovňa, a. s., for the year 2015 is true and that no material circumstances have been omitted or misrepresented.

Bratislava, 27 April 2016

Ing. Igor Palkovič
Board member and Deputy General Director for Finance

Contact Details

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

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