Generali Česká pojišťovna a.s.

Solvency and Financial Condition Report

2022

Index

Introduction

Generali Česká pojišťovna a.s. (the Company or GČP), falling under the scope of Solvency II Directive reporting, is required to prepare its own Solvency and Financial Condition Report (SFCR). This is in accordance with Directive 2009/138/EC (the Solvency II Directive) as well as with Delegated Regulation 2015/35/EC (the Delegated Regulation) and the related Guidelines.

Policyholders and beneficiaries are the main SFCR addressees. The SFCR ensures increased market transparency through support for the application of best practices, and also supports greater market confidence that leads to an improved understanding of the insurance business.

The SFCR's specific content is defined by primary legislation and implementing measures, which provide detailed information on the essential aspects of its business, such as a description of the commercial activity and performance of the undertaking, the system of governance, its risk profile, an evaluation of assets and liabilities, and capital management for solvency purposes.

When disclosing the information referred to in this report, figures reflecting monetary amounts will be disclosed in thousands of Czech crowns (CZK), which is the Company's functional currency, unless otherwise stated. Negligible differences can arise due to rounding.

This document was approved by the Company's Board of Directors on 3 April 2023

Glossary

AFS	Available For Sale
AHD	Accident, Health and Disability
ALAE	Allocated Loss Adjustment Expenses
ALM	Asset Liability Management
AMSB	Administrative, Management and Supervisory Body
BEL	Discounted Best Estimate of Liabilities
BoD	Board of Directors
BOF	Basic Own Funds
BSCR	Basic Solvency Capital Ratio
CAT	CATastrophic risk
CAT XL	CATastrophe eXcess of Loss reinsurance contract
CB	Contract Boundaries
CDA	Counterparty Default Adjustment
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIB	Czech Insurers' Bureau
CMP	Capital Management Plan
CoC	Cost of Capital
COR	Combined Ratio
CRO	Chief Risk Officer
CV	Curriculum Vitae
CZK	Czech crowns
CNP	Czech Nuclear Insurance Pool
D&O	Directors and Officers Liability
DFM	Development Factor Models
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EC	European Community
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected Profit Included in Future Premiums
EU countries	Countries of the European Union
EUR	Euro
FV	Fair Value
FVTPL	Fair Value Through Profit or Loss
FX derivates	Foreign eXchange derivates
FY	Financial Year
GAAP	Generali Accepted Accounting Principles
GCC	Global Corporate and Commercial
GCRO	Group Chief Risk Officer
Generali	Assicurazioni Generali S.p.A. - the ultimate parent company of the Company
GIGP	Group Investment Governance Policy
GIRG	Group Investment Risk Guidelines
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
ICS	Internal Control System
ID number	IDentification number
IFRS	International Financial and Accounting Standards
IT	Information Technology
L	Life insurance
LAE	Lost Adjustment Expenses
LAF	Life Actuarial Function
LDC	Loss Data Collection
LoB	Line of Business
LTI	Long Term Incentive programs
MCR	Minimum Capital Requirement
MCZK	Millions of Czech crowns
MTPL	Motor Third Party Liability
MVBS	Market Value Balance Sheet
MVM	Market Value Margin
NAT CAT	Natural Catastrophic excess of loss reinsurance contract
NCC	New Civil Code
NG	Percentage of IFRS Net Outstanding Claims Reserve on IFRS Gross Outstanding Claims Reserve for each accident year
NL	Non-life Insurance
No	Number
OCR	Outstanding Claims Reserve
ORSA	Own Risk and Solvency Assessment
P&C	Property & Casualty, Non-life insurance
P&L	Profit and Loss
PDF	Probability Distribution Forecast
PIM	Partial Internal Model
QRT	Quantitative Reporting Template
RA	Risk Adjustment
RAF	Risk Appetite Framework
RBNS	Reported But Not Settled
ResQ	Group Reserving Tool
RFF	Ring Fenced Funds
RM	Risk Margin
RSR	Regular Supervisory Report
RUB	Russian rouble
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II: the set of legislative and regulatory provisions introduced following the issue of Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009
SLT	Similar to Life Techniques

SME business	Small and Medium-Sized Enterprise business
SPV	Special Purpose Vehicle
STI	Short Term variable Incentives
TCZK	Thousands of Czech crowns
the Bureau	Czech Insurers' Bureau
the Company	Generali Česká pojišťovna, a.s.
TP	Technical Provisions
TPL	Third Party Liability
TRCR	Technical Reserves Coverage Requirement
UBEL	Undiscounted Best Estimate of Liabilities
UL (products)	Unit Linked products
ULAE	Unallocated Loss Adjustment Expenses
UW	Underwriting
VaR calculation	Value at Risk calculation
XL	Excess of Loss reinsurance
YE	Year End

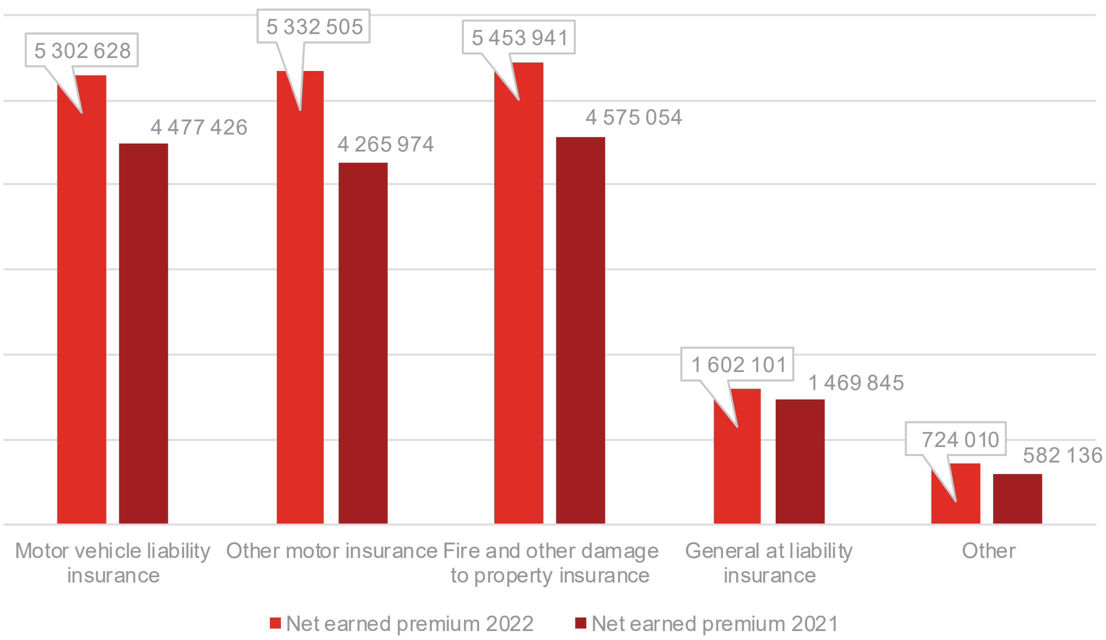
Summary

The objective of the Solvency and Financial Condition Report (SFCR) is to increase transparency in the insurance market by requiring insurance and reinsurance undertakings to publicly disclose a report on their solvency and financial condition on an annual basis.

BUSINESS AND PERFORMANCE (SECTION A)

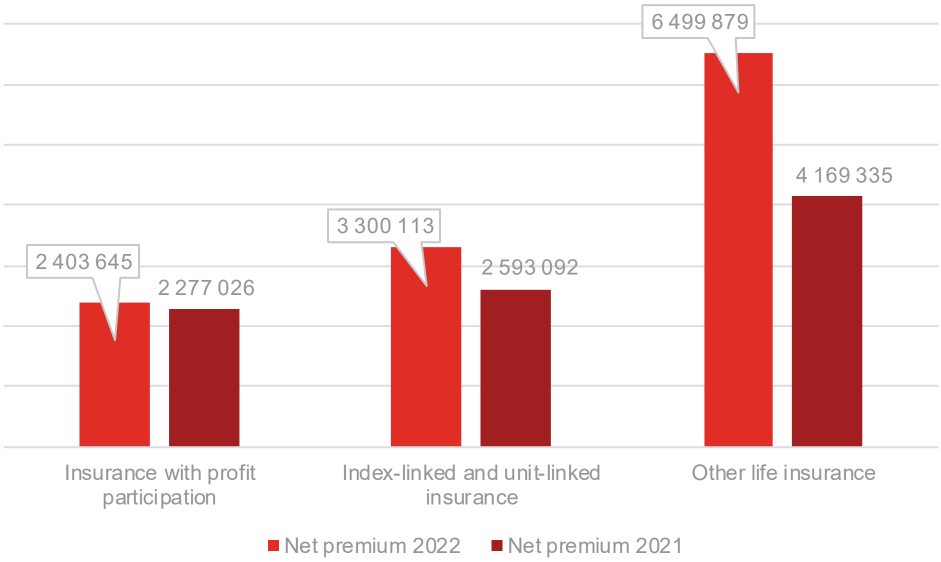
Generali Česká pojišťovna is a composite insurance company providing individual life and non-life insurance as well as insurance for small, medium and large clients covering risks in industry, business and agriculture. In November 2021 a branch in the Slovak Republic (the "Branch") has been established and on 19 December 2021, as part of the Generali Group insurance activities concentration process, Generali Česká pojišťovna took over, into its newly established branch, insurance portfolios from the former Generali Poisťovňa a.s., Slovak Republic (now GSK Financial a.s.).
In mid-December 2022, A.M. Best, an international rating agency specializing in the insurance sector, confirmed an 'A' (Excellent) financial strength rating for Generali Česká pojišťovna with a stable outlook and an "a+" credit rating with a stable outlook. The rating reflects the strong balance sheet and stability of the Company. A.M. Best further positively evaluated the operating performance, very favourable business profile, appropriate risk management and solid capitalization of Generali Česká pojišťovna.
The Company managed over nine-and-a-half million insurance policies as of 31 December 2022. The performance in 2022 gave it a Czech market share of 26 % and a Slovak market share of 12%.

Non-life insurance



The non-life insurance results are influenced by the fact, that in 2022, the Branch is included in the results. Generali Česká pojišťovna was confirmed as the leading non-life insurance service provider in 2022 in Czech republic with a 26.8% Czech market share. Market share of the Branch was in 2022 14%. While MTPL premiums written stagnated, other motor insurance premiums written increased, especially significant growth was recorded in Slovak republic, where the Company other motor insurance growth is the fastest in the market. The premium also grew in other areas.

Life insurance



The underwriting results of Generali Česká pojišťovna for the year 2022 in life insurance was also significantly influenced by the fact, that Branch is included in the result of the year 2022. In 2022, unlike last year, the new business contributed to the growth of the portfolio and was able to compensate the decrease in the portfolio.

SYSTEM OF GOVERNANCE (SECTION B)

The Company's system of governance has been set up to ensure operational effectiveness and efficiency, financial reporting reliability, compliance with laws and regulations, the development of and compliance with the Company's strategies, and the detection and prevention of conflicts of interest and internal fraud. The adequacy of the system of governance is subject to independent review on a yearly basis by the internal audit function. There have been no material changes to the system of governance since the last report.

RISK PROFILE (SECTION C)

Generali Česká pojišťovna is a member of the Generali Group and applies an internal approach to determine the available financial resources and the capital requirements for the risks to which it is exposed (internal model), for the Company without the Branch and The Branch is calculated using the Standard Formula. Inclusion of Branch into internal model process has been requested and it subject of application in 2023.

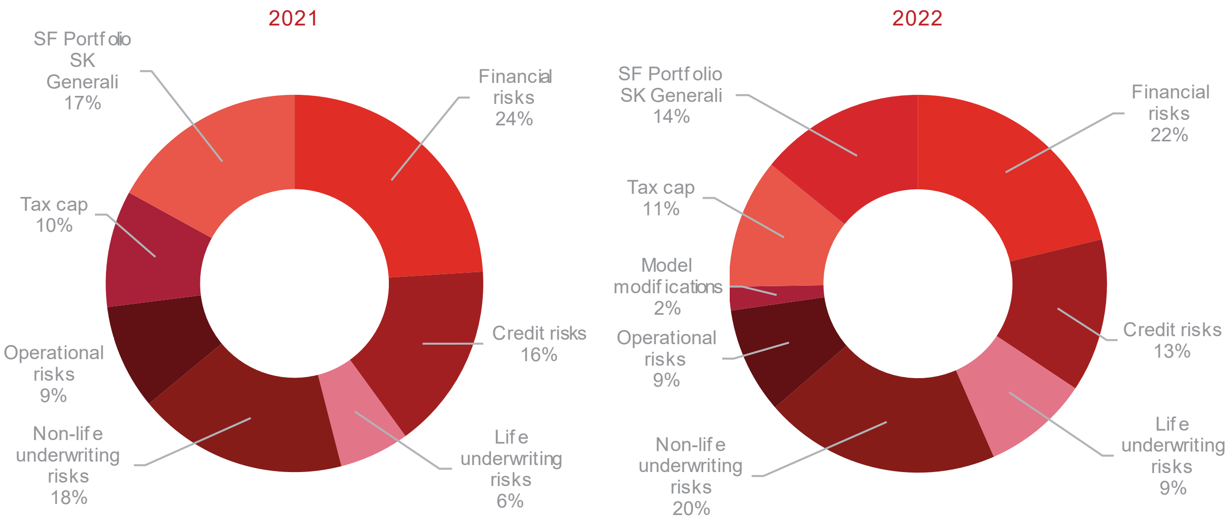
The Risk Management System is based on three main pillars:

i. the risk assessment process: aimed at identifying and evaluating the risks and the solvency position of the Company;
ii. the risk governance process: aimed at defining and controlling managerial decisions in relation to the relevant risks;
iii. the risk management culture: aimed at embedding risk awareness in decision-making processes and increasing value creation.

The Company has implemented a Risk Management System that aims at identifying, evaluating, monitoring and managing the most important risks to which the Company is exposed.

The structure of capital requirements demonstrate a stability of the risk profile of the Company, with higher risks related to the asset portfolio than to liabilities arising from insurance contracts. However this year with lower exposure and riskiness of assets we can observe the distribution of the risks becomes more even with significant contribution of nonlife underwriting risks to total SCR and lower contribution of the financial and credit risks. There is a noticeable drop of capital requirement for acquired Slovak portfolio, which is currently mainly exposed to life and nonlife underwriting risks with market risks significantly lower year-to-year due to drop in market value of assets.

Solvency Capital Requirement (SCR) by type of risk before diversification



VALUATION FOR SOLVENCY PURPOSES (SECTION D)

Section D provides a complete overview of the valuation of Solvency II assets and liabilities. The general valuation principle is an economic, market-consistent approach using assumptions that market participants would use in valuing the same asset or liability (Article 75 of the Solvency II Directive). In particular, assets and liabilities other than technical provisions are recognized in compliance with IFRS standards and interpretations approved by the European Union before the balance-sheet date, provided they include valuation methods that are consistent with the market approach.

Technical provisions under Solvency II are calculated as the sum of best estimate liabilities plus risk margin.

The significant methods and assumptions used are detailed in Chapter D.2.

CAPITAL MANAGEMENT (SECTION E)

The Company regularly assesses its statutory solvency position, which is derived from the ratio of its available capital and the capital requirement. Generali Česká pojišťovna has a very strong capital position. At the end of 2022, the ratio of total eligible own funds to SCR reached 222%, i.e. eligible own funds amounted to more than double the required level prescribed by Solvency II. The strong capital position should enable the Company to face any adverse external events or events with an impact higher than required by Solvency II (for instance catastrophic floods) and be able to fully meet its liabilities towards clients and, at the same time, continue to fulfil all the capital requirements prescribed by the regulation.

Generali Česká pojišťovna is a composite insurer providing a comprehensive range of services. The wide structure of products and large portfolio allow significant risk diversification, and thus Generali Česká pojišťovna achieves long term stable financial results and a strong capital position. Customers benefit from this diversification by having a strong and reliable partner able to help under all circumstances, even under unfavourable economic conditions.

Regulatory capital requirements in respect of the Solvency position, base scenario

(CZK million)	SCR	Eligible own funds	Solvency ratio
2022	11,797	26,180	217 %
2021	13,981	30,399	217 %

The Solvency Capital Requirement of the original portfolio of GČP decreased significantly. The main driver of this decrease is a drop of financial and credit risks due to both lower exposure (linked with market downturn following the Russian-Ukrainian conflict and significant upward shift of the yield curves) and a change of the structure of the company's assets portfolio. The Solvency Capital Requirement of the acquired Slovak portfolio decreased almost by one third. The main drivers of this movement are drop of life underwriting risks following higher risk free rates and strengthening of Czech crown against Euro.

Outside the basic framework of the solvency position, the Company has defined hypothetical adverse events (or sensitivities) and continues to manage the risks arising from these scenarios while quantifying their potential impact on the Company's solvency position (see for instance Section E.6.) Should such additional adverse situations occur, the Company will be fully able to meet the regulatory requirements on own funds.

A. Business and Performance

A.1. BUSINESS

A.1.1. BASIC COMPANY INFORMATION

Company name	Generali Česká pojišťovna a.s.
Legal form	Joint-stock company
Registered office	Spálená 75/16, Nové Město, 110 00, Prague 1
ID number	452 72 956
Tax ID number	CZ 4527 2956
Date of establishment	1 May 1992
Legal regulation	The Company was founded pursuant to Section 11(3) of Act No 92/1991, on the conditions for the transfer of state property to other entities, as amended, by the National Property Fund of the Czech Republic under a founder's deed dated 28 April 1992, and was incorporated by registration in the Commercial Register on 1 May 1992.
Incorporation in the Commercial Register	Prague Municipal Court Section B, file number 1464
Date of incorporation in the Commercial Register	1 May 1992
Share capital	CZK 4,000,000,000 Paid up: 100%

INFORMATION ABOUT HOLDERS OF QUALIFYING HOLDINGS IN THE UNDERTAKING

The Company's sole shareholder is Generali CEE Holding B.V., with its registered office at De Entree 91, Amsterdam 1101 BH, the Netherlands; registered on 5 April 2006, identification number 34245976.

Generali CEE Holding B.V. is a company fully owned by Assicurazioni Generali S.p.A. (Generali), which is the ultimate parent company of the Company. The financial statements of Generali Group are publicly available at www.generali.com.

The company is part of Generali Group, registered in the Italian Register of Insurance Groups maintained by the Institute for the Supervision of Insurance (IVASS), under number 026 ('Generali Group').

Generali CEE Holding B.V.

Legal form:	limited liability company
Registered office:	De Entree 91, Amsterdam 1101 BH, Netherlands
File number in the Register of the Amsterdam Chamber of Commerce and Industry:	34275688
Share capital:	EUR 100,000
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of establishment:	8 June 2007
Principal business:	holding activities

Assicurazioni Generali S.p.A

Legal form:	joint-stock company
Registered office:	Piazza Duca degli Abruzzi 2, TS 34132 Trieste, Italy
Trieste Company Registry:	00079760328
Share capital:	EUR 1,586,593,803
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of establishment:	26 December 1831
Principal business:	providing insurance and finance products

Supervisory Authority for the Entity

Name:	CZECH NATIONAL BANK
Registered office:	Na Příkopě 864/28, 115 03 Prague 1 - Nové Město
ID Number :	48136450
Telephone:	+420 224 411 111
Fax:	+420 224 412 404

Supervisory Authority for the Group

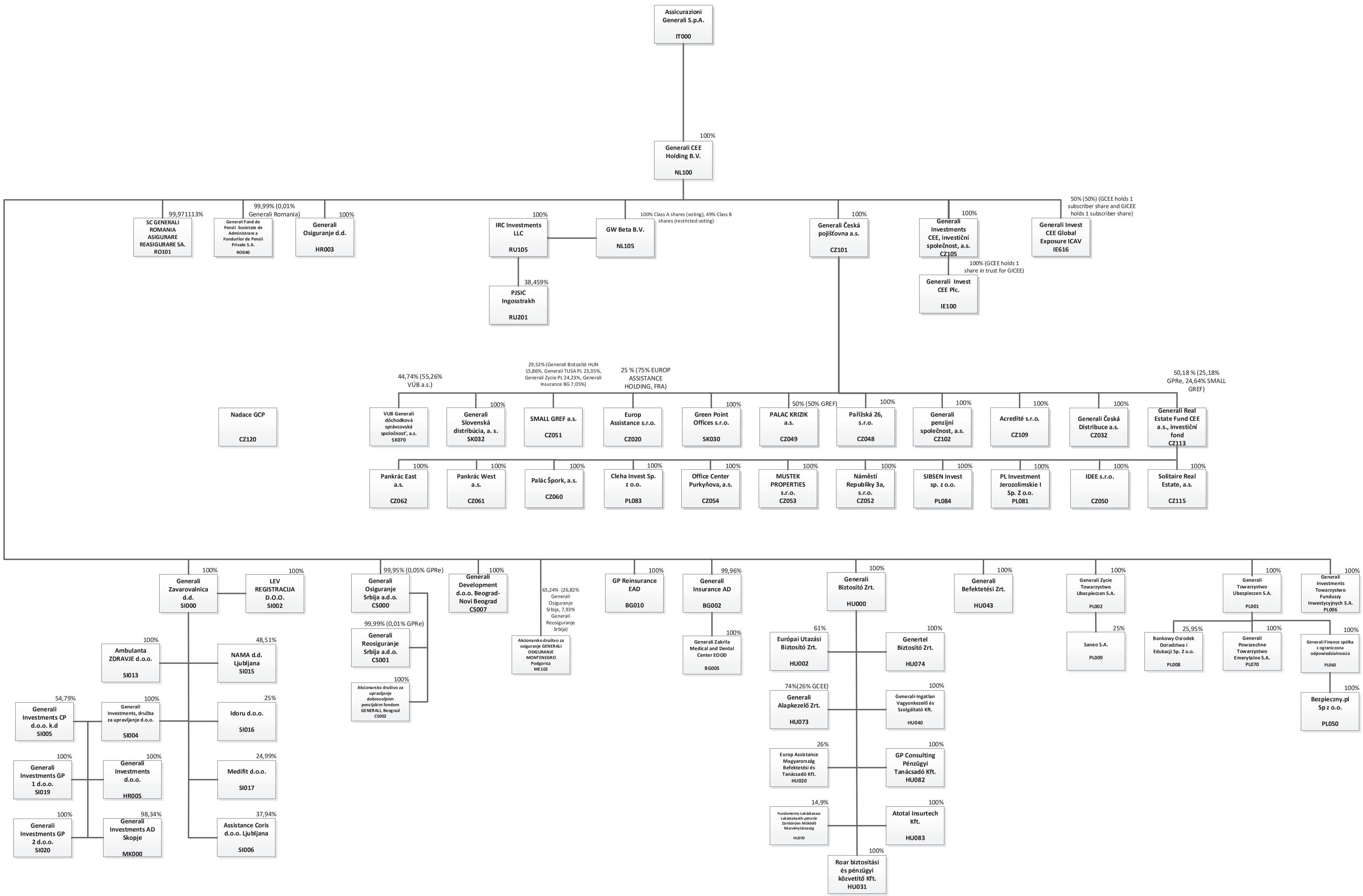
Name:	IVASS - Istituto per la Vigilanza sulle Assicurazioni
Registered office:	Via del Quirinale 21, 00187 Rome, Italy
ID Number:	97730600588
Telephone:	+39.06.42133.1
Fax:	+39.06.42133.206
Email:	ivass@pec.ivass.it

Information about the External Auditor

Since 2021, the financial statements have been audited by KPMG Česká republika Audit, s.r.o.. The financial statements of Generali Česká pojišťovna was approved by the auditors on 31 March 2023.

Registration number:	005 53 115
Registered office:	Pobřežní 1a, 186 00 Prague 1
Statutory audit licence number:	71
Auditor-in-charge:	Ing. Jindřich Vašina
Authorisation number:	2059

Group structure as of 31 December 2022



A.1.2. SUBSIDIARIES AND ASSOCIATES

The following table provides details about the Company's subsidiaries and associates as of 31 December 2022:

Name	Note	Country	Ownership interest (%)	Share of voting rights (%)
Acredité s.r.o		Czech Republic	100.00	100.00
Europ Assistance s.r.o.		Czech Republic	25.00	25.00
Generali Česká Distribuce a.s.		Czech Republic	100.00	100.00
Generali penzijní společnost, a.s.		Czech Republic	100.00	100.00
Generali Real Estate Fund CEE a.s., investiční fond		Czech Republic	54.85	54.85
Generali Slovenská Distribúcia a.s.		Slovak Republic.	100.00	100.00
Nadace GCP		Czech Republic	100.00	100.00
PALAC KRIZIK a.s.		Czech Republic	50.00	50.00
Pařížská 26, s.r.o.		Czech Republic	100.00	100.00
SMALL GREF a.s.	1.	Czech Republic	29.52	29.52
VÚB Generali dôchodková správcovská spoločnosť, a.s.	2.	Slovak Republic	44.74	44.74

The following changes in the subsidiaries and associates have taken place:

1. SMALL GREF a.s.
   The Company sold on 28 December 2022 16 pieces of shares of SMALL GREF a.s. to Generali Insurance AD in book value of CZK 199.4 million. The sale price CZK 198.6 million was paid on 30 December 2022.

2. VÚB Generali dôchodková správcovská spoločnosť, a.s.
   The Company sold on 24 October 2022 16 pieces of shares of VÚB Generali dôchodková správcovská spoločnosť, a.s. in book value of CZK 93 million. The sale price CZK 110 million was paid on 25 October 2022.

The following table provides details about the Company's subsidiaries and associates as of 31 December 2021:

Name	Country	Ownership interest (%)	Share of voting rights (%)
Acredité s.r.o	Czech Republic	100.00	100.00
Europ Assistance s.r.o.	Czech Republic	25.00	25.00
Generali Česká Distribuce a.s.	Czech Republic	100.00	100.00
Generali penzijní společnost. a.s.	Czech Republic	100.00	100.00
Generali Real Estate Fund CEE a.s.. investiční fond	Czech Republic	54.85	54.85
Generali Slovenská Distribúcia a.s.	Slovak Republic	100.00	100.00
Nadace GCP	Czech Republic	100.00	100.00
PALAC KRIZIK a.s.	Czech Republic	50.00	50.00
Pařížská 26. s.r.o.	Czech Republic	100.00	100.00
SMALL GREF a.s.	Czech Republic	36.56	36.56
VÚB Generali dôchodková správcovská spoločnosť. a.s.	Slovak Republic	50.00	50.00

A.1.3. MATERIAL LINES OF BUSINESS AND MATERIAL GEOGRAPHICAL AREAS

Gross earned premiums revenue	2022	2021
Motor vehicle liability insurance	8,685,984	7,360,990
Other motor insurance	9,029,672	7,193,736
Fire and other damage to property insurance	10,821,070	9,093,998
General liability insurance	3,557,864	3,190,399
Other lines of business	1,926,980	1,372,716
Total non-life	**34,021,570**	**28,211,839**
Insurance with profit participation	2,403,645	2,277,026
Index-linked and unit-linked insurance	3,300,113	2,593,092
Other Life insurance	8,215,329	5,700,294
Total life	**13,919,087**	**10,570,412**

In 2022 gross earned premiums revenue divided into the Czech and Slovak Republic. Incomes from Slovak Republic were reflected for the first time in 2022.

	Czech Republic	Slovak Republic
Non-life insurance	29,004,693	5,016,878
Life insurance	10,912,725	3,006,362

All segment revenues are generated from sales to external clients. No single external client amounts to 10% or more of the Company's revenues.

In 2022 and 2021. the Company mainly operated in the Czech Republic and in other EU countries. while at the end of 2021 significantly expanded its operations in the Slovak Republic. In both countries over 99% of the income from insurance contracts came from clients in the Czech Republic and Slovak Republic.

A.1.4. SIGNIFICANT BUSINESS OR OTHER EVENTS THAT OCCURRED OVER THE REPORTING PERIOD

External Rating of the Company

In mid-December 2022. A.M.Best. an international rating agency specializing in the insurance sector confirmed an 'A' financial strength rating for Generali Česká pojišťovna and an 'A+' Long-Term Issuer Credit Rating. Both with stable outlook. As in prior year the decision of the rating agency is confirmation of the strength and stability of the Company.

The impact of the crisis caused by the Russian military invasion of Ukraine

The company assessed the impact of the war following the Russian invasion of Ukraine, in particular the impact of sanctions imposed by the EU and the United States to stop the invasion. This extraordinary event significantly influenced the geopolitical and economic situation in the world, especially in Europe. Financial markets are obviously also strongly influenced and our Company did not avoid it either. Securities in our portfolio were affected by negative market development. i.e. a combination of adverse shocks led by the war in Ukraine, rise in energy prices and aggressive monetary policy.

The Company immediately implemented a,number of procedural measures and based on thorough monitoring of all other potential impacts.It can be declared that the Company's solvency position is not significantly affected by this crisis and this has no significant effect on the assumption of continuous operation.

Otherwise, the Company operated in the ordinary course of business in 2022 and there were no other significant business or other events.

A.2. UNDERWRITING PERFORMANCE

A.2.1. NON-LIFE

UNDERWRITING PERFORMANCE DURING THE REPORTING PERIOD

2022	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Other	Total
Premium written						
Gross - Direct business	8,769,199	9,274,979	10,515,425	3,434,423	1,614,836	**33,608,863**
Gross - Proportional reinsurance accepted	-	387	445,244	179,088	77,682	**702,401**
Gross - Non-proportional reinsurance accepted	-	-	-	-	172,458	**172,458**
Reinsurers' share	3,416,275	3,794,643	5,420,761	2,001,459	1,038,290	**15,844,271**
Net	**5,352,925**	**5,480,724**	**5,539,909**	**1,612,052**	**654,228**	**18,639,451**
Premiums earned						
Gross - Direct business	8,685,984	9,029,284	10,371,684	3,379,076	1,679,272	**33,145,300**
Gross - Proportional reinsurance accepted	-	387	449,386	178,787	75,251	**703,812**
Gross - Non-proportional reinsurance accepted	-	-	-	-	172,458	**172,458**
Reinsurers' share	3,383,357	3,697,167	5,367,129	1,955,763	1,030,512	**15,606,772**
Net	**5,302,628**	**5,332,505**	**5,453,941**	**1,602,101**	**724,010**	**18,414,798**
Claims incurred						
Gross - Direct business	3,397,989	4,865,623	5,132,037	1,014,378	499,116	**14,909,143**
Gross - Proportional reinsurance accepted	550	(209)	181,028	127,353	34,861	**343,582**
Gross - Non-proportional reinsurance accepted	-	-	-	-	190	**190**
Reinsurers' share	1,355,457	1,955,831	2,386,446	688,215	327,361	**6,713,119**
Net	**2,043,081**	**2,909,583**	**2,926,619**	**453,515**	**206,616**	**8,539,416**
Administrative expenses	383,687	327,959	354,340	140,850	55,396	**1,262,232**
Investment management expenses	107,184	29	19	4	7	**107,244**
Claims management expenses	301,326	381,352	204,166	122,899	76,324	**1,086,067**
Acquisition expenses	797,901	815,990	1,612,477	370,287	15,739	**3,611,561**
Overhead expenses	211,073	185,737	218,189	80,719	25,151	**720,869**
Other expenses						**333,925**
Total expenses						**7,121,898**

2021	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Other	Total
Premiums written						
Gross - Direct business	7,413,588	7,296,002	8,816,666	3,055,580	1,039,135	**27,620,972**
Gross - Proportional reinsurance accepted	-	-	371,295	162,074	40,957	**574,327**
Gross - Non-proportional reinsurance accepted	-	-	-	-	181,163	**181,163**
Reinsurers' share	2,904,658	2,968,754	4,560,606	1,757,098	797,936	**12,989,051**
Net	**4,508,930**	**4,327,249**	**4,627,356**	**1,460,557**	**463,320**	**15,387,410**
Premiums earned						
Gross - Direct business	7,360,990	7,193,466	8,723,778	3,027,838	1,149,947	**27,456,018**
Gross - Proportional reinsurance accepted	-	270	370,221	162,561	41,606	**574,658**
Gross - Non-proportional reinsurance accepted	-	-	-	-	181,163	**181,163**
Reinsurers' share	2,883,563	2,927,762	4,518,944	1,720,554	790,580	**12,841,404**
Net	**4,477,426**	**4,265,974**	**4,575,054**	**1,469,845**	**582,136**	**15,370,436**
Claims incurred						
Gross - Direct business	2,283,798	3,879,236	6,754,740	1,114,444	407,448	**14,439,466**
Gross - Proportional reinsurance accepted	(955)	(48)	201,351	98,281	6,124	**304,753**
Gross - Non-proportional reinsurance accepted	-	-	-	-	48,085	**48,085**
Reinsurers' share	945,321	1,641,000	3,929,905	756,640	254,804	**7,527,670**
Net	**1,337,522**	**2,238,187**	**3,025,987**	**456,085**	**110,683**	**7,168,464**
Administrative expenses	291,851	211,727	264,768	121,036	46,023	**935,405**
Investment management expenses	36,406	-	-	-	-	**36,406**
Claims management expenses	277,560	349,635	170,172	114,271	35,140	**946,778**
Acquisition expenses	560,094	460,407	1,027,781	261,214	83,446	**2,392,941**
Overhead expenses	193,638	176,085	205,875	73,417	27,643	**676,658**
Other expenses						**222,085**
Total expenses						**5,210,273**

Analysis of underwriting results

General comments concerning the year 2022

The year 2022 was influenced by the war in Ukraine, high inflation and economic slowdown. At MTPL and CASCO we observed a lower than pre-covid level of claims frequency driven by changes in mobility and higher fuel prices. Increase of written premium in case of Agricultural insurance is driven by increase of sums insured and the purchase price of agricultural products.

The results are also influenced by natural events that did not have the impact of the tornado in South Moravia in 2021 , but overall their results were significant and spread all over the Czech Republic.

In 2022 the reported amounts include the Slovakia branch. Comparison with the year 2021 is therefore distorted because in 2021 the Branch was not included in the results.

Motor vehicle liability insurance (MTPL - Motor Third Party Liability insurance)

Premiums written was stable compared to the prior year. In Czech Republic there were slight decrease (-0.2%) and in Slovakia a significant increase (+4.5%). Retail still creates approximately 2/3 of premium earned on the MTPL insurance portfolio. The average premium is growing as in preceding years.

Due to high fuel prices and mobility changes in Czech Republic it is still visible reduction of claims frequency comparing to the pre-covid years. The average claim is increasing significantly due to claim inflation. It is connected with the inflation, which is reflected in the prices of spare parts labour. car painting and inflation of health claims. The overall 2022 result was better than planned despite the increase of average claim. Thanks to the lower claims frequency than planned better risk selection. and work with renewals.

For next years we anticipate an increase in average claims, which will be compensated by further improvement in risk selection.

Premiums written grew significantly in the Czech Republic (+3.3%) and also in the Slovakia (+14.2%), where Generali is the faster growing player on the CASCO market. The significantly higher penetration of this insurance in leasing and fleet insurance meant that retail insurance created only approximately half the premium earned. The average premium measured over the main portfolio risks is growing significantly, mainly due to change of structure of the New business..work with renewals and increase of insured amount of new vehicles.

Similarly as with the MTPL due to the lower road traffic volume we have noted a significant reduction in claims frequency as in previous years. The average claim however is growing significantly due to inflation. The overall 2022 result was significantly better than planned thanks to the decrease in the frequency of claims and better risk selection.

For next years. we anticipate increase in premiums in Retail and fleets and increase of average claim and return of profitability close to the year before COVID-19 pandemic. In 2022 the leasing business, as well as sale of new vehicles, will be affected by economic slowdown and the disadvantage of the financing due to high interest rates.

Fire and other damage to property insurance

In the area of **retail personal property** premiums written significantly grew (+11.9%). which was supported by new product and the tool, where the contracts are negotiated, increasing of sums insured connected with increase of construction prices and continuing higher interest in retail insurance after tornado on South Moravia in 2021.

Due to calamity claims and increase of costs connected with increase of new business, the total result of personal property insurance ended behind plan.

For next years we anticipate increase in personal property insurance supported by a process of a indexation and valorization of the current portfolio.

In property insurance and engineering GC&C segment, premiums written are stable. In 2022, in accordance with the Group´s policy, we have gradually ended the insurance of so-called „coal“ clients. We have also continued to transfer contracts form corporate risks to SME, according to the newly defined boundaries between these categories.

Decrease of premiums written caused by termination of contracts described above was offset by increasing of amounts insured and increase of insurance rates. mainly in the property insurance. Traditionally We are successful mainly in the area of insurance of construction companies and construction-assembly, where we were successful in obtaining of several larger projects.

The result in the GCC segment was good due to abstention of significant claims. So far, the result is not affected significantly by the increase of repair costs connected with inflation.

In SME property insurance, premiums written grew significantly. The development was positively influenced by new limits SME, which were approved for the new product „ProfiPlán“. Another important determinant was increased insurance coverage for existing clients, which was driven by economic development (inflation, increase of prices).

Other important determinants for the increase in premiums written are new clients and increased insurance coverage for existing clients (newly acquired asset, new extended coverage insurance, increased company turnover). The distribution mix in GČP is based on strong internal distribution (specialized sales network) and dynamically growing external distribution. Internal distribution manages 56% of the portfolio and 44% is managed by external network. The share of external network is growing continuously and significantly recently. This growth is caused by targeting on brokerage companies at the level of the individual regions, in which they operate.

Planned technical result has been met in 2022.

We are leading provider in Agriculture insurance segment. Premiums written grew due to increase of prices of agricultural commodities, the acquisition of new clients and successful renewals. Within agriculture insurance, dominant share (75% of written premium) has the crop insurance, the remaining part is lifestock insurance. Both internal distribution (specialized agriculture agents) and external network are involved in negotiating agriculture insurance contracts.

Agriculture insurance was affected in 2022 significantly by natural events (crop insurance – hailstorms and windstorm).

General liability insurance

Liability insurance premiums written were stable. In 2022 we did not record any significant claim, which would significantly influence the results, claims development was at the same level as in previous years.

Others

In other insurance areas premiums written are stable with minimal year-on-year fluctuation and in 2022 with a very good claims development.

Expenses

Expenses in 2022 are, as other items, affected by the fact, that in 2022, amounts include the Branch, while in 2021, the Branch was not included. Adjusted of the fact above, slight increase of costs is in accordance with the plan and is primarily driven by increase of personal costs. IT costs and generally by inflation. Higher acquisition costs are related to higher production.

A.2.2. LIFE

UNDERWRITING PERFORMANCE DURING THE REPORTING PERIOD

2022	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Life reinsurance	Total
Premium written						
Gross	2,403,645	3,300,113	8,178,564	-	36,764	**13,919,087**
Reinsurers' share	-	-	1,678,685	-	36,764	**1,715,449**
Net	**2,403,645**	**3,300,113**	**6,499,879**	-	-	**12,203,638**
Premium earned				-		
Gross	2,403,645	3,300,113	8,178,564	-	36,764	**13,919,087**
Reinsurers' share	-	-	1,678,685	-	36,764	**1,715,449**
Net	**2,403,645**	**3,300,113**	**6,499,879**	-	-	**12,203,638**
Claims incurred						
Gross	4,079,010	3,013,808	2,518,160	533,843	10,783	**10,155,604**
Reinsurers' share	-	-	484,804,	196,451	10,783	**692,039**
Net	**4,079,010**	**3,013,808**	**2,033,356**	**337,392**	-	**9,463,565**
Changes in other technical provisions						
Gross	2,923,479	2,174,877	193,284	-	1,230	**4,903,842**
Reinsurers' share	-	-	8,161	-	1,230	**6,931**
Net	**2,923,479**	**2,174,877**	201,445	-	-	**4,896,911**
Administrative expenses	269,573	121,725	581,966	-	-	**973,264**
Investment management expenses	73,078	-	79	-	-	**73,177**
Claims management expenses	34,584	11,801	118,964	-	-	**165,349**
Acquisition expenses	229,786	195,951	1,774,613	-	(368)	**2,199,982**
Overhead expenses				-	-	**321,350**
Other expenses						**63,249**
Total expenses						**3,475,019**

2021	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Life reinsurance	Total
Premium written						
Gross	2,277,026	2,593,092	5,668,568	-	31,736	**10,517,412**
Reinsurers' share	-	-	1,499,233	-	31,726	**1,530,959**
Net	**2,277,026**	**2,593,092**	**4,169,335**	-	-	**9,039,453**
Premium earned						
Gross	2,277,026	2,593,092	5,668,568	-	31,736	**10,517,412**
Reinsurers' share	-	-	1,499,233	-	31,726	**1,530,959**
Net	**2,277,026**	**2,593,092**	**4,169,335**	-	-	**9,039,453**
Claims incurred						
Gross	3,438,536	2,994,551	1,795,434	343,470	6,041	**8,578,032**
Reinsurers' share	-	-	446,922	135,117	6,041	**558,079**
Net	**3,438,536**	**2,994,551**	**1,348,512**	**208,353**	-	**7,989,953**
Changes in other technical provisions						
Gross	1,816,667	(1,317,842)	8,755	-	57	**507,523**
Reinsurers' share	-	-	(2,625)	-	57	**4,535**
Net	**1,816,667**	**(1,317,842)**	**4,163**	-	-	**502,989**
Administrative expenses	156,677	50,005	288,539	-	-	**495,221**
Investment management expenses	60,671	-	113	-	-	**60,917**
Claims management expenses	31,463	11,947	58,041	-	-	**101,451**
Acquisition expenses	232,795	44,536	995,348	-	(319)	**1,272,360**
Overhead expenses	100,194	40,509	165,113	-	-	**305,816**
Other expenses						**59,621**
Total expenses						**2,295,386**

Analysis of underwriting results

Premiums written

Total increase of regular written premiums mainly caused by inclusion Slovak Branch. Generali Česká pojišťovna bought business of Generali Poisťovny in the end of 2021, so business of Branch was not included in the year 2021. Increase of Slovak Branch is CZK 2,895,898 thousands.

Regular gross written premiums (excluding Branch) increased by CZK 54,163 thousands due to the increasing trend of the portfolio. The actual development of regular gross written premium is at the projections level. In 2022 new business contributed to the increase in the portfolio (CZK +1,178,145 thousands) and was able to compensate for the decrease in the portfolio (maturities CZK -455,817 thousands and lapses&others CZK -775,368 thousands). Single premium increased by CZK 288,030 thousands in comparison with previous year.

Claims incurred

Claims incurred was also affected by inclusion of Slovak Branch in 2022 (increase of CZK 1,646,702 thousands). After excluding this non-standard effect, claims paid decreased by CZK 173,090 thousand due to the lower volume of maturities (maturity of single paid UL tranches in 2021)

Changes in other technical provisions

The final development reserves (after excluding one-time increase of CZK 646,302 thousands caused by including Branch) was influenced by changes in the portfolio in 2022, when traditional reserves have been decreasing (in 2022 there was a decrease of CZK 2,795,931 thousands). In 2022 there was a decrease of UL segment as a result of drop in the unit prices (CZK 1,455,840 thousands).

Expenses

Total expenses increased by CZK 1,179,633 thousands, of which CZK 664,216 thousands are Slovak Branch expenses. Increase excluding Branch in 2022 in comparison with 2021 due to higher commission costs corresponding to the higher new business, while non-commission costs remained stable.

A.3. INVESTMENT PERFORMANCE

Financial investments stand alongside insurance and reinsurance as another important area of operation for the Company, as they contribute significantly to the Company's overall assets and are financed primarily from insurance provisions and equity.

The Company's investment strategy complies with the 'Prudent Person Principle' requirements. The objective of the strategy is to establish appropriate return potential while ensuring that the Company can always meet its obligations without undue cost and in accordance with its internal and external regulatory capital requirements. There are no investments in securitization.

The Company's investment portfolio performance in FY 2022 was as follows:

Subsidiaries and associates

	2022	2021
Dividends and other income	327,279	1,595,301
Realised gains from disposal	16,835	4,232,411
Total	**344,114**	**5,827,712**

Income from dividends in 2021 is influenced by a dividend from Generali Penzijní společnosti in amount of CZK 1,371 million. Realised gains from disposals represent a gain on the sale CP Strategic Investments N.V. Income from dividends in 2022 is influenced by a dividend from VUB Generali doch. Spravcovska and Generali Česká Distribuce a.s in amount of CZK 302 million.

Financial instruments at fair value through profit or loss

		2022	2021
Financial assets			
Interests and other income		219,446	191,221
(a) bonds		-	2,524
(b) derivatives		78,126	84,460
(c) unit-linked investments		141,320	104,237
Realised	– gains	371,181	350,865
(a) derivatives		79,752	60,060
(b) unit-linked investments		291,429	290,805
	– losses	(434,834)	(180,478)
(a) bonds		-	(310)
(b) derivatives		(14,402)	(53,827)
(c) unit-linked investments		(420,432)	(126,341)
Unrealised	– gains	1,254,523	2,629,555
(a) bonds		-	-
(b) derivatives		1,013,330	738,965
(c) unit-linked investments		241,193	1,890,590
	– losses	(2,343,601)	(311,315)
(a) bonds		-	-
(b) derivatives		(11,042)	(130,518)
(c) unit-linked investments		(2,332,559)	(180,797)
Financial liabilities			
Interest expenses		(219,274)	(196,696)

Realised	– gains	33,956	68,173
	– losses	(78,632)	(167,204)
Unrealised	– gains	137,536	445,927
	– losses	(145,393)	(265,676)
Other income		552,006	64,149
Total		**(653,086)**	**2,628,521**

Year-on-year increase in FVTPL segment is mainly caused by better unrealised losses of the assets related to unit link investments due to the war in Ukraine, rise in energy prices and aggressive monetary policy.

Other financial instruments

Incomes

	2022	2021
Interest income	**1,385,735**	**1,059,977**
Interest income from loans and receivables	133,501	42,596
Interest income from available-for-sale financial assets	1,179,374	1,010,469
(a) bonds	1,179,374	1,010,469
Interest income from cash and cash equivalents	72,860	6,912
Other interest income	-	-
Other income	**221,323**	**205,926**
Income from land and buildings (investment properties)	74,150	87,667
Income from equities available-for-sale	128,991	69,912
Other income from investment fund units	18,182	48,347
Interests and other investment income	**1,607,058**	**1,265,903**
Realised gains	**882,763**	**317,893**
Realised gains on land and buildings (investment properties)	1,572	2,905
Realised gains on loans and receivables	45	44
Realised gains on available-for-sale financial assets	881,146	314,944
(a) bonds	18,304	126,761
(b) equities	439,391	65,286
(c) investment fund units	423,451	122,897
Unrealised gains	**7,532**	**2,718**
Unrealised gains on hedged instruments	7,532	2,718
Reversal of impairment	**-**	**6,476**
Reversal of impairment of loans and receivables	-	-
Reversal of impairment on other receivables from reinsurers	-	-
Reversal of impairment of other receivables	-	6,476
Other income from financial instruments and other investments	**890,295**	**327,087**
Total	**2,497,353**	**1,592,990**

Interest income from bonds contributes significantly to total investment income of the Company. Year-on-year decrease is mainly caused by increase of interest rate, which compensate shrinking Life portfolio due to decreasing volume of traditional life reserves.

Year-on-year increase of total income is caused by higher realised gains from equities and investment fund unites, which were sold and subsequently invested to the Group investment fund.

Expenses

	2022	2021
Interest expenses	**81,566**	**35,767**
Interest expenses on loans. bonds and other payables	(311)	1,646
Interest expenses on deposits received from reinsurers	55,848	8,962
Interest expenses on lease liabilities (IFRS 16)	26,009	25,142
Other interest expenses	20	17
Other expenses	**276,292**	**189,440**
Depreciation of right-of-use assets (investment properties) (IFRS 16)	72,219	90,448
Expenses from land and buildings (investment properties)	-	-
Other expenses on investments	204,073	98,992
Realised losses	**1,348,941**	**699,733**
Realised losses on land and buildings (investment properties)	1	88
Realised losses on available-for-sale financial assets	1,341,975	699,645
(a) bonds	1,143,051	678,704
(b) equities	108,892	20,941
(c) investment fund units	90,032	-
Unrealised losses	**1,030,348**	**868,960**
Unrealised losses on hedged instruments	1,030,348	868,960
Impairment losses	**1,141,198**	**131,953**
Impairment of loans and receivables	18,695	29,008
Impairment of available-for-sale financial assets	980,993	99,334
Impairment of other receivables from reinsurers	126,971	-
Impairment of other receivables	14,539	3,611
Total	**3,878,345**	**1,925,853**

Higher investment expenses in y/y comparison is caused by higher realised losses on available-for-sale financial assets due to increase of interest rate. Key driver is also increase of impairment of available-for-sale financial assets due to devaluation of Russian bonds related to Russian-Ukrainian conflict.

Gains and losses recognized directly in equity

	2022	2021
Balance as of 1 January	2,282,228	3,554,466
Gross revaluation as of the beginning of the year	2,811,722	4,382,679
Tax on revaluation as of the beginning of the year	(529,494)	(828,213)
Exchange rate differences in equity	(7,127)	-
Revaluation gain/loss in equity – gross	(6,553,180)	(2,050,597)
Revaluation gain/loss on realisation in income statement – gross	460,829	384,701
Impairment losses – gross	980,993	99,334
Tax on revaluation	980,656	298,719
Merger	-	(4,395)
Gross revaluation as of the end of the year	(2,306,763)	2,811,722
Tax on revaluation as of the end of the year	451,162	(529,494)
Balance as of 31 December	**(1,855,601)**	**2,282,228**

The revaluation of gain in equity - gross was most significantly affected by unrealised losses of the assets related to unit link investments. Key driver is also increase of impairment of available-for-sale financial assets due to devaluation of Russian bonds related to Russian-Ukrainian, rise in energy prices and aggressive monetary policy.

Other

	2022	2021
Foreign exchange gains	3,890,606	2,396,603
Foreign exchange losses	(3,009,032)	(2,683,468)
Total	**881,574**	**(216,908)**

The increase in the net value of foreign exchange gains and losses is mainly due to the foreign exchange revaluation of derivate, which ensures a solvency position of Slovak Branch. Key driver is also gains from increase of interest differential between Czech Corona and global currencies (EUR, USD).

A.4. PERFORMANCE OF OTHER ACTIVITIES

Other material income and expenses are analysed in the following tables.

Other income

	2022	2021
Reversal of other provisions	93,551	47,514
Income from services and assistance activities and recovery of charges	720,585	576,205
Income from sale of assets	901	820
Other technical income	145,274	170,689

Other expenses

	2022	2021
Amortisation of intangible assets	541,265	441,722
Depreciation of tangible assets	28,609	18,705
Restructuring charges and allocation to other provisions	121,389	94,848
Expense from service and assistance activities and charges incurred on behalf of third parties	928,415	827,911
Other technical expenses	397,174	281,707
Staff costs	3,631,513	2,964,276

A.5. ANY OTHER INFORMATION

All the significant information about business and performance has been mentioned in the above sections

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The system of governance of the Company is adequate to the nature. scale and complexity of the risks inherent in its business. Details on the system of governance are provided in the following chapters.

B.1.1. INFORMATION ON GENERAL GOVERNANCE

Board of Directors
(as of 31 December 2022)

Chairman:	Roman Juráš, Chief Executive Officer
Vice-Chairman:	Petr Bohumský, Chief Financial Officer
Member:	Karel Bláha, Chief Corporate & Commercial Officer
Member:	Katarína Bobotová, Chief HR and Strategy Officer
Member:	Jiří Doubravský, Chief Operations Officer
Member:	Juraj Jurčík, Chief Sales Officer SK
Member:	Andrea Leskovská, Chief Insurance Officer Non-Life
Member:	Pavol Pitoňák, Chief Sales Officer CZ
Member:	David Vosika, Chief Insurance Officer Life & Health

Supervisory Board
(as of 31 December 2022)

Chairman:	Miroslav Singer
Member:	Manlio Lostuzzi
Member:	Marek Jankovič
Member:	Marek Kubiska
Member:	Antonella Maier
Member:	Miloslava Mášová

Audit Committee
(as of 31 December 2022)

Chairman:	Martin Mančík
Member:	Beáta Petrušová
Member:	Roman Smetana

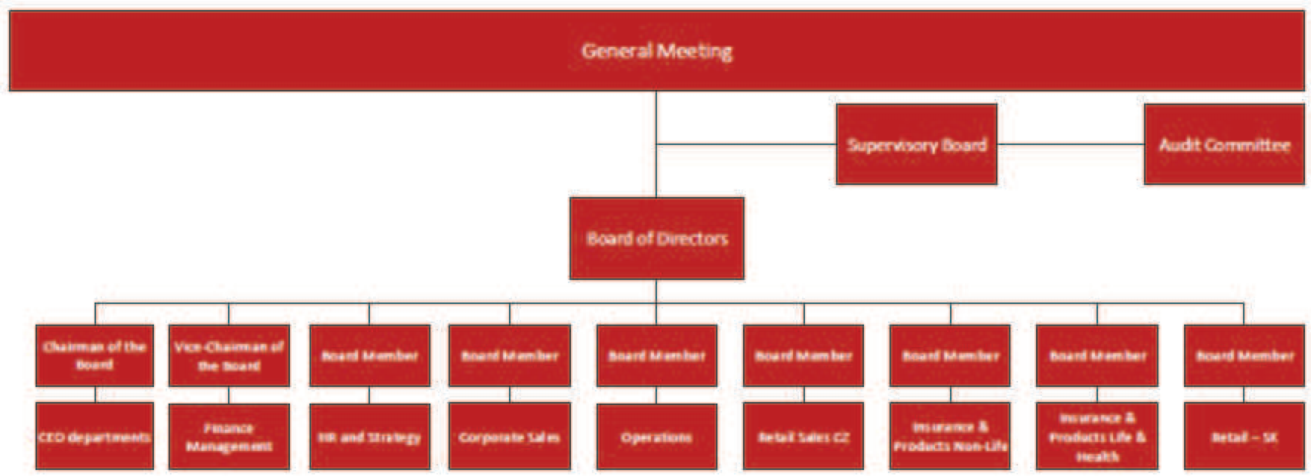
Generali Česká pojišťovna a.s. is governed by the Board of Directors (the Board). The Board is responsible for the performance and strategy of the Company. Governance requirements are largely set through regulatory and legal requirements. Members of the Bo ard are responsible within the following fields of competencies:

Field of competencies:
(as of 31 December 2022)

CEO Organizational Units:	Chief Executive Officer
Finance:	Chief Financial Officer
Corporate Sales:	Chief Corporate & Commercial Officer
Human Resources and Strategy:	Chief HR and Strategy Officer
Operations and IT:	Chief Operations Officer
Retail – SK:	Chief Sales Officer SK
Insurance & Products Non-Life:	Chief Insurance Officer Non-Life
Retail Sales– CZ:	Chief Sales Officer CZ
Insurance & Products Life & Health:	Chief Insurance Officer Life & Health

Detailed information on the segregation of responsibilities in the specific fields is provided in the dedicated paragraphs of this report.

BASIC ORGANISATION CHART OF GENERALI ČESKÁ POJIŠŤOVNA VALID FOR 2022



Other main committees supporting the Board of Directors are the Risk Committee, Financials Committee, Life Insurance Product Development Committee, Extended Product Development Committee, Project Committee, Claims Committee Investment Committee, Compliance Committee, Product Committee NL.

B.1.2. CHANGES IN THE SYSTEM OF GOVERNANCE

Board of Directors
(as of 31 December 2022)

There were no changes in the Board of Directors in 2022.

Supervisory Board
(as of 31 December 2022)
Luciano Cirinà resigned from his membership in Supervisory Board as at 13. April 2022.

Audit Committee
(as of 31 December 2021)

There were no changes in the Audit Committee in 2022.

The Board of Directors (the Board) or the members of the Board approve, within their field of competencies, any organizational changes in the Company on a monthly basis. Rules pertaining to organizational changes are set by the Company's organizational code.

There were no significant changes in the management and control system during the last reporting period.

B.1.3. REMUNERATION POLICY

The Company's remuneration policy is intended to attract. hire and retain employees whose values are aligned to our culture and values.

We primarily focus on high-performance motivation so that all employees can positively contribute to the Company's strategy and business objectives.

The Company aims to continuously improve its performance management principles through positive motivation and the identification and use of the individual employees' strengths. Our training and development strategy and remuneration systems are tightly bound to the performance management principles.

The Company's remuneration policy is regularly revised to ensure its external competitiveness and internal fairness.

Compensation structure

Fixed remuneration

Fixed remuneration is the compensation paid to an employee for performing specific jobs.

The foundation of the Company's remuneration policy is the division of all specific tasks into a structure of related jobs according to their contribution, difficulty and responsibility. and their allocation into an internal band structure. All jobs are regularly benchmarked against market data. Each salary band has a minimum level defined by the Collective Agreement. The position within a salary band rang e takes into account the long-term performance, experience and potential of our employees.

Variable remuneration

Variable remuneration is compensation contingent on performance, discretion and the results achieved. Variable remuneration seeks to motivate employees to achieve business targets by creating a direct link between incentives and quantitative and qualitative goals set at Company, team and individual level.

Short-term variable incentives (STI)

Short-term variable incentives consist of the yearly bonuses paid to management at all levels and to senior professionals. The total budget for the payment of bonuses for this group is related to the Company results, and amended based on the fulfilment of Company criteria. Short-term variable incentives depend on the organizational level and the impact of the individual's role on the business.

For the remaining employees, incentives are paid per accounting period (month or quarter) or upon an event (achieving an objective, completing a project etc.)

For the sales force, the Company has commissions in place that are paid in addition to the fixed salary.

Long-term incentive programs (LTI)

Long-term incentive programs for the executive management and key employees are in place to encourage improvements in performance and the alignment of their performance with the long-term strategic goals of the Company.

Members of the Board of Directors (the people who effectively run the Company) are governed by agreements on the performance of their function. On the basis of their agreement they receive fixed and variable remuneration. meaning a combination of STI and LTI set annually in the individual agreement. The variable part is based on KPIs set in the balanced scorecard. The balanced scorecard consists of a balanced proportion of quantitative (e.g. gross written premium) and qualitative criteria. Risk metrics are an integral part of the KPIs and the minimum solvency ratio target is the entry condition for the pay-out of all the variable parts of remuneration. A significant part of variable remuneration is deferred. The pay-out of the deferred part of remuneration is based on the permanency of the achieved results and actual solvency ratio.

Members of the Supervisory Board and Audit Committee can only receive fixed remuneration based on their agreement on the performance of their function.

Key persons with a significant impact on the risk profile and decisions of the Company receive fixed and variable remuneration. The variable part consists of the STI only. The STI is linked to both qualitative and quantitative KPIs. The KPI structure consists of a combination of company and individual criteria evaluated after the end of the given period and then again after three years. The variable remuneration is deferred for a period of three years. Risk metrics are an integral part of the KPIs. and the minimum solvency ratio target is the entry condition for the pay-out of all variable parts of remuneration.

Supplementary pensions

The Company has a defined contribution plan in place based on employees' length of service. Supplementary pension schemes have not been introduced.

There have been no material changes to this area since the last reporting period.

B.1.4. TRANSACTIONS WITH SHAREHOLDERS, WITH PERSONS WHO EXERCISE A SIGNIFICANT INFLUENCE ON THE UNDERTAKING, AND WITH MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY

During the year 2022, there were no material transactions with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body.

B.1.5. INFORMATION ON RISK MANAGEMENT, INTERNAL AUDIT, COMPLIANCE AND ACTUARIAL FUNCTIONS

The Company has established key control functions as independent departments without any responsibility for operational areas. The functions are organized as follows:

- The Risk Management. Actuarial and Compliance Functions: these report hierarchically to the Chief Executive Officer and functionally to the Board.
- The Internal Audit Function: this reports hierarchically to the Chief Executive Officer and functionally to the Audit Committee.

To ensure proper coordination and direction from the Generali Head Office/Generali CEE holding, all control functions also report to the respective Group/Holding functions.

More details on organization. responsibilities and resources can be found in the dedicated sections of this report.

B.1.6. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE FUNCTIONS AND HOW THEY REPORT TO AND ADVISE THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY OF THE INSURANCE OR REINSURANCE UNDERTAKING

Details for the individual control functions can be found in the dedicated sections of this report.

B.2. FIT AND PROPER REQUIREMENTS

B.2.1. DESCRIPTION OF SKILLS, KNOWLEDGE AND EXPERTISE REQUIRED FOR PERSONS WHO EFFECTIVELY RUN THE UNDERTAKING OR HAVE OTHER KEY FUNCTIONS

Professional adequacy of members of the Board of Directors and Supervisory Board:

The Board of Directors and the Supervisory Board of the Company and their members shall collectively possess appropriate experience and knowledge in the fields indicated below:

- Market knowledge: this means an awareness and understanding of the wider relevant business. economic and market environment in which the Company operates, and an awareness of customers' level of knowledge and needs.
- Business strategy and business model knowledge: this refers to a thorough understanding of the Company's business strategy and model.
- Knowledge of the system of governance: this means awareness and understanding of the risks the Company is facing and its ability to manage them. Furthermore, this includes the ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas.
- Actuarial and financial analysis capability: this means the ability to interpret the Company's actuarial and financial information, identify and assess key issues, and take any necessary measures (including appropriate controls) based on this information.
- Regulatory framework and requirements: this means an awareness and understanding of the regulatory framework in which the Company operates in terms of both regulatory requirements and expectations, and the capacity to adapt to changes in the regulatory framework without delay.

Other highly responsible persons:

Other highly responsible persons (also called relevant persons) who are assessed in relation to the jobs they perform according to internal standards. The Company primarily takes into account their job experience declared in their professional CV, their education and current performance (if this person is already working for the Company).

Although, according to long-term experience, no formalised minimum qualification requirements has shown purposeful and complexity are crucial issue – the professional prerequisites of the assessed person assessed are always assessed as a whole and in relation to the particular responsibilities for assigned areas, the following framework criteria were added. At the same time, however, the possibility of not applying the criterion was left depending on the individual assessment of the evaluated person.. The assessment is periodically repeated so that variability of requirements (according to operational needs) for competent/assessed persons can be taken into account.

. The framework criteria are:

- University education (relevant or nor relevant to actually performed work)
- Cumulative period of professional experience (i.e. cumulative period of employment or similar work experience)
- Cumulative period of work in the position of a supervisor employee or experience in the performance of work with senior responsibility for the assigned agenda
- Cumulative experience in the insurance industry (the length of the period is modified depending on the type of education)

The framework criteria are applied to both groups (both - so called "other highly responsible persons" and "members of the board of directors and the supervisory board");

Personal credibility:

Both the above-mentioned groups of persons are also assessed from the perspective of their personal credibility. The assessment of whether any person is credible (trustworthy) or not includes an assessment of their honesty based on relevant evidence regarding their character and personal behaviour.

The credibility prerequisites pursuant to internal guidelines include:

- the full legal capacity of the persons being assessed, in accordance with legislation;
- the credibility of the persons being assessed - a person will not be considered a credible (trustworthy) person if such person has been convicted of a crime committed intentionally, if this crime was committed in connection with business activity or with the employer's subject of business, unless this person is considered a non-convicted person (the person shall demonstrate all these circumstances through an extract from the criminal records); furthermore, a person will not be considered a credible (trustworthy)

person if such person has been convicted of any crime against property, of an economic offense (crime), or of any other crime committed intentionally, unless such conviction has been expunged from the criminal records or unless such person is considered, for any other reason, a non-convicted person; an offense under this provision also means any crime according to legislation governing banking, financial or insurance activities, or related to securities markets or payment instruments, including legal regulations governing money laundering, market manipulation or usury, as well as insider trading, or crimes of dishonesty such as fraud or financial offenses, as well as any other serious criminal offense under legislation relating to companies, bankruptcy and insolvency, or consumer protection;

- whether the person being assessed has committed any serious administrative or disciplinary infringement (delict) in the sphere of finance, company governance, banking, bankruptcy and insolvency, or consumer protection;
- whether a legal decision concerning insolvency has been taken in respect of the property of the assessed person;
- whether the person being assessed was. in the preceding five years, a member of a statutory body or any other body of a legal entity declared bankrupt, or an insolvency petition for such legal entity was rejected since the assets of that legal entity failed to cover the costs of the insolvency proceedings, or bankruptcy was cancelled because the assets of such legal entity were completely inadequate;
- whether the person being assessed held any comparable office (function) in a legal entity declared bankrupt in the preceding three years;
- whether there has been a judicial decision that would exclude the member of the statutory body of a business corporation from holding an office (performing a function);
- whether there is justified suspicion of an existing conflict of interest related to the office held by the person being assessed; whether all the information related to the assessed person was provided through a personal questionnaire requested by the employer; and whether any false information (provided by the assessed person) was revealed as part of pre-employment screening pursuant to the internal guidelines of the employer.

All the above-mentioned facts are not applied mechanically, but the assessed person is assessed individually and comprehensively, in accordance with the methodology of the CNB, even in the case of his detections. (This is a wide range of examined facts of a very diverse nature and seriousness, an individual assessment in summary of all the facts taken into account is therefore purposeful and fair).

B.2.2. PROCESS FOR ASSESSING THE FITNESS AND THE PROPRIETY OF THE PERSONS

The assessment of the professional fitness/qualification and personal credibility of persons with high responsibility in the Company (including members of the Boards) is essentially based on two internal standards:

- The Group Fit and Proper Policy implemented worldwide by Generali Group.
- This policy is complemented by the Company's interpretational standard policy respecting and implementing particular local conditions.

Assessment of the relevant persons is first performed before they are appointed to their positions and thereafter periodically. The Company standard includes seven assessment categories and four assessment systems:

- Members of the Board of Directors: The Board of Directors as a group assesses the professional fitness/qualification and personal credibility of its members.
- Members of the Supervisory Board: The Supervisory Board as a group assesses the professional fitness/qualification and the personal credibility of its members.
- The professional fitness/qualification and the personal credibility of the members of the Audit Committee are assessed by the Board of Directors.
- Key employees that manage control functions are assessed by the Board of Directors and the respective Group control functions in regard to their professional fitness/qualification and personal credibility.
- The professional fitness/qualification and personal credibility of employees with a significant impact on the risk profile of the Company as defined by Company standards is assessed by the Board of Directors.
- Other highly responsible persons defined through internal standards (within the scope of the assessed group) are assessed by the Board of Directors as regards their professional fitness/qualification and personal credibility.

There have been no material changes to this area since the last reporting period.

B.3. RISK MANAGEMENT SYSTEM

The purpose of the risk management system is to ensure that all risks to which the Company is exposed are properly and effectively managed through a defined risk strategy following a set of processes and procedures. and based on clear governance provisions.

The principles defining the risk management system are provided in the risk management policy, which is the cornerstone of all risk-related policies and guidelines. The risk management policy covers all risks the Company is exposed to. both on a current and on a forward-looking basis.

The risk management process is defined within the following phases:

Risk identification

The purpose of the risk identification phase is to ensure that all material risks the Company is exposed to are properly identified. For this purpose, the Risk Management Function interacts with the main business functions to identify the main risks, assess their importance, and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, emerging risk is also taken into consideration.

Based on Solvency II risk categories and for the purpose of the Solvency Capital Requirement (SCR) calculation, risks are categorized according to the following Risk Map:

Risk Map

Risks covered by the Partial Internal Model				
Financial risk	**Credit risk**	**Insurance risk non-life**	**Insurance risk life & health**	**Operational risk**
Interest rate yields	Spread widening	Pricing	CAT mortality	Internal fraud
Interest rate volatility	Credit default	Reserving	Non-CAT mortality	External fraud
Equity price	Counterparty default	CAT	Longevity	Employment practices
Equity volatility		Non-life lapse	Morbidity/Disability	Clients & products
Property			Life lapse	Damage to physical assets
Currency			Expense	Business disruption & system failure
Concentration			CAT health	Execution & process management
			Health claim	

The Company has also developed an effective risk management system for risks not included in the SCR calculation, such as liquidity risk and other risk (so-called 'non-quantifiable risks', i.e. reputational risk, contagion risk, emerging risk and sustainability risks).

Please see Sections C.4 Liquidity risk and C.6 Other risk.

Risk measurement

The risks identified during this first phase are then measured by their contributions to the SCR and eventually complemented by other modelling techniques deemed appropriate and proportionate to better reflect the Company's risk profile. Using the same metric for measuring the risks and the SCR ensures that each risk is covered by an adequate Solvency capital amount that could absorb the loss incurred if the risk materialized.

The SCR is calculated by using the Generali Group Internal Model approved by the College of Supervisors covering financial. Credit, life and non-life underwriting risk and operational risk. The Generali Internal Model provides an accurate representation of the main risks to which the Company is exposed, measuring not only the impact of each risk taken individually but also their combined impact on the own funds of the Company.

Risk valuation associated with technical provisions is performed using an Internal Model for originally owned portfolios, while for newly acquired portfolios the valuation for the Solvency II calculation is performed using the Standard Formula. The use of the internal model for newly acquired portfolios is conditioned by Czech National Bank approval. The Company is requesting this approval for the end of 2023.

More details on the Partial Internal Model governance framework are provided in Section B.3.2., while the main differences between the Internal Model assumptions and the Standard Formula are described in Section E.4.

Risks not included in the SCR calculation, such as liquidity risk and other risk, are evaluated based on quantitative and qualitative risk assessment techniques and models.

Risk management and control

As part of Generali Group, the Company operates under a sound risk management system in line with the processes and the strategy set by Generali Group. To ensure the risks are managed according to the risk strategy, the Company follows the governance defined in the Group Risk Appetite Framework (RAF) and further specified in the local Risk Appetite Framework. RAF governance provides a framework for risk management, embedding control mechanisms as well as escalation and reporting processes in day-to-day and extraordinary business operations.

The purpose of the RAF is to set the desired level of risk (in terms of risk appetite and risk preferences) and limit excessive risk-taking. Tolerance levels based on capital and liquidity metrics are set accordingly. Should an indicator approach or breach the defined tolerance levels. escalation mechanisms are activated.

Risk reporting

Risk monitoring and reporting is a key risk management process that helps keep business functions. top management, the Board, and also the Supervisory Authority aware and informed of the risk profile development, risk trends and breaches of risk tolerances.

The Own Risk and Solvency Assessment (ORSA) is the main risk reporting process and is coordinated by the Risk Management Function. Its purpose is to provide an assessment of risks and overall solvency needs on a current and forward-looking basis. The ORSA process ensures ongoing assessment of the solvency position in line with the strategic plan and capital management plan, followed by regular communication of the ORSA results to the Supervisory Authority after approval by the Board. More details are provided in Section B.3.3. The Risk Management Function ensures that the risk management process as described in Section B.3. complies with Solvency II and the principles set in the risk policies. and supports the Board and top management in ensuring the effectiveness of the risk management system.

Risk Management Function

The Risk Management Function coordinates the ORSA process and reports the most significant risks it identifies to the Board. The Risk Management Function is responsible for:

- assisting the Board of Directors and Supervisory Board and other functions in the effective operation of the risk management system;
- monitoring the risk management system and the implementation of the risk management policy;
- monitoring the general risk profile of the Company and coordinating risk reporting. including reporting any tolerance breaches;
- advising the Board of Directors and Supervisory Board, and supporting the main business decision-making processes, including those related to strategic affairs such as corporate strategy, mergers and acquisitions, and major projects and investments.

The Risk Management Function is an independent function within the organizational structure and is not responsible for any operational area. The Head of Risk Management Function (Chief Risk Officer - CRO) reports hierarchically to the Chief Executive Officer (CEO) and functionally to the Board. To ensure proper coordination and direction from Head Office, they also report to the Group Chief Risk Officer (GCRO). In accordance with local laws and regulations, the Risk Management Function has full access to all information, systems and documentation related to risk management activities. The function is also involved in all key committees of the Company.

The Risk Management Function also chairs the Risk Committee, where the representatives of risk management, key risk owners and control functions discuss current risk topics and the results of risk assessments, and advise the Board on risk-related matters.

The Risk Management Function has financial and human resources, as well as access to external advisory services and specialized skills.

The Head of the Risk Management Function has the necessary qualifications, knowledge, experience and professional and personal skills to carry out the function’s duties effectively. The head has solid relevant experience in the insurance (or financial) industry, in risk management practices and risk-related regulations. They also have the capacity to relate to the commercial mind-set of the business and develop an overall understanding of the organization from the operational and strategic points of view. They also follow the applicable risk policies that set out the relevant responsibilities, goals, processes and reporting procedures to be applied.

All personnel carrying out Risk Management Functions meet the above requirements and characteristics to a degree commensurate to the complexity of the activities to be carried out. These requirements must be maintained at an appropriate and adequate level at all times.

Compliance with the above requirements is assessed at least on a yearly basis, and also during the year in the event of changes in the staffing of the Risk Management Function.

There have been the following material changes since the last reporting period:

- The application of the standard formula to the portfolios transferred to the Company from Generali pojišťovna in December 2021.

B.3.1. INTERNAL MODEL FRAMEWORK: GOVERNANCE. DATA AND VALIDATION

INTERNAL MODEL GOVERNANCE

Processes and procedures

The governance of the internal model is aimed at guaranteeing full compliance of the internal model with a set of principles, while respecting Articles 120 to 126 of the Solvency II Directive.

The Company, following the Group internal model governance policy, sets the model governance to ensure that models are transparent, robust and consistent both internally and across Group companies, and that the models are of sufficient quality and reliability to meet the needs of the people that use them.

The governance requirements apply to all phases of the model lifecycle, i.e. both regular use and model change processes.

The main processes contained within each of the above phases include model definition and implementation, model run including assumption setting and calibration, model validation and model review.

Organizational structure

The Board of Directors is responsible for implementing systems that ensure the Group internal model operates properly and continuously at Company level. With the support of the Local Risk Committee, the Board of Directors reviews the relevant supporting information submitted by the Company's CRO.

The Company CRO must ensure that all models function properly at Company level and, if necessary, escalates model-related issues to the Board of Directors, supported by the Risk Committee. The Company CRO decides, on the basis of all the Internal Model Committee proposals, on the appropriate model component methodologies, and signs off on the results of calculations of Company capital requirements.

The Company Internal Model Committee is in charge of providing proposals on matters related to the internal model before submission to the Company CRO.

Company model owners are assigned to each component of the model and are responsible for ensuring that the Group internal model and its outputs meet local needs and conform to the Group internal model governance policy as well as to the group methodology framework.

MATERIAL CHANGES TO INTERNAL MODEL GOVERNANCE

There were no material changes in internal model governance during the reporting calendar year.

INTERNAL MODEL DATA

The Company has implemented a data quality framework to ensure that the data used for the SCR calculation and the evaluation of technical provisions are accurate, complete and appropriate. For this purpose, all data used are recognized, data flows are tracked to the level of primary systems, and any risks of potential poor data quality are identified and evaluated. Adequate controls are implemented and their results are monitored and documented.

INTERNAL MODEL VALIDATION

The SCR calculation is subject to annual independent validation, as required by Article 124 of the Solvency II Directive and based on the principles defined in the group validation policy and the group validation guidelines.

Validation is aimed at gaining independent assurance of the completeness, robustness and reliability of the processes and results which comprise the internal model, as well as their compliance with the Solvency II regulatory requirements. In particular, the validation output aims to support the top management and Board of Directors in understanding the internal model appropriateness and areas where the internal model has weaknesses and limitations, especially with regard to its use in day-to-day decision-making processes.

The scope of validation covers both the quantitative and qualitative aspects of the model. including the data. Methodology, assumptions and expert judgments, governance and processes, calibration of risks, model outputs and results. The scope of validation considers the materiality of the risk components and is subject to regular challenges from the Internal Model Committee.

Within the validation process, both quantitative tests (including analyses of profit & loss attribution, sensitivity analyses, stress and reverse stress tests, SCR point estimates) and qualitative analyses (including reviews of documentation, walkthrough analyses and interviews) are performed.

To ensure an adequate level of independence, the resources performing validation activities are not involved in the development and calculation of the internal model.

Although the validation process is understood as a regular exercise, there are specific elements that can trigger additional validation (eg requests for major model changes or requests from top management or regulatory bodies).

B.3.2. ORSA PROCESS

The ORSA process is a key component of the risk management system that aims at assessing the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The ORSA process documents and properly assesses the main risks to which the Company is or may be exposed in light of its strategic plan. It includes an assessment of the risks within the scope of the SCR calculation, but also of other risks not included in the SCR calculation. In terms of risk assessment techniques, both quantitative and qualitative assessments are performed, including stress tests and sensitivity analysis. Adverse scenarios are defined together with key risk owners and the Board in order to assess the resilience of the Company solvency position to changed market conditions or specific internal or external risk factors over the business planning period.

The ORSA Report is produced on an annual basis during 2Q and takes into consideration current risk profile as of year-end and additional views on the risk profile and System of Governance. including also forward-looking assessments in line with the business strategy and business planning.

In addition to the annual ORSA process, some specific steps or the whole ORSA process can also be triggered irregularly during the year if the risk profile changes significantly. Triggers for a non-regular ORSA process might be changed assumptions underlying SCR calculations, breaches of defined solvency limits, significant changes to the structure, amount or quality of own funds. or significant changes in the business model or legal environment.

All results are properly documented in the ORSA report and discussed during meetings of the Company Risk Committee. The report is submitted to the supervisory authority after discussion and approval by the Board. The information included in the ORSA report is sufficiently detailed to ensure the relevant results can be used in the decision-making and business-planning processes.

The results of the ORSA process at Company level are also reported to the parent company as an input for the Generali Group ORSA process. For this reason, the Company follows the principles set in the risk management policy and additional operating procedures. These are issued by Generali Head Office to assure the consistency of the ORSA process across Generali Group companies.

There have been no material changes to this area since the last reporting period.

B.3.3. RISK EMBEDDING IN THE CAPITAL MANAGEMENT PROCESS

Capital management and risk management are strongly integrated processes. This integration is deemed essential to ensure proper alignment between the business and risk strategies.

By means of the ORSA process, the projection of the capital position and the forward-looking risk profile assessment contribute to the strategic planning and capital management processes.

The ORSA report also relies on the capital management plan for verification of the adequacy and quality of the eligible own funds to cover the overall solvency needs based on the plan's assumptions.

Risk management actively supports the strategic planning process to ensure ongoing alignment of the risk and business strategies.

B.4. INTERNAL CONTROL SYSTEM

The Company has fully adopted the Group Policies on the internal control and risk management system, these policies included the key elements of the internal control system and risk management framework, in particular their activities, roles and responsibilities, accordingly, the company has set up an organizational and operational structure aimed at supporting its strategic objectives, operations and internal control and risk management systems.

The internal control environment includes personnel development in terms of integrity, ethical values and competence, the management philosophy and operating style, the way roles and responsibilities are assigned, how the organization is set up, and governance.

The internal control system ensures compliance with applicable laws, regulations and administrative provisions and the effectiveness and efficiency of the operations in light of objectives. It also ensures the availability and reliability of financial and non-financial information.

The internal control and risk management system is founded on the establishment of three lines of defence:

I. The operating functions (the risk owners) represent the first line of defence and have ultimate responsibility for risks relating to their area of expertise;
II. The actuarial, compliance and risk management functions represent the second line of defence;
III. The internal audit function represents the third line of defence and, together with the actuarial, compliance and risk management functions, represents the control functions.

Monitoring and reporting mechanisms within the internal control system and the control functions are established to provide top management and the Board of Directors with relevant information essential for their decision-making processes.

B.4.1. COMPLIANCE FUNCTION

INFORMATION ON THE COMPLIANCE FUNCTION: ORGANIZATIONAL STRUCTURE AND THE DECISION MAKING PROCESSES OF THE UNDERTAKING, STATUS AND RESOURCES OF THE COMPLIANCE FUNCTION WITHIN THE UNDERTAKING

The Company established the compliance function as an independent department and part of the internal control system and its second line of defence. The Head of Compliance reports to the Board of Directors.

The Company has fully adopted the Group Compliance Policy approved by the Board of Directors of Assicurazioni Generali S.p.A. and which is periodically reviewed. The Compliance department follows the policy, while its roles and responsibilities are specified by the Internal Compliance Statute of Compliance.

The resources of the compliance department include financial and human resources, as well as access to external advisory services and specialized skills, the organizational infrastructure, contemporary reference material on compliance management and legal obligations, professional development, and technology.

The reporting process aims to ensure that appropriate information on the performance of the compliance function and the compliance management system, its continuing adequacy and all relevant instances of non-compliance, is provided to top management and the Board of Directors as well as to the Group compliance function.

The compliance department submits the Annual Plan of Activities together with the Annual Budget of the Compliance Function to the Board of Directors for approval. The Annual Plan is drafted taking into account the results of the risk assessment activities. At least twice a year, the compliance department reports to the Board of Directors on the state of realization of the Annual Plan of Activities. The compliance department also provides regular updates to the Board of Directors and top management. It informs the Board of Directors of any material changes in the compliance risk profile of the Company without undue delay.

INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE COMPLIANCE FUNCTION

The employees of the Compliance function have the necessary qualifications, knowledge, experience and professional and personal skills to enable them to carry out their duties effectively. Such requirements are defined for each control function position. Compliance officers must understand the obligations, legislation, standards and rules that affect the business, and be familiar with the methodologies of Compliance Risk Management.

The Compliance function is independent of the functions in the organizational structure. It is not responsible for any operational areas. The head of the Compliance function reports directly to the Board of Directors, which confers the necessary authority to the function.

In accordance with local laws and regulations, the Compliance department has complete access to all information, systems and documentation related to activities within the scope of Compliance. The Compliance officer may attend relevant AMSB and committee meetings (e.g. Risk Committee) to raise compliance risk related matters, whenever appropriate. All accessed information and documents are handled in a prudent and confidential manner.

B.5. INTERNAL AUDIT FUNCTION

B.5.1. INFORMATION ON INTERNAL AUDIT FUNCTION: ORGANIZATIONAL STRUCTURE. THE DECISION MAKING PROCESSES, STATUS AND RESOURCES OF THE INTERNAL AUDIT FUNCTION

At Generali Česká pojišťovna the internal audit activities are performed by the internal audit function in line with the organizational rules defined in the audit group policy approved by the Board of Directors of Assicurazioni Generali S.p.A. (the ultimate Generali Group parent company) and in the audit policy approved by the Board of Directors of Generali Česká pojišťovna.

The internal audit function is an independent and objective function established by the Board of Directors to examine and evaluate the adequacy, effectiveness and efficiency of the internal control system and of all the other elements of the system of governance, through assurance and advisory activities for the benefit of the Supervisory Board and Board of Directors, the top management and other stakeholders.

It supports the Supervisory Board and Board of Directors in identifying the strategies and guidelines on internal control and risk management, ensuring that they are appropriate and valid over time, and provides the Supervisory Board and Board of Directors with analyses, appraisals, recommendations and information concerning the activities reviewed.

In line with the audit group policy and based on a solid line reporting model, the head of the internal audit function reports to the Supervisory Board. Board of Directors and Audit Committee and, ultimately, to the Head of Group Audit, through the Head of Business Unit Audit.

This ensures the autonomy to act and independence from operational management as well as more effective communication flows. It covers the methodologies to be used, the organizational structure to be adopted (recruiting, appointment, dismissal, remuneration, sizing and budget in agreement with the Audit Committee), target setting and the year-end appraisal, the reporting methods, as well as the proposed audit activities to be included in the internal audit plan to be submitted to the Audit Committee for approval.

The internal audit function is provided with appropriate human, technical and financial resources, and its staff possesses and obtains the knowledge, skills and competencies needed to perform its role and mission, including the technical capabilities to perform audit activities with the support of data analytics and the knowledge to perform audit activities on digital processes, including robotics and artificial intelligence.

The internal audit function has full, free, unrestricted and timely access to any of the organization's records, physical assets, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information. The head of the internal audit function has free and unrestricted access to the Supervisory Board and Board of Directors.

The internal audit function acts in compliance with the guidelines issued by the Institute of Internal Auditors (i.e. the International Professional Practices Framework – IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

The head of the internal audit function does not assume any responsibility for any other operational function and should have an open, constructive and cooperative relationship with regulators to support the sharing of information relevant to their respective responsibilities.

All internal audit function personnel comply with specific fit and proper requirements as requested by the fit & proper policy, and avoids, to the maximum extent possible, activities that could create conflicts of interest or be perceived as such. The internal auditors of the internal audit function behave in an impeccable manner at all times. and information coming to their knowledge when carrying out their tasks is always kept strictly confidential.

The activity of the internal audit function remains free from interference by any element in the organization, including matters of audit selection, scope, procedures,. Frequency, timing, or report content, to ensure the necessary independent and objective mental attitude.

Internal Auditors do not have direct operational responsibility or authority over any of the activities audited. Accordingly, they are not involved in the operational organization of the undertaking or in developing, introducing or implementing organizational or Internal Control measures. However, the need for impartiality does not exclude the possibility to request an opinion from the internal audit function on specific matters related to the Internal Control principles to be complied with.

The internal audit function is not a part of, or responsible for, the Risk Management, Compliance, Actuarial or Anti-Money Laundering Functions. It cooperates with other key functions – including the Anti-Money Laundering Function – and external auditors to continuously foster the efficiency and effectiveness of the Internal Control System.

At least annually, the Head of Internal Audit Function proposes an internal audit plan for Generali Česká pojišťovna to the Audit Committee for approval.

The internal audit plan is developed based on a prioritization of the audit universe using a risk-based methodology, and takes into account all the activities, the system of governance, the expected development of activities and innovations, the organization's strategies, the key business objectives, and inputs from the top management, the Supervisory Board and the Board of Directors. Furthermore, the internal audit plan takes into account any deficiencies found during the audits already performed. and any new risk detected.

The internal audit plan submitted by the Head of Internal Audit Function for approval by the Audit Committee includes at least the audit engagements, the criteria for their selection, their timing, the budget and human resources requirements, and any other relevant information. The Head of Internal Audit Function communicates to the Audit Committee and Board of Directors the impact of any resource limitations and significant changes that occurred during the year. The Audit Committee discusses and approves the internal audit plan along with the budget and human resources required to deliver it.

The internal audit plan is reviewed and adjusted on a regular basis during the year by the Head of Internal Audit Function in response to changes in the organization's business, risks, operations, programs, systems, controls and audit findings. Any significant deviation from the approved internal audit plan is communicated through the periodic reporting process to the Audit Committee and submitted to it for approval. If necessary, the internal audit function may carry out audits that are not included in the approved internal audit plan. Such additions and their results are reported to the Audit Committee and/or Board of Directors at the earliest possible opportunity.

All audit activities are carried out following a consistent Group methodology (detailed in the Group Audit Manual), including the use of the Group audit IT tool. The scope of auditing encompasses, but is not limited to. the examination and evaluation of the adequacy and effectiveness of the organization's governance. risk management. and internal control processes in relation to the organization's defined goals and objectives.

Following the conclusion of each engagement, a written audit report is prepared and issued to the auditee and the auditee's hierarchy. This report indicates the significance of the issues found and covers any issues regarding the effectiveness, efficiency and suitability of the internal control system, as well as major shortcomings regarding compliance with internal policies, procedures, processes and the Company's objectives. It includes a proposal for remedial actions taken or to be taken concerning the issues identified. and the proposed deadlines for their implementation.

While the responsibility for addressing issues raised remains with business management, the internal audit function is responsible for implementing appropriate follow-up activities on issues raised. including checking the effectiveness of the corresponding remedial actions.

Based on its activity and in accordance with Group methodology, the internal audit function is responsible for reporting significant risk exposures and identified control issues to the Supervisory Board, the Board of Directors and the Audit Committee, including fraud risks, governance issues and other matters needed or requested by the Supervisory Board, the Board of Directors and the Audit Committee.

The Head of Internal Audit Function provides, on at least a semi-annual basis, the Supervisory Board and the Board of Directors with a report at local level on the activities performed, their results, the issues identified, the action plans for their resolution, their status and the timing for their implementation. It also includes the results of the follow-up activities, indication of the persons and/or functions responsible for the implementation of the action plans, and the timing and effectiveness of the actions implemented to remove the issues initially found. The Board of Directors determines what actions are to be taken with respect to each issue, and ensures that those actions are carried out. However, in the event of any particularly serious situations arising during the normal reporting cycle, the Head of Internal Audit Function will immediately inform the Supervisory Board, the Board of Directors and the Audit Committee, the local top management, the Head of Business Unit Audit and the Head of Group Audit.

The internal audit function maintains a quality assurance and improvement program, which includes both internal and external assessments aimed at covering all audit activity aspects, and a continuous improvement program. These programs include an evaluation of the audit activity's conformance with professional standards, the Audit Group Policy, the audit methodology detailed in the Group Audit Manual, and the Code of Ethics of the Institute of Internal Auditors. The programs also assess the efficiency and effectiveness of th e audit activity and identify opportunities for improvement.

B.5.2. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND THE OPERATIONAL INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

For more information, please refer to Section B.5.1

B.6. ACTUARIAL FUNCTION

The Actuarial function (AF) in Generali Česká pojišťovna is based on the Group Actuarial Function Policy. The Actuarial Function Group Policy has been fully applied with no waivers. Local specifics i.e Actuarial Function is set separately for Life and Non -life Business and solid line reporting model is established between the CEE Business Unit Head of Actuarial Function and the Local Head of Actuarial Function remain valid, but not classified as waivers in accordance with the last version of Actuarial Function Group Policy.

In line with updated Group Actuarial Function Policy:

- The calculation and control activities are organizationally separated to ensure full independency. At least once a year the Head of Actuarial Function submits an opinion on the technical provision as well as on the underwriting policy and on the reinsurance arrangements to the BoD/AMSB. To support his/her role, the Head of Actuarial Function is granted, to the extent legally permitted, unrestricted access to the information necessary to carry out his/her responsibilities and has also access to the heads of the responsible functions and committees.
- In the event of any fundamental issues in areas of his/her interest (technical Provisions. the underwriting policy and reinsurance arrangements), the Head of Actuarial Function shall report the finding directly to the BoD/AMSB to which he/she has independent and direct access.
- Head of Actuarial Function are appointed by the local BoD/AMSB.
- Head of Actuarial Function reports directly to the CEO.

To respect the historical set up and experience. Generali Česká pojišťovna has separated the two actuarial functions for Life and Non-life:

- Head of Actuarial Function life.
- Head of Actuarial Function non-life.

There are regular meetings to ensure full consistency and alignment as well as the sharing of information between both Life a nd Non-life Actuarial Functions and between Actuarial Function and calculation Actuarial departments.

In terms of resources, the Actuarial Function (Non-Life and Life) currently consists of two people and two open positions. All members of Actuarial Function team possess an actuarial background with a degree in actuarial sciences, long term actuarial working experience mainly on Czech, but partially also on Slovak market and are members of Czech Society of Actuaries.

The objectiveness of Actuarial Function is supported by the Fit & Proper requirements (Group Fit & Proper Policy) and the pro fessional responsibility of the Heads of Actuarial Function (full members of the IAA professional organization).

The Actuarial Function closely cooperates especially with Life and Non-life Actuarial Department which reports to CFO and are responsible for calculation of technical provision, capital requirements of life and non-life underwriting risks including impact of market risks on insurance liabilities, value of new business in life insurance, effectivity of reinsurance program and reporting in given areas.

Actuarial Function cooperate also with other technical departments of the Company especially Risk management, Product management, Controlling, Reinsurance and ALM departments.

The main responsibilities and roles of the Actuarial Function, as required by Solvency II principles (Article 48 of Directive 2009/138/EC), are the following:

- Control, assessment of adequacy and validation of technical provisions.
- assessing the local technical provisions (TP) data quality process
- expressing an opinion on the overall underwriting policy.
- expressing an opinion on the adequacy of the reinsurance arrangements.
- contributing to the effective implementation of the risk management system.

as well as tasks not explicitly required by the Solvency II principles:

- control role in area of IFRS technical provisions
- control role in product development and product profitability
- control role in area of life and non-life underwriting risks modelled by Internal model.

More details are available in the local Life/Non-life Actuarial Function Report documents. These documents summarize the opinions, concerns and recommendations of the Actuarial Function about the Technical Provisions process, the underwriting policy and the reinsurance arrangements, in compliance with Solvency II requirements.

The Actuarial Function cover the whole Generali Česká pojišťovna including Slovak branch.

B.7. OUTSOURCING

B.7.1. INFORMATION ON OUTSOURCING POLICY

The Company has fully adopted the Group Outsourcing Policy, which sets consistent minimum mandatory outsourcing standards, assigns the main outsourcing responsibilities, and ensures that appropriate controls and governance structures are established within any outsourcing initiative.

This policy introduces a risk-based approach, distinguishing between critical and non-critical outsourcing, the materiality of each outsourcing agreement, and the extent to which the Company controls the service providers.

The Company has also adopted local outsourcing rules that specify all the rules and obligations for the proper set-up and management of outsourcing relationships, both within and outside the Group, the criteria for the classification of outsourcing significance, roles and responsibilities, contract content, internal processes, evidence, and the monitoring of outsourcing. The Company considers the following functions significant: Risk Management, Compliance Function, Internal Audit and the Actuarial Function. The Company considers the following activities important: administration of insurance, claims settlement, investments, calculation of provisions, underwriting, product development, actuarial, insurance product training.

The outsourcing of functions or activities considered as critical or significant by the Company will not be undertaken in such a way as to lead to any of the following: materially impairing the quality of the Company's system of governance, unduly increasing operational risk, impairing the ability of the supervisory authorities to monitor the undertaking's compliance with its obligations, or undermining continuous and satisfactory service to policyholders. The outsourcing agreements for critical and important activities must be submitted to the Board of Directors for approval.

An outsourcing business officer is appointed for each outsourcing contract. This person is responsible for the overall execution of the outsourcing lifecycle, from risk assessment to final management. The officer also monitors the service-level agreements defined in the contracts, as well as the quality of the provided services.

The Company has providers of outsourced functions or activities in the Czech Republic, Italy, Austria and the Netherlands.

There have been no material changes to this area since the last reporting period.

B.8. ANY OTHER INFORMATION

B.8.1. ASSESSMENT OF THE ADEQUACY OF SYSTEM OF GOVERNANCE TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS INHERENT IN THE BUSINESS

The Internal Audit Department conducts independent overall evaluations of the Company's internal control system regularly, at least once a year.

For more information, please refer to Section B.5.1

B.8.2. OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE

There is no other relevant information.

C. Risk Profile

Within the Company risk profile, no risk exposure arises from off-balance sheet positions and no transfer of risk to special purpose vehicles takes place.

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Life and health underwriting risks include biometric and operating risks embedded in the life and health insurance policies. Biometric risks derive from uncertainty in assumptions regarding mortality, longevity, health, morbidity and disability rates taken into account in the insurance liability valuations. Operating risks derive from the uncertainty regarding expenses and the adverse exercise of contractual options by policyholders. Along with premiums payment, the option to surrender a policy is the most significant contractual option held by policyholders.

The life and health underwriting risks identified in the Company's Risk Map are:

- *Mortality risk*. defined as the risk of loss or of adverse change in the value of insurance liabilities resulting from changes in mortality rates, where an increase in mortality rates leads to an increase in the value of insurance liabilities. Mortality risk also includes mortality catastrophe risk as the risk of loss or an adverse change in the value of insurance liabilities resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events;
- *Longevity risk* that, similarly to mortality, is defined as the risk resulting from changes in mortality rates, where a decrease in mortality rates leads to an increase in insurance liabilities;
- *Disability and morbidity risks* are defined as the risk of loss or an adverse change in insurance liabilities resulting from changes in disability, sickness, morbidity and recovery rates;
- *Lapse risk* is linked to a loss or adverse change in liabilities due to a change in expected policyholder option exercise rates. The relevant options are all legal or contractual policyholder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover, or permit the insurance policy to lapse. This also includes lapse during catastrophic events;
- *Expense risk* is the risk of a loss or adverse change in insurance liabilities resulting from changes in the expenses incurred in servicing insurance or reinsurance contracts.

The following table briefly summarizes the interactions between products and risks:

Products	Mortality risk	Longevity risk	Morbidity/disability risk	Lapse risk	Expense risk	Health
Accident and disability	✓		✓	✓	✓	
Pure risk	✓		✓	✓	✓	
Annuity in payment		✓			✓	
Annuity in accumulation	✓	✓	✓	✓	✓	
Capitalization				✓	✓	
Endowment and others	✓		✓	✓	✓	
Non-life annuities in payment		✓			✓	

The life underwriting risks are measured using a quantitative model aimed at determining the SCR, based on:

- the Generali Group Internal Model methodology for the "Company without the Branch" portfolio;
- the Standard Formula Approach for the "Branch" portfolio.

The risk measurement under the Generali Group Internal Model methodology and parameters derives from a process divided into two main steps:

- risk calibration, aiming to derive life underwriting risk factor distributions and consequently the stress to be applied to the best estimate biometric/operating assumptions with a certain probability of occurrence equal to 0.5%;
- loss modelling, aiming to measure the loss for the Company resulting from the stress to the biometric/operating assumptions.

The risk measurement under the Standard Formula Approach derives from the application of pre-defined stress to the best estimate biometric/operating assumptions with a probability of occurrence equal to 0.5%.

For mortality and longevity risks, the uncertainty in the insured population mortality and its impact on the Company are measured by applying stresses to the policyholders' death rates.

For morbidity and disability risks, the uncertainty in sickness or morbidity in the insured population and its impact on the Company is measured by applying stresses to the policyholders' morbidity, disability and recovery rates.

In the case of lapse risk, risk calibration and loss modelling aims to measure the uncertainty in policyholder behaviour with respect to legal or contractual options that give them the right to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover, or permit the insurance policy to lapse. Similarly to biometric risks, the measurement is performed through the application of permanent and catastrophic stresses to the behaviour of these policyholders.

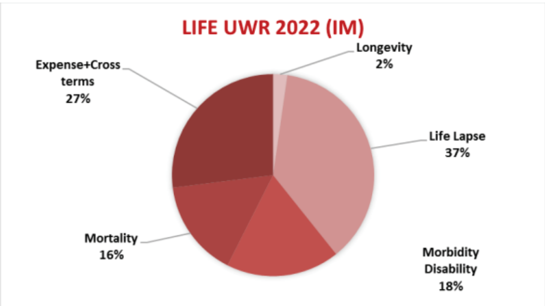
Expense risk is measured through the application of stresses to the expense inflation the Company expects to incur in the future.

The Company performs specific tests and follows Generali Group methodology aimed at ensuring the reliability of the results obtained and their actual use in business decision-making processes, as prescribed by the Solvency II Directive.

The following table shows the development of life risks (on a standalone basis, without any diversification effects) of the "Company without the Branch" portfolio under the Internal Model for YE22 in comparison with YE21.

Life underwriting risks (Internal Model)	Total YE22	Total YE21	delta %
Life UW Risk	**3,256,177**	**2,785,450**	**17%**
Longevity	73,730	82,095	(10)%
Life Lapse	1,205,160	1,027,697	17%
Morbidity Disability	591,552	552,316	7%
Mortality	507,236	519,430	(2)%
Expense + Cross terms	878,499	603,913	45%

The following charts show the share of individual risks in total life UW Risk:

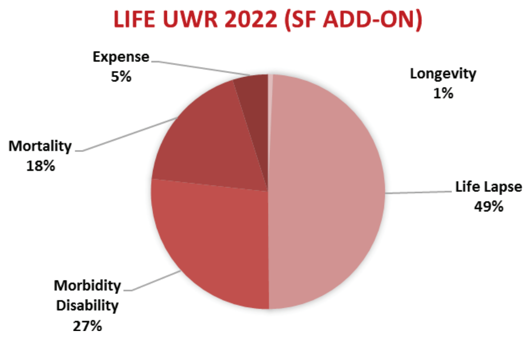


Expense risk increased by 45 % due to higher level of the expense inflation. Morbidity risk increased by 7 % as a result continuing protection-oriented new business and higher level of risk calibration for YE22 valuation. Lapse risk increased due to higher level of lapse mass risk affected by higher interest rates. Mortality risk remained on similar level as last year and Longevity risk decreased as the result of lower level of calibration.

The following table shows the decomposition of life underwriting risk (on a standalone basis, without any diversification effects) of "Branch" portfolio under Standard Formula Approach for YE22 in comparison with YE21.

Life underwriting risks (SF Add-on)	Total YE22	Total YE21	delta %
Life UW Risk	**2,326,828**	**2,868,279**	**(19)%**
Longevity	16,022	16,315	(2)%
Life Lapse	1,144,175	1,404,037	(19)%
Morbidity Disability	625,791	838,247	(25)%
Mortality	426,728	466,944	(9)%
Expense	114,112	142,737	(20)%

The following chart shows the share of individual risks in total life UW Risk:



Due to the ongoing shift towards risk-oriented products. we expect relatively stable Life UWR in the future. This means generally lower exposures to risks because of the decreasing portfolio, compensated with the morbidity risk where exposure will grow due to new protection-oriented production. The dominant UW risk is mass lapse risk with respect to the conservative definition within SF. The Y-Y decrease of total life UWR is mainly due to an increase of the discount rate and an increase in lapse rates.

RISK MANAGEMENT AND MITIGATION

The techniques for mitigating, monitoring and managing life underwriting risks are based on quantitative and qualitative assessments embedded in processes that are carefully defined and monitored at both Company and Generali Group level (such as the life pro duct approval and underwriting limits process).

Robust pricing and ex-ante selection of risks through underwriting are the two main defences against life underwriting risks.

Product pricing

Effective product pricing means setting product features and assumptions regarding expenses, biometrics and policyholder behaviour to allow the Company to withstand any adverse developments in these assumptions' trends.

For saving business this is mainly achieved through profit testing, while for the protection of insurance portfolios involving a biometric component, this is achieved by setting reasonably prudent assumptions.

For insurance portfolios with a biometric risk component, the mortality tables used in pricing include reasonable prudential margins. For these portfolios, comprehensive reviews of mortality experience are also performed at Head Office level every year, involving a comparison with the expected portfolio mortality determined according to the most up-to-date mortality tables available in each market. This analysis allows the continuous checking of the adequacy of the mortality assumptions used in product pricing, and the addressing of the risk of misestimating for future underwriting years.

Similarly as for mortality risk, an annual assessment of the adequacy of the mortality tables used in pricing is performed for longevity risk. This assessment considers both biometric risks and financial risks related to the minimum interest rate guarantee, and any potential mismatch between liabilities and the corresponding assets. Also in this case, the analysis allows continuous checks of the adequacy of the longevity assumptions taken into account in product pricing, and the addressing of the risk of misestimating for future underwriting years.

All operating assumptions used in the product pricing phase or for the valuation of new business are derived from the Company's own experience in line with the underwriting policy. They are consistent with the assumptions used for technical provisions (TP) valuation. Furthermore, to ensure full alignment with the Company's strategy on product approval, the process includes on-going monitoring of the products to be launched by the Company and a biannual update of the profitability review at parent company level.

Underwriting process

The Company follows the Generali Group underwriting guidelines that determine operating limits and the standard exemption request process to maintain risk exposure between pre-set limits and ensure a coherent use of capital.

Particular emphasis is put on the underwriting of new contracts, considering both medical and financial risks. The Company follows the clear underwriting standards issued through manuals, forms, and medical and financial underwriting requirements. The Company's autonomy within the underwriting concept depends on its structure and insurance portfolio and is determined by the parent company.

Maximum insurability levels are set by the Company for insurance riders most exposed to moral hazard. To further mitigate these risks, policy exclusions and financial underwriting rules are also defined.

The Company regularly monitors risk exposures and adherence to operating limits, reports any abnormal situations, and follows an escalation process proportionate to the nature of the violation to ensure that remedial actions are swiftly undertaken.

Role of risk management in pricing and product approval processes

The Company's CRO supports the pricing process as a member of the product and underwriting committees.

The product approval process includes a review by the Risk Management Function to ensure that new products are in line with the Risk Appetite Framework (both quantitative and qualitative dimensions) and that risk capital is considered within the risk-adjusted performance management.

Underwriting risk can also be transferred through reinsurance to another (re)insurance undertaking to reduce the financial impact of these risks on the Company. This effectively reduces the SCR needed to be held to cover them.

The life reinsurance function at Group level supports, steers and coordinates the reinsurance activity of the Company by defining appropriate guidelines aimed at ensuring tight risk control in line with the Group and Company risk appetite. The guidelines are also intended to fully take advantage of all the opportunities reinsurance offers in each market.

The Group acts as the main reinsurer for the Company. Nevertheless, with the parent company's agreement and when justified by specific business reasons, the Company can also transact with another reinsurance company on the open reinsurance market.

In subscribing reinsurance contracts with market reinsurers, the Company agrees and relies on the above-mentioned guidelines that also indicate admissible reinsurance transactions, the relevant maximum cession allowed, and the selection of counterparties on the basis of their financial strength.

The reinsurance program is subject to the opinion of the Life Actuarial Function (LAF) regarding adequacy in accordance with the Group Actuarial Function policy and related guidelines. The Actuarial Function should consider whether the reinsurance arrangements are sufficient and adequate. and ascertain that own retention limits have been adequately set. Companies to whom contracts are ceded usually belong to Generali Group, meaning minimum risk of the potential unavailability of reinsurance cover.

C.1.2. NON-LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Property and Casualty (P&C) underwriting risk is the risk arising from P&C insurance obligations, and relates to the perils covered and the processes used in the conduct of business. It includes at least the risk of underestimating the frequency and/or severity of claims when defining pricing and provisions (respectively pricing risk and reserving risk) and the risk of losses arising from extreme or exceptional events (catastrophe risk).

The Company cannot avoid exposure to potential losses stemming from the risks intrinsically related to the nature of its core businesses. However, properly defining standards and recognizing, measuring, and setting limits to these risks is of critical importance to ensure the Company's resilience under adverse circumstances and to align the P&C underwriting activities with the Company's risk appetite.

In line with the Generali Group risk strategy, the Company underwrites and accepts risks that are known and understood, where the available information and the transparency of exposure enables the business to achieve a high level of professional underwriting with consistent development. Moreover, risks are underwritten while applying established quality standards in the underwriting procedures to secure profitability and limit moral hazard.

The business underwritten by the Company is a mix of retail, commercial and industrial risks. Motor insurance is the most important, followed by property, liability and other segments.

The Company's exposures to underwritten risks are described in Section D.2.2 of this report, which relates to technical provisions and the market value balance sheet.

The majority of the exposure underwritten by the Company is located in the Czech Republic and Slovak Republic. This also includes NAT CAT risks exposed mainly to flood, wind, hailstorm, snow perils and earthquake.

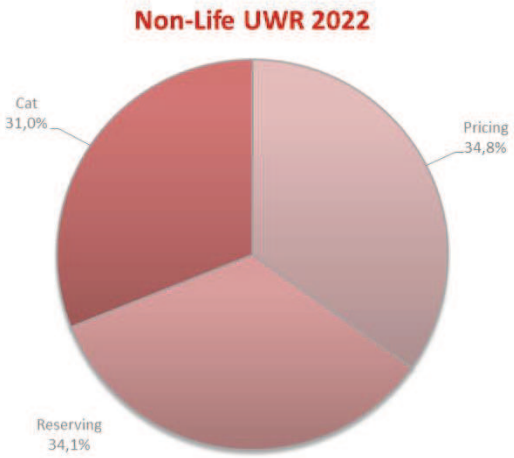
The SCR for the non-life underwriting risk of the Company is measured by means of the internal model (PIM) and using the Standard Formula for the transferred portfolio of the Branch. Both approaches cover the following risks:

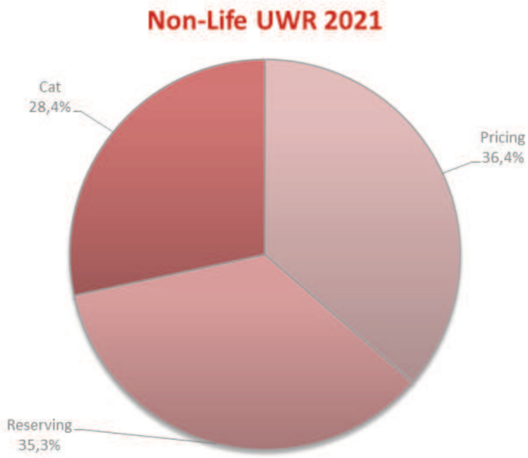
- Pricing and catastrophe risk: the possibility that premiums are not sufficient to cover future claims, contract expenses and extremely volatile events;
- Reserving risk: the uncertainty of the claims reserves run-off around its expected value, in a one-year time horizon;
- Lapse risk: related to the uncertainty that customers may cancel their existing policies in larger numbers than expected.

The following table shows the development of non-life risk measured using the Internal Model:

Non-life underwriting risks	2022	2021	delta%
Non-life UW risks	**3,657,893**	**3,716,691**	**(2)%**
Pricing	1,791,962	1,914,422	6%
Reserving	1,755,122	1,856,844	(5)%
CAT	1,596,173	1,493,119	7%
Lapse	0	0	0%

The following charts show the shares of individual risks in total non-life UW risk:





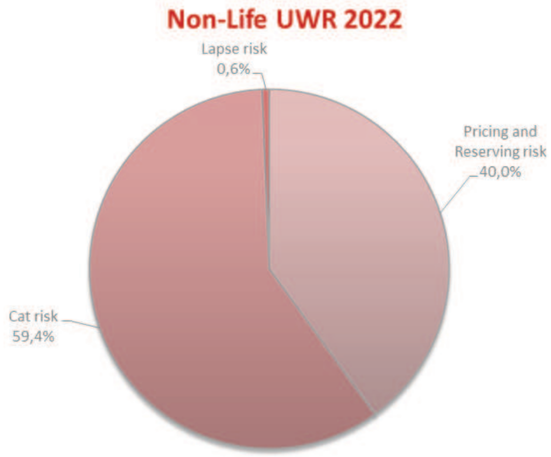
The most relevant movement can be seen in the case of CAT risk. The main reason being a decrease in the limit of reinsurance program CAT XL. On the other hand, for Pricing and Reserving risks an increase is observed. For Pricing risk it is mainly due to decrease in the volatility of claims' frequency for motor business (ongoing low frequency trend after COVID pandemic). For Reserving risk the main reason is a change in discount rates.

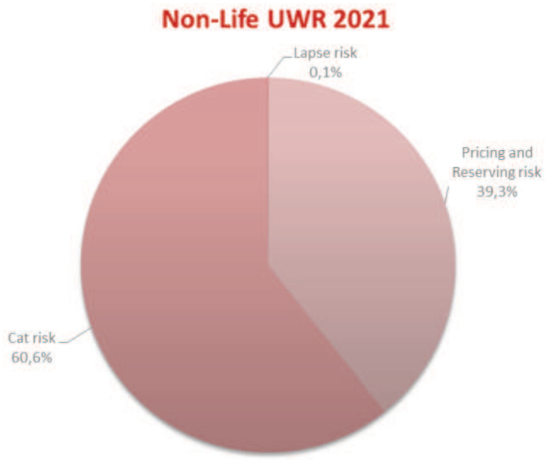
Since 2021, cancellation risk (lapse) has not been included in the calculation of the Internal Model due to low materiality.

The following table shows the figures for non-life risks of the Branch measured using the Standard Formula:

Net Non-Life Underwriting Risks	2022	2021	delta%
Non-Life UW Risks	1,154,162	1,122,908	3%
Pricing and Reserving risk	580,913	551,012	5%
Cat risk	862,558	850,317	1%
Lapse risk	9,323	1,181	689%

The following chart shows the shares of individual risks in total non-life UW risk:





Premium and reserve risks and catastrophic risk increased due to the increase of the portfolio of the Branch. The higher Lapse is caused by an increase in EPIFP.

The Risk Management Function checks the appropriateness of the parameters used in the SCR calculation by performing a sensitivity analysis.

RISK MANAGEMENT AND MITIGATION

P&C risk selection starts with a general proposal in terms of the underwriting strategy and corresponding business selection criteria in agreement with the Group. The underwriting strategy is formulated consistently with the risk preferences defined by the Board within the Risk Appetite Framework.

During the strategic planning process, targets are established and translated into underwriting limits with the objective of ensuring that business is underwritten according to plan. Underwriting limits define the maximum size of risks and classes of business the Company will be allowed to underwrite without seeking any additional or prior approval. The limits may be set based e.g. on value limits, risk type or product exposure. The purpose of these limits is to attain a coherent and adequately profitable book of business founded on the expertise of the Company.

Reinsurance is the key risk-mitigation technique for the P&C portfolio. It aims to optimize the use of risk capital by ceding part of the underwriting risk to selected counterparties while simultaneously minimizing the credit risk associated with such operations.

The Company transfers reinsurance contracts to Head Office through the Bulgaria-based company GP Reinsurance EAD, which serves as a captive reinsurer for the Generali companies from the CEE region.

The property catastrophe reinsurance program for 2022 is designed as follows:

- protection aims to cover single-occurrence losses up to a return period of at least 250 years;
- protection has proved capable in all recent major catastrophic losses;
- substantial risk capital is saved through protection.

The same level of return-period protection and risk-capital savings is guaranteed for other non-catastrophe protections, i.e. related to single extreme risks in the property, transportation and liability lines of business.

There was no major change in the reinsurance program of the Company in 2022. The only relevant change was decrease in the capacity of the catastrophe excess of loss program. The capacity and number of reinstatements for Excess of Loss treaties were tested. The result showed that the setting is sufficient to protect the Company with the current portfolio.

The Company has historically preferred traditional reinsurance as a tool for mitigating catastrophe risk resulting from its P&C portfolio, and has shown no appetite for other mitigating techniques.

The Risk Management Function confirms the adequacy of the risk mitigation techniques on an annual basis. An analysis of several alternative reinsurance programs with a focus on indicators such as solvency ratio, profitability and economic value is provided to test the suitability of the current setup.

The current reinsurance program has significantly improved the risk position of the Company. The mitigation effect is most significant in the case of CAT risk, where more than 90% of the SCR is ceded out of the Company. The effect is also favourable in the case of other non-life underwriting risk – the decrease of 54% in pricing risk and 46% in reserving risk was driven by the current reinsurance structure. In means of Standard Formula, reduction of capital requirement due to reinsurance is significant too. Decrease on the level of 89% can be observed for Catastrophe risk, 96% for Lapse risk, and 49% for Pricing and Reserving risks.

C.2. MARKET RISK

As a composite insurer, the Company collects premiums from policyholders in exchange for payment promises contingent on pre-determined events. The Company invests the collected premiums in a wide variety of financial assets, with the purpose of honouring future promises to policyholders and generating value for its shareholders.

The Company is then exposed to the following market & credit risk where:

- the invested assets may not perform as expected because of falling or volatile market prices;
- cash from maturing bonds may be reinvested under unfavourable market conditions, typically lower interest rates;
- invested assets may not perform as expected because of perceived or actual deterioration of the creditworthiness of the issuer;
- derivative or reinsurance contracts may not perform as expected because of a perceived or actual deterioration of the creditworthiness of the counterparty.

Regarding its invested assets, the Company is a long-term liability-driven investor, and holds assets until they are needed to redeem the promises to policyholders. It is therefore fairly immune to any short-term decrease and fluctuations in their market values.

Nonetheless, the Solvency II Regulation requires the Company to hold a capital buffer with the purpose of maintaining a sound solvency position even under adverse market movements. For more information, please refer to Section E.2.

For this purpose, the Company manages its investments in a prudent way according to the prudent person principle, and strives to optimize the return on its assets while minimizing the negative impact of short-term market fluctuations on its solvency.

The Company achieves this optimization by investing only in assets and instruments whose risks can be properly identified, measured, monitored, managed and appropriately taken into account when assessing solvency needs.

In defining the Investment Strategy and assessing solvency needs, the Company takes into account the following factors in particular:

- **Investment horizon:** The Company, as a qualified institutional investor with a long-term investment horizon, is able to bear the short- to medium-term volatility that accompanies investments in riskier assets in order to achieve a comparably higher return than risk-free investments in the long term;
- **Liabilities on the liabilities side:** The structure of the Company's liabilities and its sensitivity to changes in interest rates, credit spreads and currency fluctuations set the basic restrictions for the allocation of portfolio assets, defined by the ALM Department. The objective of the strategy is to ensure an adequate asset duration structure and sufficient hedging of the risks that could arise from differences in the structure of the Company's assets and liabilities, provided that hedging is technically feasible;
- **Maximum overall risk limits:** The maximum limits of the Company's overall risk are defined by the quantification of individual limits based on the Company's business and risk strategy;
- **Credit rating:** Setting credit limits is associated with a requirement to maintain or improve the Company's current credit ratings;
- **Balance sheet projections:** Expected development of the Company's equity and technical provisions;
- **Accounting for different classes of assets and liabilities:** The Company's income statement may show undesirable volatility due to differences between the economic and carrying amounts of the assets and liabilities involved. The Company's goal is to minimize P&L volatility using the appropriate available tools;
- **Liquidity requirements:** Liquidity restrictions are taken into account to ensure the Company's cash flow needs;
- **Macroeconomic environment:** The evaluation of macroeconomic imbalances is performed in all phases of the economic cycles of the global and Czech economies;
- **Risk profile of the Group:** The risk profile of the Company is assessed in the context of the overall risk of other Generali Group insurance companies;
- **Regulatory requirements:** Legal restrictions may identify investments that are not permitted for the Company under applicable law.

The Company invests the premiums collected in financial instruments ensuring that benefits to policyholders can be paid on time. If the value of the financial investments substantially decreases when claims to policyholders need to be paid, the Company may fail to maintain its promises to policyholders. Therefore, the Company must ensure that the value of the financial investments backing up the insurance contracts does not fall below the value of its obligations.

In the case of its unit-linked business, the Company typically invests the collected premiums in financial instruments but does not bear any market or credit risk. However, with respect to its earnings, the Company is exposed because fees are the main source of profits for the Company and are directly linked to the performance of the underlying assets. Therefore, adverse developments in the markets could directly affect the profitability of the Company should contract fees become insufficient to cover costs.

In more detail. the Company is exposed to the following main asset classes:

Asset allocation	Market value YE2022	Market value YE2021
Government bonds	26,046,159	29,704,999
Corporate bonds	13,075,785	21,317,127
Investment funds	22,599,995	24,288,178
Equity	14,306,635	16,738,224
Structured notes	623,131	788,237
Cash and deposits	2,264,279	2,919,978
Mortgages and loans	2,726,557	2,906,855
Property	778,158	833,882
Derivatives	2,291,273	676,518
Total	**84,711,973**	**100,173,997**

The total market value of assets significantly decreased due to several reasons. On the one hand, there was a significant decrease in the market value of assets as a result of unfavourable market developments, when interest rates rose significantly while credit spreads also increased and the value of shares and real estate fell. In addition, the purchase price for the buying a business of Generali Poisťovňa (in 2021) was amortized (payed). Furthermore, a dividend was paid (profit from the previous year). the reinsurance deposit from the Bulgarian reinsurance company GP Reinsurance EAD was cancelled and, last but not least, also the insurance base continued to decrease.

C.2.1. RISK EXPOSURE AND ASSESSMENT

The market risks included in the Company's Risk Map are the following:

- Equity risk: the risk of adverse changes in the market value of assets or the value of liabilities due to changes in equity market prices that may lead to financial losses.
- Equity volatility risk: the risk of adverse changes in the market value of assets or in the value of liabilities due to changes in volatility on equity markets.
- Interest rate risk: the risk of adverse changes in the market value of assets or in the value of liabilities due to changes in market interest rates. The Company is mostly exposed to upward changes in interest rates, as higher interest rates can decrease the present value of the promises made to policyholders to less than the value of the assets backing those promises.
- Concentration risk: the risk of incurring significant financial losses because the asset portfolio is concentrated on a small number of counterparties, thus increasing the possibility that a negative event hitting only a small number or even a single counterparty can produce large losses.
- Currency risk: the possibility of adverse changes in the market value of assets or the value of liabilities due to changes in exchange rates.
- Interest rate volatility risk: the risk of adverse changes in the market value of assets or the value of liabilities due to changes in volatility related to interest rates.
- Property risk: the possibility of adverse changes in the market value of assets or the value of liabilities due to changes in property market prices.

The current allocation to market risk is as follows:

Exposure to risk type	Market value YE2022	Market value YE2021
Equity risk	18,971,702	24,310,922
Equity volatility risk	0	0
Interest rate risk	51,276,392	57,262,323
Concentration risk	81,021,498	98,371,979
Currency risk	17,157,887	20,915,787
Interest rate volatility risk	7,059,153	6,853,257
Property risk	10,986,774	12,546,455

The exposure to individual market risks decreased mainly due to the overall decrease in the volume of assets for the reasons listed under the table in section C.2. We see a slight increase only in the interest rate volatility risk, which corresponds to the volume of the bonds with a put/call option.

Common risk measurement methodologies (both qualitative and quantitative) are applied to provide integrated measurement of the risks borne by the Company.

The Company evaluates its market risk using the Generali Group Internal Model used for the SCR calculation. A breakdown of th e SCR according to this methodology and originating from market risk can be seen in the table below and in Section E.

	SCR 2022 (w/o the Branch)	SCR 2021 (w/o the Branch)	Change
Market risks	**8,171,897**	**7,704,883**	**467,014**
Equity	2,799,714	3,840,977	(1,041,263)
Property	2,177,953	2,546,745	(368,792)
Interest rate	1,512,488	250,129	1,262,358
Currency	1,332,113	781,022	551,091
Concentration	349,630	286,010	63,619

The market risks of the new Branch are evaluated using the Standard Formula and were quantified at CZK 469,909 thousand, including credit spread risk, which is classified as credit risk in the Internal Model.

To ensure the ongoing appropriateness of the Internal Model methodology, market risk calibrations are reviewed on a yearly basis.

- The calibration of market risks is at the same level as last year with the exception of significantly higher interest rate risk calibration.
- The substantial increase in Czech interest rates has led to a significant increase in interest rate risk (the shifted multiplicative model is applied) not only through higher base rates but also due to increased volatility caused by steep rise of the yields. The impact on assets and liabilities offsets significantly, but this compensation is this year lower and it magnifies the interest rate risk increase.
- Currency risk is mainly a result of the look-through process as the portfolio is hedged on the accounting (before look-through) basis. Nevertheless, the risk is highly diversified and the impact on overall SCR is very low.
- Since the last reporting period. several minor model changes affecting market risk were implemented, but their aggregated impact is low.

Market risk concentration is explicitly modelled by the Internal Model. The results of the model and the composition of the b alance sheet indicate that the Company is exposed to concentration property risk driven by the fact that the Company only recently started to invest in real estate and thus the number of buildings owned is limited.

C.2.2. RISK MANAGEMENT AND MITIGATION

The Prudent Person Principle is the main cornerstone of the Company's investment management process. To ensure the comprehensive management of the effect of market risk on assets and liabilities, the Company's strategic asset allocation (SAA) process needs to be liability-driven and strongly linked with insurance-specific targets and constraints. Following the Generali Group approach, the Company has integrated its strategic asset allocation (SAA) and asset liability management (ALM) within the same process.

One of the main risk-mitigation techniques used by the Company is liability-driven asset management, which aims at enabling the comprehensive management of assets taking into account the Company's liabilities structure.

The asset portfolio is invested and rebalanced according to asset class, and duration weightings are defined through the investment management process and based on the Prudent Person Principle. The aim is not just to eliminate risk but to define an optimal risk-return profile to satisfy the return target and the risk appetite of the Company over the business planning period.

The Company also uses derivatives to mitigate the risks present in the asset or/and liability portfolios. The derivatives hel p the Company improve the quality, liquidity and profitability of the portfolio, according to the business planning targets.

ALM and SAA activities aim to ensure that the Company holds sufficient and adequate assets to achieve the defined targets and meet liability obligations. This implies detailed analyses of asset-liability relationships under a range of market scenarios and expected/stressed investment conditions.

The ALM and SAA process relies on close interaction between the investment, finance, actuarial, treasury and risk management functions. The inputs and targets received from these functions guarantee that the ALM and SAA process is consistent with the risk appetite framework, and the strategic planning and capital allocation processes.

The aim of the strategic asset allocation process is to define the most efficient combination of asset classes that. according to the Prudent Person Principle and related relevant implementation measures, maximizes the investment contribution to value creation, taking into account solvency, actuarial and accounting indicators.

The annual SAA proposal:

- defines target exposure and limits, in terms of minimum and maximum exposure allowed, for each relevant asset class;
- embeds the deliberate ALM mismatches permitted and potential mitigation actions that can be enabled on the investment side.

The Group has centralized the management and monitoring of specific asset classes (private equity, alternative fixed income, etc.). These kinds of investments are subject to accurate due diligence aiming at assessing the quality of the investment, the level of risk related to the investment, and its consistency with the approved liability-driven SAA.

In addition to risk tolerance limits set for the Company solvency position defined within the RAF, the current risk monitoring process of the Company is also integrated into the system of investment risk limits through the adoption of the Generali Group investments risk guidelines (GIRG) provided by Head Office. This includes general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

Furthermore, the Company is also actively implementing market risk mitigation strategies:

Currency risk

The Company's functional currency is the Czech crown (CZK). However, the investment portfolios also contain instruments denominated in foreign currencies. According to the general policy, all these instruments are either dynamically hedged into CZK via FX or assigned to foreign currency technical reserves at a corresponding value. FX hedging is implemented either through FX derivatives (i.e. FX swaps, forward transactions and cross currency swaps) or through cross-currency REPO operations (used since 2016). The process in place guarantees high effectiveness of the hedging.

Interest rate risk

The Company concludes derivative trades to manage the interest rate risk position of the asset portfolio as part of this risk management strategy.

The objective of the investment and hedging strategy is to manage the overall interest rate risk position on a continuous basis. The Company achieves this objective using a dynamic strategy. The asset manager dynamically adjusts the positions within the fixed income portfolio and hedging derivatives that are used to adjust and hedge the interest rate sensitivity of the overall portfolio.

The positions of individual instruments within the portfolio, whether the underlying assets or the hedging derivatives, are opened, adjusted or terminated even before the maturity date of the instrument, based on the actual state of the Company's risk capacity or risk appetite, the development of the credit quality of the instrument's issuer, or a change in the instrument's liquidity or in its relative risk/return profile. The asset manager monitors the development of the overall interest rate position on an ongoing basis.

The Company implements hedge accounting to reflect its hedging strategy within the financial statements. As part of hedge accounting activities, the effectiveness of hedging is measured as the ratio of gains/losses on hedged items to the profit or loss result of the hedging instrument. An effectiveness test is regularly performed each month. and compliance with the 80%-125% rule is verified.

C.3. CREDIT RISK

For general information on the Market and Credit Risk context, see the previous section on Market Risk.

C.3.1. RISK EXPOSURE AND ASSESSMENT

The credit risk included in the Company Risk Map:

- Spread widening risk is the risk of adverse changes in the market value of assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease because of spread widening risk either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.
- Default risk refers to the risk of incurring losses because of the inability of a counterparty to honour its financial obligations. The Company uses an internal approach both for modelling the creditworthiness of the bond portfolio (creditor default risk) and for modelling the creditworthiness of counterparties related to cash deposits, risk mitigating contracts (derivatives, collateral), and other types of exposures subject to credit risk (counterparty default risk).

Allocation to credit risk

Exposure to risk type	Market value YE2022	Market value YE2021
Spread Widening Risk	51,807,651	62,403,529
Credit Default Risk	51,807,651	62,403,529
Counterparty Default Risk	27,366,670	26,801,059

The reasons for the decrease in assets that fall under Spread Widening and Credit Default risk are listed under the table in section C.2. The increase of exposure in Counterparty Default Risk module is driven by the cancellation of reinsurance deposit resulted to the increase of reinsurance recoverable towards Generali Reinsurance.

To ensure that the credit risk deriving from invested assets is adequate to the business run by the Company and the obligations undertaken with the policyholders, the investment activity is performed in a sound and prudent manner in accordance with the Prudent Person Principle set out in Article 132 of Directive 2009/138/EC, as determined in the Group Investment Governance Policy (GIGP) approved by Head Office and subsequently approved by the Board.

The Prudent Person Principle is applied independently of the fact that assets are subject to either market risk or credit risk or both.

Common risk measurement methodologies (both qualitative and quantitative) are applied to provide an integrated measurement of the risks borne by the Company.

The Company evaluates its credit risk using the Generali Group Internal Model used for the SCR calculation. The breakdown of the SCR originating from credit risk according to this methodology can be seen in Section E.

To ensure the continuous appropriateness of the Internal Model methodology, credit risk calibrations are reviewed on a yearly basis. No material changes have occurred since the last reporting period.

The Company evaluates its credit risk using the Generali Group Internal Model used for the SCR calculation. A breakdown of the SCR according to this methodology and originating from credit risk can be seen in the table below and in Section E.

	SCR 2022 (w/o the Branch)	SCR 2021 (w/o the Branch)	Change
Credit risks	**2,511,145**	**3,435,130**	**(923,985)**
Spread Widening Risk and Credit Default Risk	1,678,426	2,618,622	(940,197)
Counterparty Default Risk	832,720	816,508	16,212

The credit risks of the new Branch are evaluated using the Standard Formula and were quantified at CZK 191,954 million excluding credit spread risk, which is classified as credit risk in the Internal Model.

Credit risk concentration is explicitly modelled by the Internal Model. The results of the model and the composition of the balance sheet indicate that the Company has no material risk concentrations.

C.3.2. RISK MANAGEMENT AND MITIGATION

The credit risk borne by the Company is managed in many concurrent ways.

One of the main risk mitigation techniques used by the Company consists of liability-driven asset management. The asset portfolio is invested and rebalanced according to asset class and duration weightings defined through the investment management process described above and based on the Prudent Person Principle. The aim is not just to eliminate risk but to define an optimal risk-return profile satisfying the return target and the risk appetite of the Company over the business planning period.

Moreover, the application of the internal model produces a set of quantitative risk metrics that allow the definition of risk tolerance levels and the performance of sensitivity analysis on selected risk scenarios.

In addition to the framework illustrated above, the current risk monitoring process of the Company is also integrated through the adoption of the Generali Group investments risk guidelines (GIRG) provided by Group Head Office. The GIRG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

C.4. LIQUIDITY RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

Liquidity risk is defined as the uncertainty arising from business operations, investment or financing activities over the ability of the insurer to meet its payment obligations in a full and timely manner, in the current or a stressed environment. This could include meeting commitments only through credit market access under unfavourable conditions or through the sale of financial assets incurring additional costs due to the illiquidity of (or difficulties in liquidating) the assets.

The Company is exposed to liquidity risk as a result of its insurance operating activity, which depends on the cash-flow profile of expected new business. Liquidity risk also arises due to potential mismatches between the cash inflows and the cash outflows deriving from the business. Additional liquidity risk can also stem from the Company's investing activity, due to potential liquidity gaps deriving from the management of the Company's asset portfolio as well as from a potentially insufficient level of liquidity (i.e. capacity to be sold at a fair price in adequate amounts and within a reasonable timeframe) in the case of disposal. Finally, the Company can be exposed to liquidity outflows related to issued guarantees, commitments, derivative contract margin calls, or regulatory constraints regarding the coverage ratio of insurance provisions and its capital position.

The Company's liquidity risk assessment relies on projecting cash obligations and available cash resources into the future to ensure that available liquid resources are always sufficient to cover cash obligations that will come due in the same period.

For this purpose, a set of liquidity risk metrics has been defined and is used to regularly monitor the liquidity situation. All such metrics are forward-looking, i.e. they are calculated at a future date based on projections of cash flows, assets and liabilities, and an estimation of the level of liquidity of the asset portfolio.

The metrics are calculated under both the base scenario, in which the values of cash flows, assets and liabilities are consistent with the strategic plan, and under a set of stress scenarios in which the projected cash inflows and outflows, market price of assets and amount of technical provisions are recalculated to take into account unlikely but plausible circumstances that would adversely impact the Company's liquidity.

Liquidity risk limits are defined as values for the above-mentioned metrics that may not be exceeded by the Company. The limit framework is designed to ensure that the Company holds a liquidity buffer in excess of the amount required to withstand the adverse circumstances depicted in the stress scenarios.

In addition to regularly monitored and reported quantitative liquidity metrics, the Company is supported by qualitative liquidity indications (like setting limits on business activities, early warning indicators, stress testing) that complement the comprehensive assessment of liquidity risk and provide information on remedial actions when needed.

The liquidity metrics show a stable liquidity position. There have been no material changes to this area which could have resulted in breaches of stipulated liquidity thresholds since the last reporting period.

Material liquidity risk concentrations could arise from large exposures to individual counterparties or groups. In fact, in the event of default or another liquidity issue of a counterparty where there is a significant risk concentration, this may negatively affect the value or the liquidity of the Company's investment portfolio and hence its ability to promptly raise cash by selling the portfolio on the market in case of need. For this purpose, the Company has a set of investment risk limits that manage concentration risk taking a number of dimensions, including asset class, counterparty and credit rating, into consideration.

C.4.2. RISK MANAGEMENT AND MITIGATION

The Company manages and mitigates liquidity risk in accordance with the framework set in the Group's internal regulations. The Company also aims to ensure its capacity to meet its commitments in adverse scenarios, while achieving its profitability and growth objectives. To this end, it manages expected cash inflows and outflows to maintain a sufficient available cash level to meet short- and medium-term needs, and by investing in instruments that can be quickly and easily converted into cash with minimum capital losses. The Company considers its prospective liquidity situation under plausible market conditions as well as under stress scenarios.

The Company has established clear governance guidelines for liquidity risk measurement, management, mitigation and reporting in accordance with Group regulations. This includes the setting of specific limits and escalation processes should limits be breached or other liquidity issues arise.

The principles for liquidity risk management designed in the liquidity risk management policy and the risk appetite framework are fully embedded in the Company's strategic planning as well as in business processes, including investments and product development. As far as the investment process is concerned. the Company has explicitly identified liquidity risk as one of the main risks connected with investments, and has stipulated that the strategic asset allocation process must rely on indicators strictly related to liquidity risk, including the mismatch of duration and cash flows between assets and liabilities. Investment limits have been imposed on the Company to ensure that the share of illiquid assets is kept within a level that does not impair the Company's asset liquidity. As far as product development is concerned, the Company follows the life and P&C underwriting policies defining the principles to be applied to mitigate the impact on liquidity from lapses and surrenders in respect of the life business and claims in respect of the non-life business. There were no material changes in this area in the last monitored period.

C.4.3. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

Expected profit included in future premiums (EPIFP) represents the expected present value of future cash flows that result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts. These are expected to be received in the future, but may not be received for any reason other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The EPIFP amount underwritten by the Company has been calculated in accordance with Article 260(2) of the Delegated Act and amounted to CZK 12.916 billion for the life business and CZK 1.956 billion for the P&C business at year end 2022. In the case of non-life insurance, the expected profit included in the future premium is part of the premium reserves, described in Chapter D.2.2. The deterioration is connected to the COVID-19 pandemic and related restrictions in 2021 which are not expected to be so harsh in the upcoming year 2022.

Expected profit included in future premiums (EPIFP) gross

	31 December 2022	31 December 2021	Delta %
Expected profit included in future premiums (EPIFP) – life insurance	12,916,451	14,795,367	(13) %
Expected profit included in future premiums (EPIFP) – non-life insurance	1,956,868	2,192,945	(11)%
Expected profit included in future premiums (EPIFP) – total	**14,873,319**	**16,988,312**	**(12.5)%**

C.5. OPERATIONAL RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

Operational risk is the risk of loss arising from inadequate or failed internal processes. personnel or systems. or from external events. Compliance and financial reporting risk falls within this category. The calculation of the Solvency Capital Requirement for Operational Risk has been part of the internal model since 2020.

In line with industry practices. Generali Group has adopted the following classification categories:

- Internal fraud: losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Company Policy, excluding diversity/discrimination events, and which involve at least one internal party;
- External fraud: losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party;
- Employment Practices and Workplace Safety, defined as losses arising from acts inconsistent with employment, health or safety laws or agreements, from the payment of personal injury claims, or from diversity/discrimination events;
- Clients, Products and Business Practices, defined as losses arising from unintentional or negligent failure to meet a professional obligation towards specific clients (including fiduciary and suitability requirements), or from the nature or design of a product;
- Damage to Physical Assets, defined as losses arising from loss or damage to physical assets from a natural disaster or other events;
- Business Disruption and System Failures, defined as losses arising from disruption of business or system failures;
- Execution, Delivery and Process Management, defined as: losses from failed transaction processing or process management, and from relations with trade counterparties and vendors.

Following best industry practices, the Company's framework for Operational Risk Management includes Loss Data Collection (LDC). Overall Risk Assessment (ORA) and Scenario Analysis (SA) as its main activities.

Loss Data Collection is the process of collecting losses suffered as a result of the occurrence of an Operational Risk events, and provides a backward-looking view on the Company's risk profile in Operational Risk.

Overall Risk Assessment and Scenario Analysis provide a forward-looking view of the Company's risk profile in Operational Risk, and require an analysis of the risks performed jointly with the business owners:

- Overall Risk Assessment provides a qualitative and quantitative evaluation of the forward-looking inherent and residual risk exposure of the Company. The ORA outcomes drive SA execution;
- Scenario Analysis is a recurring process that, considering the ORA results, provides a detailed evaluation of the Company's Operational Risk exposure through the selection and evaluation of specific risk scenarios.

MAIN COMPANY RISKS

For the Company and the industry as a whole, one of the main Operational Risks arises in the implementation and correct interpretation of all requirements arising from regulations like the IDD, GDPR, the customer protection regulation and the AML Directive. The Company therefore strictly monitors statutory requirements, especially in customer data privacy and customer protection, and takes the necessary actions to ensure full compliance with both regulatory requirements and security standards. The Company is also fully aware of the risk of cyberattacks, which is increasing across the industry. The increasing relevance of this risk as well as the risk of IT infrastructure breakdown is related to the steadily increasing dependence of all process on IT. The shifting of processes to cloud solutions with special focus is another aspect of this topic. Furthermore, the Company is aware of the significance of fraudulent behaviour especially by clients and intermediaries. However, this risk has been efficiently mitigated through a highly developed and structured detection system. Pandemic-related risk was newly included in the main risks because of the worldwide events in recent years.

SK BRANCH

Generali Česká pojišťovna merged with Generali Poisťovňa. covering Generali Group insurance activities in Slovakia, in December 2021. This was possible thanks to similar market conditions, the development of the companies, and the historically close relationship of people in the two countries. Common European legislation, similar national regulations, similar setting of processes, and no language barrier between employees are precisely the things which make – with respect to Operational Risks – the risk profiles of the two companies very similar.

The Branch is subject to the same Generali Group regulations, with the difference that the Solvency Capital Requirement is calculated using the Standard Formula. Inclusion of Branch into internal model process has been requested and it subject of application in 2023. The operational risk assessment for 2022 shows a very similar risk profile for the Branch compared to Generali Česká pojišťovna, in other words the main risks considered are cyber risk and risk of being complaint with regulation. In any case, Branch is relatively less risky in the case of non-transparency of policies and mis-selling as there are less complaints from clients in Slovakia and judicial decisions are not as strict as in the Czech Republic. On the other hand, the Branch has higher risk exposure in the case of outsourcing activities and higher dependency on third party providers in environment of smaller company. Moreover, the distribution channel shows potentially higher riskiness as the Branch is much more dependent on external brokers.

C.5.2. RISK MANAGEMENT AND MITIGATION

There is a special unit in the Company within the Risk Management Department to identify, measure, monitor and mitigate Operational Risks in line with the relevant Group framework. The Operational Risk Unit is responsible for the implementation and revision of the framework and monitoring its execution within the Company, and also collaborates with business stakeholders for sound Operational Risk Management. The risks related to non-compliance with regulations and mandatory standards are jointly steered with the Compliance Department. Furthermore, specific risks are investigated and managed jointly with specialized units in the first line of defence, such as Financial Reporting Risk and particular risks in the fields of IT infrastructure and security, accounting and taxes, fraudulent behaviour etc.

Overall, the Operational Risk Management System is primarily based on the assessment of risks by experts in different fields of Company operations, collecting information about losses that have actually occurred. The outputs of these analyses are used to support investments in new or modified controls and mitigation actions to keep the level of Operational Risk within an acceptable range and to achieve better operational efficiency.

From the process perspective, no material changes to this area have occurred since the last reporting period. However, the risk profile of the Company was slightly changed mainly due to external factors and mitigation actions performed by the Company. Due to ongoing customer protection activities, operational risk decreased in comparison with the preceding period. Increased risk exposure is also observed in the Cyber security area and IT operations, however with the parallel development of mitigation measures reducing residual risk.

C.6. OTHER MATERIAL RISK

As part of the qualitative risk management framework, the following risk categories are also considered:

- Reputational risk refers to potential losses arising from a deterioration in reputation or the negative perception of the Company among its customers, counterparties and the supervisory authority. The processes in place to manage these risks include communication and media monitoring activities, corporate and social responsibility, customer relations, and distribution management.
- Emerging risk arises from new trends or risks difficult to perceive and quantify, although typically systemic. These usually include internal or external environment changes, social trends, regulatory developments, technological achievements, etc.
- Strategic risk involves external changes and/or internal decisions that may influence the future risk profile of the Company.
- Contagion risk derives from problems elsewhere within Generali Group that may affect the solvency or economic situation of the Company.

Sustainability risk referring to an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of the investment or on the value of the liability. The above risks are identified and evaluated within the ORSA process, in both current and forward-looking perspectives. These risks are not subject to the SCR calculation, however their impact on the financial and solvency conditions of the Company is estimated at least on a qualitative basis.

Since the last reporting period among sustainability risk a standalone risk framework is provided for climate change risk, incurred by the Group.

C.7. ANY OTHER INFORMATION

To test the Company's solvency position and its resilience to adverse market conditions or shocks, a set of stress test and scenario analyses are performed within the ORSA process. These are defined considering unexpected and potentially severe but plausible events across the risk categories. The examination of the potential effects on the Company's financial and capital position serves to outline appropriate management actions to take if such events were to materialize.

The Company also performs a sensitivity analysis that considers simple changes in specific risk drivers (e.g. interest rates, equity shock, credit spreads and interest rate volatility). Their main purpose is to measure the variability of the own funds and solvency ratio to variations in specific risk factors. The set chosen aims to provide an assessment of resilience to the most significant risks.

The impacts of the sensitivities are reported in Section E.

There have been no material changes to this area since the last reporting period.

D. Valuation for Solvency Purposes

D.1. ASSETS

D.1.1. GENERAL VALUATION FRAMEWORK

There were no material changes to the general valuation framework in comparison with the preceding reporting period.

Solvency II clarifies the relationship between the SII valuation of assets and liabilities and the international accounting standards (IFRS) adopted by the European Commission. The primary objective for valuation as set out in the Solvency II regulation requires an economic, market-consistent approach to the valuation of assets and liabilities.

According to this approach, assets and liabilities are valued as follows:

i. Assets should be valued at the amount for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction.

ii. Liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction.

When valuing liabilities under point (ii), no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking is made.

The IFRS accounting bases. such as the definitions of assets and liabilities and the recognition and derecognition criteria, are applicable as the default accounting framework unless otherwise stated. The IFRS also refer to some basic presumptions that are equally applicable:

- The going concern assumption;
- The separate valuation of individual assets and liabilities;
- The application of materiality, whereby omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the Solvency II balance sheet. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fair value measurement approach

Items will be valued on an economic basis having the IFRS as reference.

On this basis, the following hierarchy of high-level principles for the valuation of assets and liabilities is used:

Level 1 inputs
Level 1 inputs are quoted prices on active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted instrument is an instrument negotiated in a regulated market or a multilateral trading facility. To assess whether a market is active or not, the Company carefully determines whether the quoted price really reflects the fair value. When the price has not changed for a long period or the Company has information about an important event that did not cause the price to change accordingly, the market is considered not active.
An active market for an asset or liability is a market on which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs
Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

They include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability, for example:
    - Interest rates and yield curves observable at commonly quoted intervals;
    - Implied volatilities;
    - Credit spreads;
- Inputs derived principally from or corroborated by observable market data through correlation or other means (market-corroborated inputs).

Level 3 inputs

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Where possible, the Company tests the sensitivity of the fair values of Level 3 investments to changes in unobservable inputs to reasonable alternatives. Where possible, valuations for Level 3 investments are sourced from independent third parties and. where appropriate. validated against internally modelled valuations. third-party models or broker quotes.

Valuation techniques

In some cases a single valuation technique will be sufficient, whereas in others multiple valuation techniques will be appropriate. The fair value of assets is determined using independent valuations provided by third parties. Exceptions are required or IFRS valuation methods are excluded only for some specific items.
Additional information about financial asset valuation methods and assumptions is provided in the Notes to the Financial Statements. Chapter C.

D.1.2. SII SPECIFICITIES

In the Solvency II environment, fair valuations should generally be determined in accordance with the IFRS principles statement. Exceptions are required or IFRS valuation methods are excluded only for some specific items.

In particular, the exceptions refer to:

- Goodwill and intangible assets;
- Participations (or related undertakings);
- Deferred taxes.

GOODWILL AND INTANGIBLE ASSETS

According to Solvency II, insurance and reinsurance undertakings will value goodwill, deferred acquisition costs and intangible assets other than goodwill at zero, unless the intangible asset can be sold separately and the insurance and reinsurance undertaking can demonstrate that there is a quoted market price for the same or similar assets. Computer software tailored to the needs of the undertaking and 'off the shelf' software licenses that cannot be sold to another user will also be valued at zero.

All intangible assets are valued at zero in the Company's market value balance sheet.

PARTICIPATIONS (OR RELATED UNDERTAKINGS)

Participation is constituted by share ownership or by the full use of a dominant or significant influence over another undertaking. The following paragraphs describe how participations can be identified. When classifying participation based on share ownership. directly or by way of control, the participating undertaking has to identify:

i. its percentage holding of voting rights, and whether this represents at least 20% of the potential related undertaking's voting rights (paid-in ordinary share capital); and

ii. its percentage holding of all classes of share capital issued by the related undertaking, and whether this represents at least 20% of the potential related undertaking's issued share capital (paid-in ordinary share capital and paid-in preference shares).

Where the participating undertaking's holding represents at least 20% in either case, its investment should be treated as a participation.

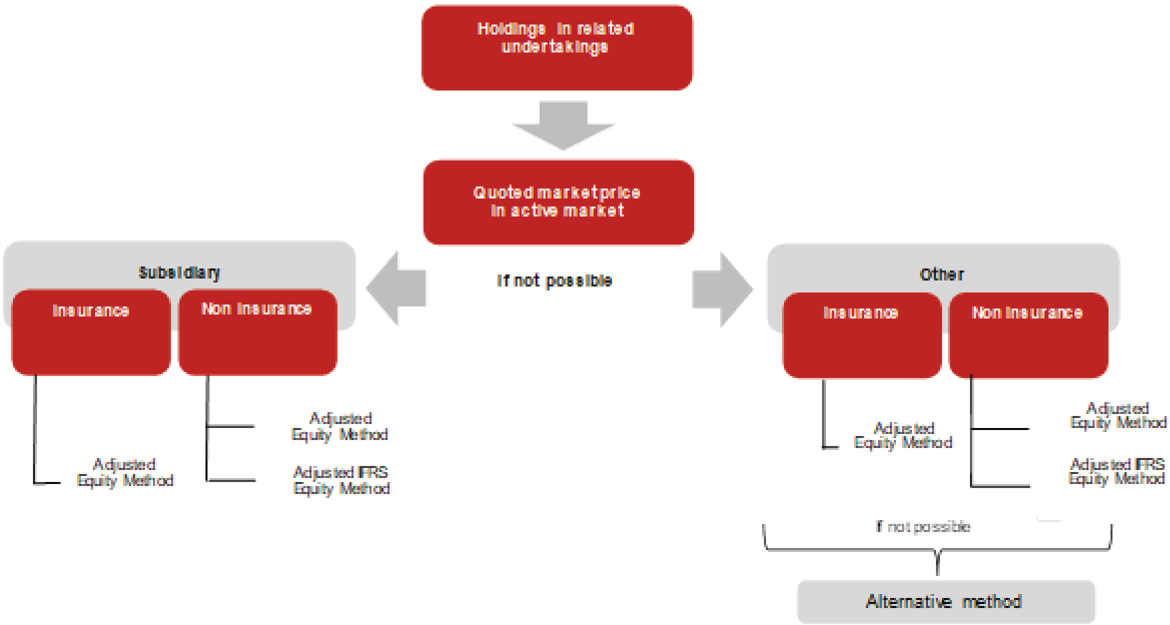
Valuation

In this respect. the IFRS concept of control and significant influence applies, and as a result holdings are not limited to equity instruments. However, the measurement principles in IAS 27, IAS 28 and IAS 31 do not apply to the Solvency balance sheet since they do not reflect the economic valuation required by the Solvency II Directive (Article 75).

Solvency II guidelines provide a hierarchy that will be used to value holdings in related undertakings for Solvency purposes. The hierarchy consists of:

- the quoted market price;
- the adjusted equity method (if no active market);
- the IFRS equity method (if non-insurance);
- alternative techniques (if associates or joint-controlled entities).

The following figure shows the structure of this hierarchy.



DEFERRED TAXES

In accordance with the IAS 12 statement, deferred tax liabilities are the income tax amounts payable in future periods in respect of taxable temporary differences, while deferred tax assets are the income tax amounts recoverable in future periods in respect of:

i. deductible temporary differences;
ii. the carry-forward of unused tax losses; and
iii. the carry-forward of unused tax credits.

Valuation

The Solvency II regulatory framework states that deferred tax assets and liabilities will be recognized in the SII balance sheet in accordance with International Accounting Standards (IAS 12).

In particular, deferred tax assets and liabilities - other than deferred tax assets (DTA) arising from the carry-forward of unused tax credits and the carry-forward of unused tax losses - should be determined on the basis of the difference between the values ascribed to assets and liabilities, and the values ascribed to assets and liabilities as recognized and valued for tax purposes.
In other words, the deferred tax value has to be based on the difference in the value of the underlying assets and liabilities assumed in the valuation consistent with the Solvency II Directive and the value for tax purposes.

While a deferred tax liability (DTL) must be accounted for all temporary taxable differences, the recognition of a DTA is subject to conditions.

In particular, IAS 12 provides that the enterprise will recognize a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

With reference to taxable temporary differences, IAS 12 provides that the entity will recognize a deferred tax liability for all taxable temporary differences. with some exceptions.

In particular, with reference to investments in subsidiaries. associated companies, joint ventures and investment vehicles, and in accordance with IAS 12, Section 39, an enterprise will recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- The parent, investor or venturer is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not reverse in the anticipatable future.

The table below presents the deferred tax assets and liabilities recognized by the Company.

Deferred tax

	Final DTA		Final DTL	
	2022	2021	2022	2021
Intangible assets	1,557,466	1,696,537	-	-
Deferred acquisition costs	396,030	359,526	-	-
IFRS 16 assets	-	-	99,824	106,377
Insurance provisions and amount ceded to reinsurers from insurance provisions	-	-	1,388,274	1,783,919
Financial instruments	1,190,999	174,433	-	-
IFRS 16 liabilities	124,821	143,264	-	-
Other	-	31,760	26,414	-
Total	**3,269,316**	**2,405,520**	**1,514,512**	**1,890,296**

As in prior year, material deferred tax asset from intangible asset is recognized. On top of DTA on previously purchased business of Pojišťovna Patricie a Pojišťovna Zdraví. also deferred tax asset from business acquired from Generali Poisťovňa a.s. was recognised.

Deferred tax liabilities on insurance provisions arise mostly from a difference between the tax value of Technical Provisions and the Technical Provisions calculated according to SII. With effect from 1 January 2020 an Act No. 364/2019 Coll. which amends certain tax laws with a purpose to increase government revenues, was approved. The Act regulates, besides other changes, the corporate income taxes of insurance companies. The tax base of insurance liabilities is from 2020 the value of insurance liabilities calculated in accordance with the European Solvency II Directive, replacing the current accounting value reported under the Accounting Act.

Increase of DTA of financial instruments related to decrease of valuation differences.

No material deferred tax asset relates to unused losses from the current or preceding period.

The expected time horizon for the reversal of temporary differences from business acquisition is 15 years for Pojišťovna Patricie and Pojišťovna Zdraví and 7 years for Generali Poisťovňa and for other intangible assets it is three years (for which most of the intangible assets are amortized), one year for deferred acquisition costs and expected time horizon is variable in case of securities. The expected time horizon for the reversal of temporary differences for insurance provision is one year as a new IFRS17 standard will be implemented from 1 January 2023 and will significantly affect the book value of the insurance provisions.

The probability of future taxable profits is supported by the business plans, which are prepared for a three-year horizon and approved by the parent company.

LEASING

Property and equipment holdings used by the Company under operating leases in which the risks and benefits relating to the ownership of the assets remain with the lessor are recorded on the Company's statement of financial position in the lines Property, plant and equipment held for own use and Property (other than for own use), and are depreciated over 1 to 8 years.

Future lease payments from operating leases are recorded on the Company's statement of financial position in the line Financial liabilities other than debts owed to credit institutions, and are recorded as the present value of leasing payments for the leasing term. The discount rates used are from 8.36 % to 9.12 %.

The Company has arranged 275 lease agreements, mainly for properties, as of 31 December 2022. Some of these properties are further leased to subsidiaries under operating leases.

D.1.3. DEVIATIONS FROM IFRS

By accepting the valuation methods defined in the IFRS, Solvency II anticipates that there will be cases where IFRS valuation methods are not consistent with Solvency II requirements, requiring the valuation of balance sheet items at fair value. Solvency II excludes specific valuation methods such as cost or amortized cost, and models where value is determined at the lower of the carrying amount and fair value less costs to sell.

Furthermore, other valuation methods usually applied for specific assets or liabilities are to be excluded or are to be adjusted in the SII environment. The following applies:

- Properties, investment properties, plant and equipment will not be valued at cost less depreciation and impairment.
- The net realizable value for inventories will be adjusted by the estimated cost of completion and the estimated costs necessary to make the sale if these costs are material.
- Non-monetary grants will not be valued at their nominal amount.

D.1.4. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

BALANCE SHEET

Year-on-year comparison of the Solvency II value

Assets	2022	2021
Deferred acquisition costs	-	-
Intangible assets	-	-
Deferred tax assets	2,237,400	515,225
Property. plant and equipment held for own use	653,331	664,343
Investments (other than assets held for index-linked and unit-linked contracts)	59,906,884	72,275,925
Property (other than for own use)	124,827	169,539
Holdings in related undertakings. including participations	10,612,732	11,653,784
Equities	2,095,841	3,285,570
Bonds	38,712,343	50,806,217
Government bonds	25,298,659	29,033,280
Corporate bonds	12,622,365	20,794,604
Structured notes	596,700	757,677
Collateralised securities	194,619	220,656
Collective investment undertakings	5,191,409	4,910,889
Derivatives	2,660,457	1,449,926
Deposits other than cash equivalents	509,275	-
Assets held for index-linked and unit-linked contracts	20,317,362	22,496,193
Loans and mortgages	2,726,557	2,898,857
Reinsurance recoverables	8,853,206	8,980,625
Deposits to cedants	300	309
Insurance and intermediaries receivables	3,249,695	3,535,906
Reinsurance receivables	3,393,097	2,885,098
Receivables (trade. not insurance)	1,653,282	829,004
Cash and cash equivalents	1,564,815	2,661,381
Any other assets. not shown elsewhere	460,866	383,839
Total assets	**105,016,795**	**118,126,705**

Movements in a structure of investments reflect by decrease of amount of financial instruments as a result of the war in Ukraine, rise in energy prices and aggressive monetary policy. Increase of DTA is also related to this.

Increase of receivables (trade, not insurance) is caused mainly by increase of income tax advances, which were affected by the one-off taxation of insurance companies in year 2021 (see D.1.2)

Reconciliation of the Solvency II value with the statutory financial statements

AAssets	Solvency II value	Statutory accounts value	Note	Amount per financial statements	Mapping
Deferred acquisition costs	-	2,089,484	Deferred acquisition cost valued at zero for SII	2,089,484	
Intangible assets	-	1,854,798	Intangible assets valued at zero for SII	1,854,798	
Deferred tax assets	2,237,400	5,538,123	Different valuation methodology	5,538,123	
Property, plant and equipment held for own use	653,331	653,331		678,738	Art works shown are presented in the line any other assets, not elsewhere shown in SII
Investments (other than assets held for index-linked and unit-linked contracts)	59,906,884	63,957,780		62,757,284	
Property (other than for own use)	124,827	124,827		124,827	
Holdings in related undertakings, including participations	10,612,732	14,571,805	Participations are valued at fair value for SII	13,880,784	The company Green Point offices s.r.o. is classified in the financial statements as held for sale (any other assets. not elsewhere shown)
Equities	2,095,841	2,187,463		2,187,463	
Bonds	38,712,343	38,712,343		38,712,343	
Government bonds	25,298,659	25,298,659		25,298,659	
Corporate bonds	12,622,365	12,622,365		12,622,365	
Structured notes	596,700	596,700		596,700	
Collateralised securities	194,619	194,619		194,619	
Collective investment undertakings	5,191,409	5,191,409		5,191,409	
Derivatives	2,660,457	2,660,457		2,660,457	
Deposits other than cash equivalents	509,275	509,275		-	Term deposits less than 15 days are reported as Cash and cash equivalents in the financial statements
Assets held for index-linked and unit-linked contracts	20,317,362	20,317,362		20,317,362	
Loans and mortgages	2,726,557	2,731,719		2,803,703	Part of the balance is reported as deposits to cedants arising out of reinsurance operations in the financial statements
Reinsurance recoverables	8,853,206	17,071,576	Different valuation methodology	17,071,576	
Deposits to cedants	300	300		-	The balance is reported as other loans and mortgages in SII
Insurance and intermediaries receivables	3,249,695	3,290,232		2,933,909	The balances sum represents receivables in the statutory financial statements
Reinsurance receivables	3,393,097	3,393,097		3,749,420	
Receivables (trade, not insurance)	1,653,282	1,653,282		1,653,377	
Cash and cash equivalents	1,564,815	1,564,815		2,002,242	Term deposits less than 15 days are reported as Cash and cash equivalents in the financial statements
Any other assets, not elsewhere shown	460,866	460,866		1,126,549	The company Green Point offices s.r.o. is classified in the financial statements as held for sale Art works shown are presented in any other assets. not elsewhere shown in SII
Total assets	**105,016,795**	**24,576,564**		**124,576,564**	

D.2. TECHNICAL PROVISIONS

D.2.1. LIFE TECHNICAL PROVISIONS

OVERVIEW OF LIFE TECHNICAL PROVISIONS

The Solvency II life technical provisions at the end of 2022 were calculated according to Articles 77 to 83 of the Solvency II Directive 2009/138/EC. In line with Solvency II rules and the policy conditions, contract boundaries are applied to regularly paid accident riders. No future cash flows from this segment are projected/considered in the life TP calculation.

The following table shows the life technical provisions at the end of 2022 and 2021 split into their main components: the best estimate of liabilities, reinsurance recoverables net of the counterparty default adjustment, risk margin, and transitional measures.

SII Life technical provisions

	31.12.2022	31.12.2021
Best estimate of liabilities - gross of reinsurance	33,070,453	38,504,737
Risk margin	1,439,292	1,862,074
Technical provisions - gross of reinsurance	**34,509,746**	**40,366,811**
Reinsurance recoverables	461,162	(463,790)
Technical provisions - net of reinsurance	**34,048,584**	**39,903,021**
Transitional measures	-	-
Technical Provisions - net of reinsurance and transitional measures	**34,048,584**	**39,903,021**

*** *positive amounts represent a liability*

The main drivers of the Life TP movement in 2022 were:

- the Opening adjustment: +CZK 252 million caused primarily by the claims for annuities from liabilities from non-life insurance contracts
- the Economic experience variance: -CZK 2,406 million caused by lower investment returns in 2022 than expected, mainly on UL liabilities
- decrease of CZK 442 million caused by one-off sales campaigns in 2022, when old contracts were transferred to new ones
- lower lapse rates assumption (-CZK 625 million), higher mortality assumption (+CZK 151 million), decrease in morbidity rates (-CZK 125 million, incapability and disability decrease) and higher unit expenses (+CZK 767 million)
- the Change in economic assumption: jump in the yield curve decreasing the TP by -CZK 1,604 million through the higher discounting of cash-flow
- the Change in FX rate: change of EUR/CZK exchange rate from 24.86 CZK/EUR to 24.115 CZK/EUR applied on SK Branch volumes in EUR (-CZK 87 million)
- the New business: new business mainly consists of the profitable protection business with BEL value of -CZK 955 million

The best estimate of liabilities corresponds to the average of the present values of expected future cash flows generated from contracts present in the Company portfolio, and therefore includes both a probabilistic assessment of their occurrence and an appropriate assessment of the time value of money, obtained on the basis of risk-free interest rates as of 31 December 2023, as observed in the market and officially communicated by EIOPA. This curve (derived for the main markets and from interbank swap rates) includes both an adjustment to consider the residual default risk of these instruments (the so-called credit risk adjustment. amounting to -10bps for both (CZK and EUR) and an adjustment to consider the excess return achieved in a risk-free manner by the assets covering the insurance liabilities (the so-called volatility adjustment. equal to +24bps for CZK. +19bps for EUR).

The “As whole” approach is used for UL portfolio of “Branch” for which the BEL is equal to the market value of UL assets.

The method used to derive the best estimate of liabilities for rest of the portfolio is based on a direct approach that involves the projection and discounting of all future expected incoming and outgoing cash flows for the duration of the policyholder’s liabilities, in line with the contractual limits defined by regulations (contract boundaries). In particular, the projections consider all future premiums and all outflows associated with both the occurrence of insured events (e.g. claims and capital payable in the case of survival of the insured when the contract expires) and the possible exercise of contractual options (for example surrender).

For whole portfolio of the Company, depending on the type and risk inherent in it, the expected future cash flows have been assessed in a deterministic scenario (i.e. a certainty equivalent scenario) or as the mean value of a set of stochastic scenarios, to allow the calculation of the cost of financial guarantees and contractual options. In the latter case, specific assumptions on future management decisions were also implemented in the actuarial platforms (so-called management actions relating, e.g. to future profit sharing), and also the rational behaviour of the insured (the so-called dynamic policyholder's behaviour, which can impact the propensity to exercise options such as the surrender option).

The best estimate of liabilities for the residual part of the portfolio (the majority are either matured or lapsed policies whose reserves are still in the books just waiting to be paid out) was revaluated using a simplified approach and assumed equal to the IFRS reserves.

As shown in the above table, the best estimate of liabilities gross of reinsurance amounted to CZK 33.10 billion. and mainly consists of insurance with profit participation, mostly including old savings products in run-off and the traditional part of hybrid products.

Only 1.40% of gross BEL is transferred via reinsurance outside the Company, and the reinsurance recoverables net of the counterparty default adjustment related to these contracts amounted to CZK 0.46 billion. The reinsurance recoverables were evaluated by me ans of appropriate projections of the cash flows expected from reinsurance contracts and adjusted using the counterparty default adjustment to take into account of the risk of default of the reinsurer.

The risk margin represents an allowance to take into account the inevitable uncertainty linked to the volatility of the operating assumptions and inherent in future cash flows. The risk margin is calculated by means of a cost of capital approach that considers the co st associated with non-hedgeable risks.

The capital requirement needed to cover non-hedgeable risk was determined using the internal model for "Company without Branch" portfolio. For "Branch" portfolio standard formula approach is used. The rate used to determine the cost of capital is 6% per annum. The cost of capital for each projection year was discounted at the valuation date using the term structure of interest rates with out the volatility adjustment (EUR for "Branch" portfolio. CZK for "Company without Branch"). In line with the regulation, the risk margin is calculated net of reinsurance. The future projection of the capital requirement needed to cover the non-hedgeable risks and its allocation by line of business was carried out by means of suitable risk drivers applied to the capital required in respect of each risk included in the risk margin calculation.

As of 31 December 2022, the risk margin associated with Generali Česká pojišťovna life insurance contracts was CZK 1.439 billion.

The total value of the Solvency II life technical provisions of Generali Česká pojišťovna as of 31 December 2022, calculated as the sum of the best estimate of liabilities net of reinsurance and risk margin (except the "Branch" UL business portfolio where the "As whole" approach was used), amounted to CZK 34.00 billion.

The following table reports the amount of the Solvency II life technical provisions split by line of business:

- Insurance with profit participation
    - Traditional endowment products (also including some life risk riders)
    - A guaranteed savings part and life risk riders not unbundled from 'hybrid' products
    - A declared interest rate part unbundled from 'hybrid' products
- Unit-linked - contracts without options and guarantees
    - Pure UL products (mostly single paid)
    - UL part unbundled from 'hybrid' products
    - SK Branch UL products calculated as whole
- Other - contracts without options and guarantees
    - Pure risk products
    - All life risk riders unbundled from new generation of hybrid products
    - Accident riders (with future premiums subject to contract boundaries)
- Other - contracts with options and guarantees
    - Products from SK Branch (saving business without profit sharing option, saving business with DIR, unbundled non-unit-linked part of UL products)
- Annuities stemming from non-life obligations
    - MTPL and TPL annuities (RBNS reserve only).

Life technical provisions YE2021 by line of business

	31.12.2022	% weight	31.12.2021	% weight
Total	**34,048,584**	**100%**	**39,903,021**	**100%**
Insurance with profit participation	19,078,122	56%	23,405,022	59%
UL - Contracts without options and guarantees	19,020,269	56%	21,096,697	53%
Other - Contacts without options and guarantees	(5,617,566)	(16)%	(6,014,292)	(15)%
Other - Contracts with options and guarantees	358,775	1%	359,225	1%
Annuities stemming from non-life obligations	1,208,985	4%	1,056,369	3%

*** *positive signs represent a liability*

Generali Česka pojištovna's Solvency II life technical provisions net of reinsurance mainly consist of insurance with profit participation, which mostly includes old products in run-off and traditional parts of hybrid products (including some life risk riders).

The following table compares the technical provisions reported in the financial statements with the Solvency II life technical provisions at the end of 2022.

	IFRS	Solvency II	Delta
Gross reserves/BEL gross	51,946,485	33,070,453	18,876,032
Ceded reserves /Reinsurance recoverables	(936,613)	(461,162)	(475,451)
Risk margin	-	1,439,292	(1,439,292)
Net reserves/Net TP	**51,009,871**	**34,048,584**	**16,961,288**

The difference between the statutory reserves and Solvency II life technical provisions is due to the substantial methodological differences between the two approaches that make a comparison between the two amounts not informative of the adequacy of the current reserving basis. The Solvency II assessment, in fact, considers the future cash flows projected taking account of best estimate assumptions, future profit sharing (financial and technical), and the financial cost of the guarantees, using the current structure of interest rates as the discount rate. Instead, the valuation of the technical liabilities in the statutory balance sheet uses the assessments of the technical provisions calculated in accordance with local accounting principles, and thus generally applies demographic pricing assumptions, discounts the contractual flows at the technical rate defined at contract issue and, in general, does not consider any future financial profit share on unrealized gains/losses in force at the valuation date.

More specifically, the main differences between the two evaluations are attributable to the following items:

- Cash flows resulting from premiums, future expenses and contractual options:
  - Premiums: statutory reserves are usually calculated using pure premiums (i.e. loadings are excluded from the calculation). Conversely, in the Solvency II valuation, all premiums collected are considered.
  - Expenses: typically, future costs are excluded from the assessment of statutory reserves or, depending on the type of product, they are measured indirectly by means of the provision of loadings collected in the past (management reserves). In contrast, the Solvency II valuation includes the best estimate of the present value of the costs that will be incurred by the company to fulfil all contractual obligations.
- Contractual options: typically, the calculation of statutory reserves does not consider the probability of the insured's exercise of contractual options such as surrenders or failure to pay premiums. Conversely, these elements are appropriately considered in Solvency II.
- Operating assumptions: the reserves reported in the statutory financial statements are generally valued using conservative operating assumptions (or first order), while Solvency II technical reserves are valued using best estimate assumptions (or second order).
- Economic assumptions: Solvency II technical provisions are valued using the current economic framework both in terms of interest rate curves and the market values of backing assets. In practice, this affects:
  - projected economic returns and. Consequently, future policyholder bonuses included in future cash flows
  - interest rates used for discounting

  In contrast, financial statement reserve cash flows typically do not consider future policyholder bonuses and are discounted by means of technical interest rates defined at contract inception.
- The Methodology used to evaluate the business with profit sharing and guarantees: for this type of contract, Solvency II technical reserves are valued using stochastic actuarial platforms that capture a wide spectrum of possible financial scenarios and thus allow for the explicit assessment of the cost options and guarantees held by the insured. In contrast, statutory reserves do not include an assessment of those costs.
- Counterparty default adjustment: unlike statutory valuation, the amount of Solvency II reinsurance recoverables is adjusted to take into account the probability of default of the counterparty.
- Risk margin: unlike statutory reserves, Solvency II includes an explicit assessment of the amount to be held against non-hedgeable risks.

The following table compares the gross technical provisions reported in the financial statements with the Solvency II life gross technical provisions at the end of 2022 in detail by line of business.

	IFRS	Solvency II	Delta
Total	**51,946,485**	**34,509,746**	**17,436,739**
Insurance with profit participation	25,331,242	19,073,698	6,257,544
UL - Contracts without options and guarantees	20,483,794	19,009,072	1,474,722
Other - Contacts without options and guarantees	3,377,361	(5,701,743)	9,079,104
Other - Contracts with options and guarantees	643,267	358,775	284,492
Annuities stemming from non-life obligations	2,110,821	1,769,944	340,877

The difference between the technical provisions in the financial statements and the Solvency II life technical provisions varies depending on line of business. The reason is that the sources of differences described above are differently relevant for different lines of business.

Almost all the sources described above are relevant for insurance with profit participation (except those caused by the market value of assets covering reserves). Conversely, the difference for UL – contracts without options and guarantees is given only by the different costs and fees for fund management from/to the Company taken into account.

SOURCES OF UNCERTAINTY

The evaluation of the Solvency II life technical provisions depends not only on the methods, models and data used, but also on the assumptions relating to a number of economic and operational assumptions whose future realisations might differ from the expectations at the valuation date.

In the long term, the assumptions used are stable and we did not experience any significant fluctuations in 2022 except the morbidity rates. In recent years, we have seen improvements in surrender rates. The sensitivity on morbidity rates is higher for both (SK Branch and CZ) portfolios as the result of higher morbidity rates observed in last year.

The following table shows the sensitivity of the gross best estimate of liabilities under Solvency II at the end of 2022 to the change in individual assumptions.

	Gross best estimate of liabilities	Delta	Delta %
Expenses -10%	32,299,509	(770,944)	(2.33)%
Expenses +10%	33,841,394	770,940	2.33%
Life lapse -10%	32,490,297	(580,156)	(1.75)%
Life lapse +10%	33,607,197	536,743	1.62%
Paid-up -10%	33,069,744	(710)	0.00%
Paid-up +10%	33,071,153	700	0.00%
Mortality -10%	32,809,269	(261,184)	(0.79)%
Mortality +10%	33,331,700	261,246	0.79%
Longevity -10%	33,095,264	24,810	0.08%
Longevity +10%	33,047,614	(22,839)	(0.07)%
Morbidity and Disability -10%	32,387,267	(683,186)	(2.07)%
Morbidity and Disability +10%	35,159,021	705,692	2.13%

The underwriting parameters only slightly affect the Generali Česká pojišťovna portfolio. The most relevant operating assumption are:

- Expenses assumptions, the 10% increase/decrease of the administrative expenses would lead to an increase / decrease of BEL by 2.3%
- Surrender assumptions, the 10% increase/decrease of the lapse rates would lead to an increase / decrease of BEL by +1.6/(1.7)%
- Morbidity assumptions, the 10% increase/decrease of the morbidity rates would lead to an increase / decrease of BEL by 2.1%

The other operating assumptions have a relatively small effect on the TP due to the application of contract boundaries (CB) on accident and daily allowance riders. Without the application of CBs, the surrender assumptions and morbidity assumptions would generate a high materiality impact on the TP.

The changes in economic assumptions have a relatively high impact on the best estimate value of liabilities, however the market value of assets covering life reserves is also affected at the same time. The absorption capacity of liabilities versus the change in asset value is 100% in the case of interest rates and 84% in the case of changes in equity value. The final impact on the Solvency Capital Requirement is therefore lower. The impacts resulting from possible changes in the economic environment are relatively small thanks to compensation between assets and liabilities..

LONG-TERM GUARANTEE MEASURES (VOLATILITY ADJUSTMENT, MATCHING ADJUSTMENT AND TRANSITIONAL MEASURES)

The valuation of the best estimate of liabilities was performed using the volatility adjustment (as referred to in Article 77 d of Directive 2014/51/EU) provided by EIOPA for CZK (22bps) and for EUR (19bps) at year end 2022. A change to zero of the volatility adjustment would correspond to an increase of CZK 231 million in the life BEL of Generali Česká pojišťovna.

The matching adjustment (as referred to in Article 77b of Directive 2014/51/EU) has not been applied.

The transitional measure on the risk-free interest rate term structure (as referred to in Article 308c of Directive 2014/51/EU) and the transitional measure on technical provisions (as referred to in Article 308d of Directive 2014/51/EU) have not been used.

D.2.2. P&C TECHNICAL PROVISIONS

OVERVIEW OF P&C TECHNICAL PROVISIONS

The P&C Technical Provisions related to

- outstanding claims, whether reported or not. that occurred before the evaluation date whose costs and related expenses were not completely paid by that date (Outstanding Claims Reserve)
- future claims of contracts that are either in force at the valuation date or for which a legal obligation to provide coverage exists (premiums reserve)

are calculated as the sum of the Discounted Best Estimate of Liabilities (BEL) and the Risk Margin (RM) and Other Provisions (OTP). Other provisions represent estimated investment expenses related to BEL.

$$TP = BEL + RM + OTP$$

The Discounted Best Estimate of Liabilities (BEL) is calculated applying the methods and assumptions briefly described in the following paragraphs, separately for the Outstanding Claims Reserve and the Premiums Reserve.

Outstanding Claims Reserve

The approach to derive the BEL for the Outstanding Claims Reserve depends on the possibility of applying the actuarial methods.

- The BEL of the un-modelled and semi-modelled business (the Line of Business or part of a Line of Business which, for various reasons, e.g. lack of adequate, appropriate and complete data or due to inhomogeneity of the business, has not been analyzed using actuarial methods) has been calculated using IFRS figures. Un-modelled and semi-modelled business represents approximately 9.3% of IFRS provisions and contains mainly provisions for bonuses and accepted reinsurance business.
- The BEL of the modelled business (the business which, thanks to the availability of adequate, appropriate and complete data, has been analyzed in detail using actuarial methods) has been assessed using the following steps:

Claims and Grouping

To perform an appropriate actuarial analysis of the Technical Provisions and to carry out ultimate cost projections, historical claims data on a paid and incurred basis (gross of contractual and facultative reinsurance) have been taken into account. The development data used for these purposes fulfil the appropriate quality attributes of proportionality, materiality and completeness.

Each portfolio is selected to identify homogeneous groups of risks, types of coverage and other specificities such as the length and the variability of the claims run-off. The minimum level of granularity adopted considers the split between types (direct business, proportional accepted business, non-proportional accepted business), and in each category identifies twelve Lines of Business (workers' compensation; medical expenses; income protection; motor vehicle liability; other motor; marine, aviation and transport; fire and other damage to property; general liability; credit and suretyship; legal expenses; assistance; miscellaneous financial loss). Where necessary, a more granular segmentation of the portfolio is used, especially in the case of property, liability and motor insurance. Where reasonable, claims have been split depending on their size and significance into attritional, large and extremely large claims, and the analysis has been done separately for each claims type. In addition, annuity claims are also treated separately.

Starting from 2018, Outstanding Claims Reserves coming from accident life riders are revaluated in Non-life as part of Solvency II LoB Income Protection using the standard non-life actuarial methods described below.

New SK portfolios acquired through business combination transaction, mentioned in chapter A1.4 of this document, have not been grouped together with similar original portfolios of the Company. Evaluation of technical reserves of newly acquired portfolios and original portfolios ran separately. Partial Internal Model was used for risk evaluation of technical reserves arising from original portfolios, whilst Standard Formula Solvency II approach was adopted for newly acquired SK portfolios. Application of Internal model for newly acquired portfolio is subject of approval of Czech National Bank and The Company is applying for approval to be granted for evaluation to be performed at the end of 2023.

Expenses

The reserve for Loss Adjustment Expenses (LAE) consists of two parts. The reserve for expenses directly arising from a particular compensation case (Allocated Loss Adjustment Expenses (ALAE)) is treated as part of claims costs. The reserve for expenses not directly arising from a particular compensation case (Unallocated Loss Adjustment Expenses (ULAE)) is related to the whole package of services offered by an insurance company and is not automatically associated with a specific claim. A simplified approach is used to derive the ULAE reserve that is assumed to be proportional to the UBEL (Undiscounted Best Estimate of Liabilities) of the Line of Business (i.e.. $ULAE\ reserve = R \cdot UBEL$). where *R* is estimated based on recent experience. In case of newly acquired portfolios, all the loss adjustment expenses were considered as unallocated in the calculation LAE UBEL.

Inflation

Historical data on claims paid and outstanding include the outcomes of observed inflation, in its two exogenous and endogenous components. The inflation environment in the Czech Republic is considered stable enough to project UBEL from historical data, which means that inflation is already embedded in the projections. Due to the increase in expectation of future inflation which might not be covered by the projection of historical inflation from the triangles (so called "implicit inflation"), the Company decided to incorporate the possible higher impact of the inflation. For the estimation the expert judgement was used.

Actuarial Methods

The actuarial methods used for projecting the experienced history of claims and provisions are the ones implemented in the Group reserving tool (ResQ) and described in the Generali Group methodology paper. The following methods have been considered for attritional and large claims in particular:

- The Link Ratio Method on paid (or Development Factor Models - DFM) is a generalization of the Chain Ladder method, based on an analysis of cumulative payments over years. This class of methods is based on the hypothesis that the settlement process is stable across origin periods;
- The Link Ratio Method on incurred technically works like the previous one but is based on incurred developments, i.e. the sum of cumulative paid and outstanding amounts;
- The Bornhuetter-Ferguson method on paid or incurred combines the projected ultimate (obtained e.g. by means of a Development Factor method) with an alternative (a priori) value using a weighted credibility approach;
- The Cape Cod method on paid or incurred which, similarly to the Bornhuetter-Fergusson method, combines already emerged claims with expected claims to be paid or reported late, is based on assumptions derived from the emerged proportion of claims;
- The Frequency Severity method combines projections of the expected number of claims and expected average claims, where ultimate claims are the product of these two items;
- The Incremental Loss Ratio method on paid or incurred, also known as the Additive method, expects stable development in the contribution to the loss ratio across origin periods.

An analysis using more than one of the methods listed above was performed to confirm the results.

The best estimate assessment for annuities stemming from P&C contracts is performed separately for annuities in payment (i.e. RBNS – reported but not settled - annuities), treated with life techniques, and for annuities that could emerge in the future from non-annuity claims (i.e. IBNR – incurred but not reported – annuities). The BEL for the IBNR annuities is assessed using the frequency/severity approach.

To obtain the final gross UBEL, all excluded or separately evaluated items (e.g. extremely large claims. un-/semi-modelled parts. expenses) are added to the ultimate claims cost.

Net Evaluation

In general, less risky portfolios are covered by a 40% - and more risky portfolios by a 70% - quota share. In addition to this, Lines of Business exposed to the risk of large single claims, such as MTPL or large risk portfolios in property and liability insurance. are covered by XL treaties. The reinsurance share on IFRS claims provisions is mostly represented by a quota share, hence a feasible simplification is used for the net evaluation of UBEL. For each homogeneous group of risks. UBEL net of reinsurance is calculated adopting the following simplified approach:

$$UBEL_{net}^{OC} = UBEL_{gross}^{OC} \cdot \%NG$$

where %NG indicates the percentage of the IFRS net Outstanding Claims Reserve on the IFRS gross Outstanding Claims Reserve.

The valuation of the best estimate net of reinsurance is performed taking into account an adjustment for the expected losses due to default of the reinsurance counterparties (counterparty default risk adjustment).

Premiums Reserve

For contracts with premiums already written, the UBEL of the premium provisions is defined as the sum of the following two components (considering gross and net inputs to obtain gross and net results):

- A claims-related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the current year loss ratio. aiming to remove the effect of the adequacy of the estimated UBEL of the outstanding claims reserve (OCR).
- An administration-expenses related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the administration expense ratio to represent the expected part due to expenses stemming from existing contracts.

For un-incepted (instalments included) and multi-year contracts, the UBEL of the premium reserve is defined as the sum of the following cash flows:

- Cash inflows arising from future premiums;
- Cash outflows arising from future claims, net of salvage and subrogation, including allocated and unallocated claims adjustment expenses;
- Cash outflows arising from administration expenses in respect of claims occurring after the valuation date as well as costs arising from ongoing administration of in-force policies and acquisition costs, insofar as they are related to the considered portfolio.

Similarly to the outstanding claims reserve, the net premiums reserve is also adjusted to take into account the default risk of the counterparties.

Discounting

The discounted best estimate of liabilities (BEL), related to both the outstanding claims reserve and premiums reserve, is derived by discounting the expected future payments of the UBEL by the reference basic risk-free rate curve incorporating volatility adjustment.

Other Reserves

Other reserves are created to cover expected investment expenses related to assets covering the BEL.

Risk Margin

The Risk Margin together with OTP is added to the BEL to derive a market-consistent liabilities value. This captures the economic value of non-hedgeable risks (reserving, pricing, catastrophe, counterparty default and operational) to ensure that the Technical Provisions value is equivalent to the amount that an insurance company would be expected to require to take over and meet the insurance obligations. The Risk Margin is calculated with a Cost of Capital (CoC) approach at the Line of Business level taking the diversification benefits between risk types and Lines of Businesses into account.

Non-hedgeable risks evaluated by Partial Internal Model related to original portfolios as well as non-hedgeable risks evaluated by Standard Formula related to newly acquired portfolios are used as inputs for calculation of risk margin.

Fair Value of Outstanding Claim Reserve - Total

(thousand CZK)	2022	2021	Change	Change %
Gross IFRS Reserve	**24,702,026**	**25,861,679**	**(1,159,653)**	**(4)%**
Best Estimate of liabilities gross of reinsurance	**15,530,001**	**16,029,144**	**(499,143)**	**(3)%**
Recoverables from reinsurance after CDA	(7,561,241)	(7,946,699)	385,458	(5)%
Best estimate of liabilities net of reinsurance	7,968,760	8,082,445	(113,684)	(1)%
Other provisions - investment expenses	38,684	27,907	10,777	39%
Risk Margin	432,208	509,658	(77,450)	(15)%
Technical Provisions net of reinsurance	**8,439,652**	**8,620,009**	**(180,357)**	**(2)%**

Regarding Fair Value of Outstanding Claim Reserve. Technical Provisions net of reinsurance decreased by 180 mln CZK, which is in relative terms a movement by 2.1 %. This consists mainly of two movements: Best estimate of liabilities net of reinsurance decreased by 114 mln CZK (by 1.4 %) and Risk Margin decreased by 77 mln CZK (by 15.2 %).

Fair Value of Premium Reserve – Total

(thousand CZK)	2022	2021	Change	Change %
Gross IFRS Reserve	**9,236,253**	**8,819,545**	**416,709**	**5%**
Best Estimate of liabilities gross of reinsurance	**3,430,219**	**2,841,920**	**588,300**	**21%**
Recoverables from reinsurance after CDA	(830,803)	(570,136)	(260,666)	46%
Best estimate of liabilities net of reinsurance	2,599,417	2,271,783	327,633	14%
Other provisions - investment expenses	19,142	13,678	5,464	40%
Risk Margin	211,359	227,608	(16,249)	(7)%
Technical Provisions net of reinsurance	**2,829,917**	**2,513,069**	**316,848**	**13%**

Regarding Fair Value of Outstanding Premium Reserve, Technical Provisions net of reinsurance increased by 317 mln CZK. which is in relative terms a movement by 12.6 %. This consists mainly of two movements: Best estimate of liabilities net of reinsurance increased by 328 mln CZK (by 14.4 %) and Risk Margin increased by 16 mln CZK (by 7.1 %). Gross IFRS Reserve reflected increase of portfolio with only partial effect of inflation reflected in the premium, while Best estimate of liabilities fully contain inflationary expectations, therefore relatively increased more than the Gross IFRS Reserve.

Fair Value of Outstanding Claims Provisions

Line of business	IFRS reserves Net of Reinsurance	BEL Net of Reinsurance after CDA	Other provisions - investment expenses	Risk Margin	TP Net of Reinsurance
Total	**12,501,820**	**7,968,760**	**38,684**	**432,208**	**8,439,652**
Direct Insurance	**11,726,429**	**7,321,148**	**35,229**	**406,484**	**7,762,861**
Non-life motor	5,905,898	3,561,710	24,980	265,389	3,852,079
Non-life non motor excl. AHD	3,703,038	2,296,580	7,188	120,457	2,424,225
Accident. Health and Disability	2,117,493	1,462,858	3,062	20,638	1,486,557
Accepted proportional Insurance	**775,391**	**645,161**	**3,455**	**25,724**	**674,340**
Non-life motor	106	87	2	13	101
Non-life non motor excl. AHD	775,285	645,074	3,453	25,711	674,238
Accident. Health and Disability	-	-	-	-	-

The most important segment of Outstanding Claims Provision is Non-life motor business, which forms about 48.6 % of the total Direct business in terms of net OC BEL (and 50.4 % in terms of net IFRS claim reserve).

Fair Value of Premium Provisions

Line of business	IFRS reserves Net of Reinsurance	BEL Net of Reinsurance after CDA	Other provisions - investment expenses	Risk Margin	TP Net of Reinsurance
Total	**5,301,497**	**2,599,417**	**19,142**	**211,359**	**2,829,917**
Direct Insurance	**5,250,783**	**2,595,276**	**18,947**	**210,756**	**2,824,980**
Non-life motor	2,969,716	1,568,460	13,023	83,722	1,665,206
Non-life non motor excl. AHD	2,229,977	1,012,811	5,845	126,304	1,144,959
Accident. Health and Disability	51,090	14,005	79	730	14,814
Accepted proportional Insurance	**50,714**	**4,140**	**195**	**603**	**4,938**
Non-life motor	-	-	-	-	-
Non-life non motor excl. AHD	50,714	4,140	195	603	4,938
Accident. Health and Disability	-	-	-	-	-

The most important segment of Premium Provision is again Non-life motor business, which forms about 60.4 % of the total Direct business in terms of net Premium BEL (and 56.6 % in terms of net IFRS claim reserve). Larger proportion of motor business on Premium BEL than on IFRS Premium reserve is caused by a lower profitability of motor business compared to non-motor business.

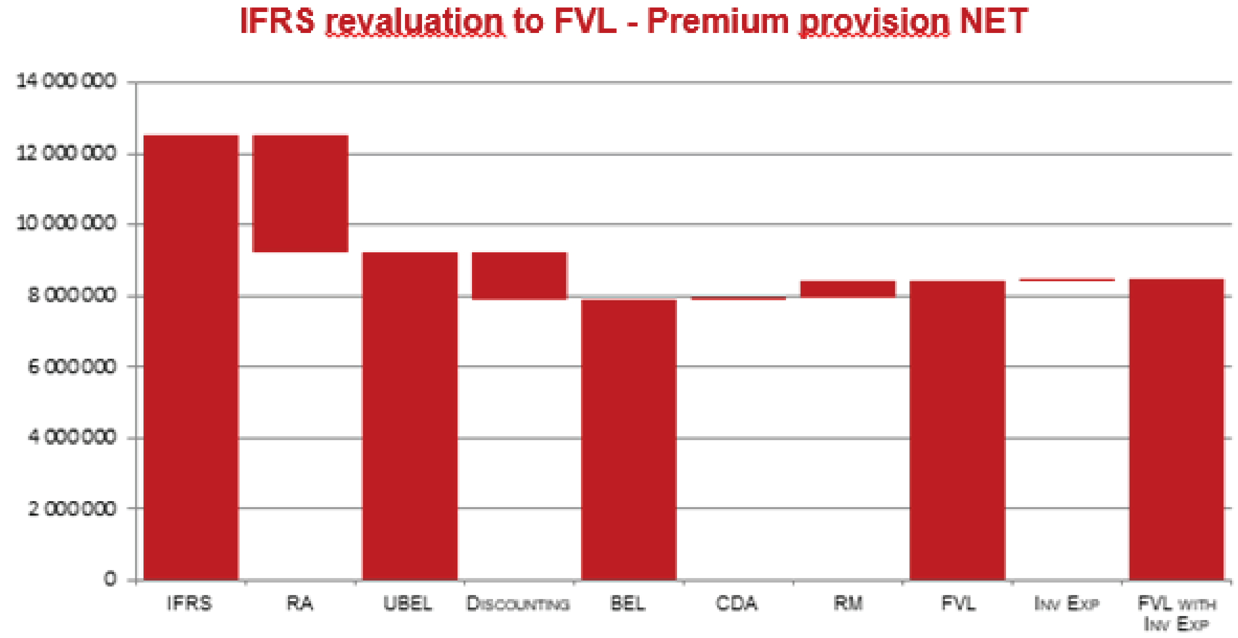
P&C TP COMPARISON WITH RESERVES

Similar actuarial methods are used for setting both IFRS IBNR and UBEL, but the parameters used for the IFRS IBNR calculation include obvious prudence. Therefore, IFRS outstanding provisions are held at a higher level than UBEL to be able not only to cover the mean expected value of unsettled claims, but also to be able to absorb possible negative deviations in claims run-off. Such deviations can be caused by higher counts of late reported claims, by higher than average severity, or by unfavorable developments in already-reported claims in a given calendar year. The random behavior of claims developments requires the maintenance of an uncertainty margin in IFRS provisions. Consequently, this margin represents the difference between UBEL and IFRS. The size of this margin is monitored and remains within a reasonable range considering the risk appetite of the Company.

Below. you can find a decomposition of the revaluation process for Technical Provisions:

Revaluation process: from IFRS to Fair Value - Claim Provision

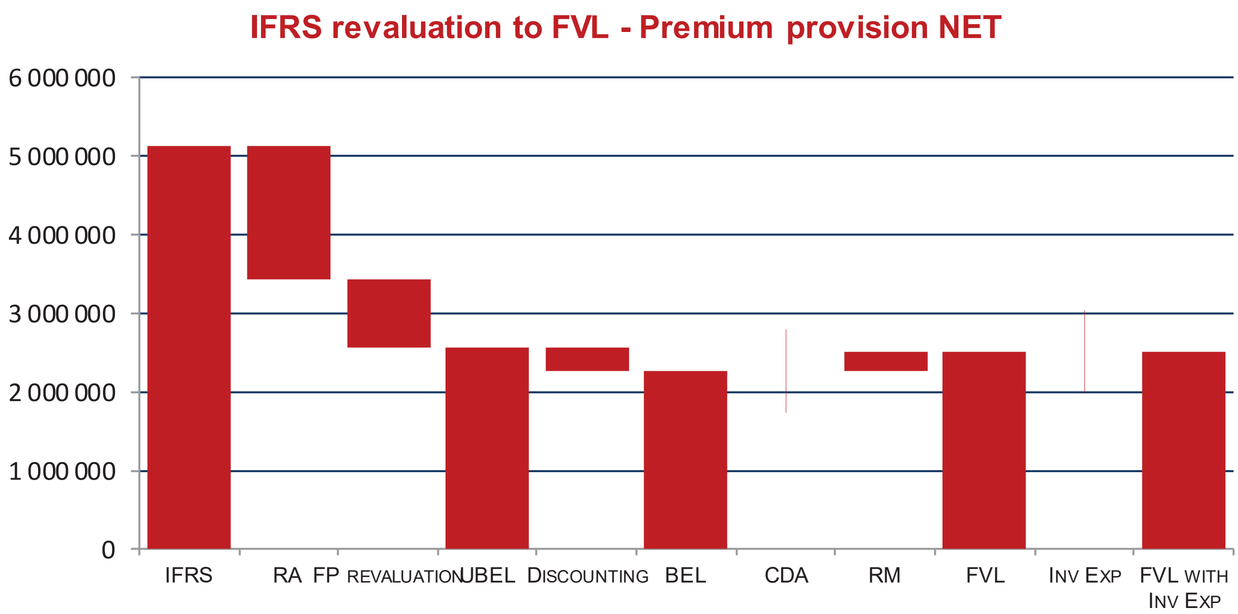
(CZK thousand)	IFRS	Reserve Adequacy	UBEL	Discounting effect	BEL	Expected Default	Risk Margin	FV Liabilities	Investment expenses	FV Liabilities incl investment expenses
Total OC NET	12,501,820	3,260,988	9,240,832	1,327,771	7,913,061	55,699	432,208	8,400,968	38,684	8,439,652



Reserve adequacy forms 31.6 % of IFRS claim reserve. Further, discounting effect decreases OC UBEL by 10.2 % in order to obtain OC BEL. After inclusion of items such as Expected Default, Risk Margin and Investment expenses, the final Fair Value of Liabilities is 8,620 mln CZK.

Revaluation process: from IFRS to Fair Value - Premium Provision

(CZK thousand)	IFRS	Reserve Adequacy	FP revaluation	UBEL	Discounting effect	BEL	Expected Default	Risk Margin	FV Liabilities	Investment expenses	FV Liabilities incl investment expenses
Total UP NET	5,125,774	1,709,879	(841,901)	2,573,995	318,929	2,255,066	16,717	227,608	2,499,391	13,678	2,513,069



Reserve adequacy forms 29.9 % of IFRS Premium reserve and FP revaluation decreases IFRS Premium reserve by additional 11.9 % in order to get Premium UBEL. Further, discounting effect in case of Premium UBEL is 16.2 %. After inclusion of items such as Expected Default, Risk Margin and Investment expenses, the final Fair Value of Liabilities is 2,830 mln CZK.

IFRS Premium provisions are booked on a pro rata temporis accounting principle reflecting the unearned part of the written premium proportional to the not-yet-due part of the period for which the premium was written. This is done individually for each insurance policy. Contrary to this, Solvency II principles require the evaluation of a premium provision as the difference between future outflows (claims and expenses) and future inflows (premium). This means that the IFRS approach is not strictly dependent on the profitability of the business (only in the case of premium insufficiency), whilst the evaluation according to Solvency II principles is strictly driven by loss and expense assumptions. In addition, only the written part of the premium can serve as the basis for the recognition of unearned premiums in IFRS, but Solvency II principles require the inclusion of future premiums coming from contracted business that have not yet been written. This includes future instalments of policies in force and premiums from already contracted policies with future inception.

The Company newly, adopting updated methodology of the Group, created OTP to cover investment related expenses. Estimated amount of these expenses is 46,872 tsd CZK in total for original and newly acquired portfolios.

SOURCES OF UNCERTAINTY AND SENSITIVITY ANALYSES

Two kinds of sources of uncertainty are embedded in the Technical Provisions. The first arises from the essence of the insurance business and is represented by the randomness of the process of claims occurrence and reporting. This is monitored by actuaries through the construction of stochastic scenarios resulting in the distribution of possible claims run-off results. The highest uncertainty is experienced in Lines of Business that include large risks (mainly corporate property). IFRS reserves are currently set at a level so that the Company is able to cover deviation from Undiscounted BEL with a return period higher than 20 years.

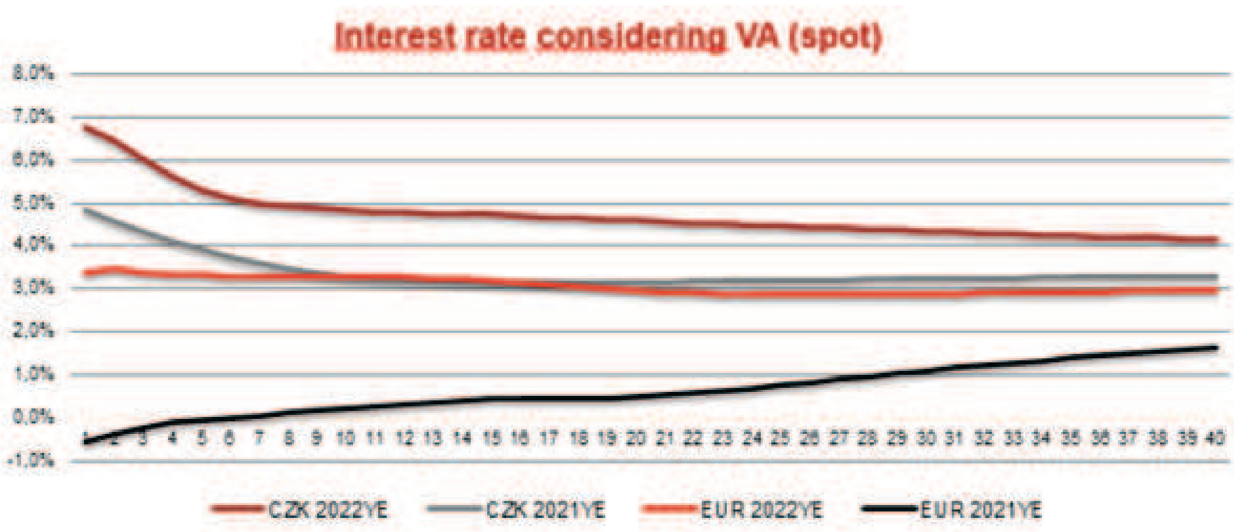
The second type of uncertainty is represented by external factors such as claims inflation, interest rates and changes in legislation. These factors are not driven by the Company, but their impact can be reduced by ongoing monitoring of the market and legal environment, and early identification or even anticipation of possible changes. Sensitivity analyses of external factors are performed by the Company. A decrease in the risk-free rate of 50 basis points would result in a BEL increase of 1.5%.

The biggest uncertainty is still expected in regard to the ultimate effect of the New Civil Code (NCC). This change in legislation affects compensation in liability insurance, especially in the case of bodily injuries. The NCC came into force on 1 January 2014. Although developments in this area seem to be favorable, the settlement processes and court practice have still not been stabilized. Insufficient experience with such a big change presents a significant source of uncertainty in UBEL evaluation. The reserving process is closely monitored throughout the Company.

The Company reduces the risk of volatility risk through diversification and reinsurance. Providing a wide portfolio of insurance products mitigates the relative impact of unfavorable developments from run-off in individual Lines of Business. A properly chosen reinsurance structure, including quota share and XL treaties, helps limit the absolute impact of potential negative run-off. The current reinsurance setup mitigates Reserving Risk by almost 40%.

LONG-TERM GUARANTEE MEASURES (VOLATILITY ADJUSTMENT AND TRANSITIONAL MEASURES)

Neither transitional measures nor matching adjustments were applied during the calculation of the best estimates of Technical Provisions. A volatility adjustment was applied by the Company. Swap risk-free rates were used in line with EIOPA guidance.



The usage of a volatility adjustment decreased the net BEL by 0.5%. or 55 mCZK. The total revaluation reached by discounting the TP was CZK 1,829 mCZK.

D.3. OTHER LIABILITIES

D.3.1. VALUATION OF LIABILITIES FOR THE SOLVENCY II BALANCE SHEET

There were no material changes to the general valuation framework in comparison with the preceding reporting period.

EXCLUSION OF IFRS VALUATION METHODS

This chapter gives an overall description of the SII valuation methods for liabilities other than technical provisions. complementary to the general valuation for solvency purposes (Section D - Introduction).

In accepting the valuation methods defined in IFRS. Solvency II anticipates that there are cases where IFRS valuation methods are not consistent with Solvency II requirements.

SII SPECIFICITIES

Solvency II specifies the treatment of the liabilities listed below for which a valuation different from IAS/IFRS measurement is required:

- technical liabilities;
- contingent liabilities;
- financial liabilities;
- deferred taxes.

Except for technical liabilities and deferred taxes (already disclosed in D.2. Technical provisions. and D.1. Assets), all the remaining points are analysed in the following dedicated sections.

CONTINGENT LIABILITIES

Valuation

The recognition criteria for contingent liabilities on the Solvency II balance sheet are determined by the definition in IAS 37 for contingent liabilities.

While under IAS 37 an entity should not recognize a contingent liability but only disclose it under Solvency II if such contingent liabilities are material and the possibility of an outflow of resources embodying economic benefits is not remote, they have to be reported on the Solvency II balance sheet.

Contingent liabilities are material if information about the current or potential size or nature of that liability could influence the decision-making or judgment of the intended user of that information. An exception to the requirement to recognize material contingent liabilities on the Solvency II balance sheet exists when a contingent liability arises for accounting purposes if no reliable estimate is possible for the valuation of the liability. In such instances. since the value of the contingent liability cannot be reliably measured. only disclosure is required.

According to Solvency II principles, a contingent liability should be valued at the expected present value of the future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the relevant risk-free interest rate term structure. Moreover, when valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking will be made.

The estimate of future cash flows is thus based on an expected present-value approach (i.e. a probability-weighted average of the present values of the outflows for the possible outcomes).

The amount and range of possible cash flows considered in the calculation of the probability-weighted cash flows will reflect all expectations about possible cash flows and not the single most likely or expected maximum or minimum cash flow.

Finally, an entity will consider the risk that the actual outflows of resources might ultimately differ from those expected. Risk adjustment measures the amount, if any, that the entity would rationally pay in excess of the expected present value of the outflows for bearing this risk.

Contingent liabilities shown in the financial statements

As of 31 December 2021 and 31 December 2020, the Company recognized the following provisions for contingent liabilities:

	2022	2021
Restructuring provision	42,905	34,400
Provisions for commitments	287,848	257,923
Other provisions	3,208	12,113
Total	**333,961**	**304,436**

COMMITMENTS DISCLOSED UNDER IFRS

As of 31 December 2022 and 31 December 2021, there were no commitments disclosed in IFRS that should have been – due to their material scope and the possibility of a decrease in resources representing economic benefits – reported in the Solvency II balance sheet according to Solvency II.

Legal

As of 31 December 2022, a legal suit was brought consolidating several cases concerning the decision of the General Meeting of the Company in 2005 approving a squeeze-out of minority shareholders and consideration paid on the pending squeeze-out. Based on legal analyses carried out by external legal counsel, the management of the Company believes that none of these cases gives rise to any contingent future liabilities for the Company.

Nuclear pool participation

Česká pojištovna a.s. is a member of the Czech Nuclear Pool (CzNIP). The subscribed net retention is as follows:

	2022	2021
Liability (w/o D&O liability)	290,617	252,710
D&O liability only	32,892	28,602
FLEXA extended coverage of nuclear risk plus BI	708,812	708,812
Total	**1,032,321**	**990,124**

As a member of the CzNIP, the Company has signed relevant documents like the Statute, Cooperation Agreement, Claims Handling Cooperation Agreement and the Solidarity Agreement. As a result, the Company is jointly and severally liable for the obligations resulting from such documents. This means that in the event one or more of the other members is/are unable to meet their obligations to the CzNIP. the Company would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The management does not consider the risk of another member being unable to meet its obligations to the CzNIP to be material to the financial position of the Company. The CzNIP has implemented adequacy rules for net member retentions related to their capital positions, and these are assessed every quarter. In addition, the potential liability of the Company for any given insured/assumed risk is contractually capped at quadruple the Company's net retention for direct risks (insurance contracts) and double the Company's net retention for indirect risks (inwards reinsurance contracts).

Participation in Slovak insurance pool

Generali Poisťovňa. pobočka poisťovne z iného členského štátu is a member of the Slovak insurance nuclear Pool (SJPP). The subscribed net retention is as follows:

	2022	2021
Liability (w/o D&O liability)	6,091	6,091
FLEXA extended coverage of nuclear Risks plus BI	2,660	2,660
Total	**8,751**	**8,751**

The Company as a member of SJPP signed pool documents like Statute, Cooperation agreement, Claims handling cooperation agreement and Solidarity agreement. As a result of this, the Company is jointly and severally liable for the obligations resulting from these pool documents. This means that, in the event that one or more of the other members are unable to meet their obligations to the SJPP, the Company would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The management does not consider the risk of another member being unable to meet its obligations to the SJPP to be material to the financial position of the Company. SJPP implemented adequacy rules of net member's retentions related to their capital positions and evaluated in individual quarters.

FINANCIAL LIABILITIES

Valuation

To ensure compliance with Solvency II principles, the liabilities – including financial liabilities – should be valued at fair value without any adjustment for the change in the own credit standing of the insurance/reinsurance undertaking.

The valuation methodology for determining the fair value of an asset or liability will be based on the following approaches:

- The mark-to-market approach (the default approach): this approach is based on readily available prices in orderly transactions that are sourced independently (quoted market prices in active markets);
- The mark-to-model approach: any valuation technique that has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input (maximize market inputs, minimize unobservable inputs).

According to IFRS 9 (not yet adopted by the Company), the amount of change in the fair value of the financial liability attributable to changes in the credit risk of that liability[1] should be determined either:

(a) as the change in its fair value not attributable to changes in market conditions that give rise to market risk;
(b) by using an alternative method the entity believes more faithfully represents the amount of the change in the liability's fair value attributable to the changes in its credit risk.

As with all estimates of fair value, an entity's measurement method for determining the portion of the change in the liability's fair value attributable to the changes in its credit risk must make maximum use of market inputs.

Consistency with IFRS

According to IAS 39.47. all liabilities, except for the following, are required to be measured at amortized cost using the effective interest method:

(a) financial liabilities at fair value through profit or loss;
(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
(c) financial guarantee contracts;
(d) commitments to provide a loan at a below-market interest rate.

Financial liabilities valued at amortized cost according to IAS 39 will be valued at fair value for the Solvency II balance sheet.

For financial liabilities valuation purposes, the IAS 39 fair value definition is consistent with the Solvency II principle taking the following into account:

- ✓ The fair value measurement approach in IAS 39 at recognition is a good representation of the economic value at recognition in the Solvency II balance sheet.
- ✓ The fair value measurement approach in IAS 39 for subsequent measurements is a good representation of the economic value for Solvency II purposes if, and only if, changes in the undertaking's own credit standing have not been taken into account. When changes in the undertaking's own credit standing influence the value under IAS 39, they will be eliminated in the Solvency II valuation.

[1] In accordance with IFRS 9 paragraph B5.7.16 and subsequent

D.3.2. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

Year-on-year comparison of the Solvency II value

Liabilities	2022	2021
Technical provisions	54,171,358	60,016,724
Provisions other than technical provisions	333,961	304,436
Deposits from reinsurers	2,813	1,404,696
Deferred tax liabilities	482,595	-
Derivatives	457,276	823,011
Financial liabilities owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	656,952	752,207
Insurance and intermediaries payables	2,796,114	3,081,484
Reinsurance payables	7,498,649	7,296,013
Payables (trade. not insurance)	4,347,921	8,566,319
Any other liabilities. not elsewhere shown	3,091,691	2,882,726
Total liabilities	**73,839,331**	**85,127,616**
Excess of assets over liabilities	**31,177,464**	**32,999,089**

Movements of Technical provisions is caused mainly by decrease of the assets related to unit link investments due to the war in Ukraine, rise in energy prices and aggressive monetary policy. In year 2022 deposit from reinsurance was settled to GP Reinsurance EAD. Increase of DTL is related with DTL of the Branch, which cannot be netted due to different jurisdictions. Decrease of Payables (trade, not insurance) is caused by repayment of payables to GSK Financial, a. s. for the purchase price of Generali Poisťovňa. a. s.

Liabilities	Solvency II value	Statutory accounts value	Note	Amount per financial statement	Mapping
Technical provisions	54,171,358	86,026,512	Different valuation methodology	88,548,951	
Provisions other than technical provisions	333,961	333,961		333,961	
Deposits from reinsurers	2,813	2,813		2,813	
Deferred tax liabilities	482,595	482,595		-	
Derivatives	457,276	457,276		457,276	
Financial liabilities owed to credit institutions	-	-		-	
Financial liabilities other than debts owed to credit institutions	656,952	697,664	IFRS 16 liabilities are measured at fair value in SII statements	697,664	
Insurance and intermediaries payables	2,796,114	2,796,114		2,723,472	The balance sum represents payables in the statutory financial statements
Reinsurance payables	7,498,649	7,498,649		7,571,290	
Payables (trade. not insurance)	4,347,921	4,347,921		4,347,921	
Any other liabilities. not elsewhere shown	3,091,691	3,495,234		3,495,234	
Total liabilities	**73,839,331**	**105,521,416**		**105,521,416**	
Excess of assets over liabilities	**31,177,464**				

D.4. ALTERNATIVE METHODS FOR VALUATION

In respect of the official SII data valuation, no material alternative methods except the valuation of instruments at Level 3 (see D.1) were used.

The following table provides a description of the valuation techniques and the inputs used in the fair value measurement:

Equities	The fair value is mainly determined using an independent evaluation provided by a third party or is based on the amount of shareholders' equity.
Investment funds	The fair value is mainly based on information about the value of the underlying assets. The valuation of underlying assets requires significant expert judgment or estimation.
Bonds. loans	An indicative price is provided by a third party or the discounted cash flow technique uses objectively unobservable inputs (extrapolated interest rates and volatilities, historical volatilities and correlations, material adjustments to the quoted CDS spreads, the prices of similar assets requiring material adjustments, etc.)
Investment properties	The fair value is determined using independent valuation provided by a third party and is based on the market value of the property determined by comparing recent sales of similar properties in the surrounding or competing area to the relevant property.

The table below describes unobservable Level 3 inputs:

Description CZK millions	FV as of 31.12.2022	FV as of 31.12.2021	Valuation technique(s)	Non-market observable input(s)
Equities	1,836	1,421	Net asset value	N/A
Investment funds	43	28	Expert judgment	Value of underlying instruments
Government bonds	2,468	2,708	Discounted cash flow technique	Credit spread level
Corporate bonds	2,260	3,531	Discounted cash flow technique	Credit spread level

D.5. ANY OTHER INFORMATION

All significant information on valuation has been mentioned in the above sections.

E. Capital management

The Company has a comfortable and sound solvency position from the Solvency II perspective with a solvency ratio significantly above 100%.

The solvency ratio Generali Česká pojišťovna a.s (GČP) improved by 5 percentage points compared to last year. We can observe a drop both in Own funds (OF) and Solvency Capital Requirement (SCR). The most significant event which impacted the solvency position was the Russian invasion to Ukraine and subsequent increase in uncertainty, market downturn and raising interest rates targeted to tackle rising inflation. This led on one hand to a drop in market value of assets (predominantly fixed income) partially compensated by liabilities, on the other hand lower exposure and reinvestments into less risky assets drove the SCR decrease. The amount of available own funds stays at a very comfortable level and ensures the Company's ability to meet its obligations even in critical scenarios of incurred losses.

Solvency Position

	2022	2021	Change
Own Funds	26,179,556	30,399,089	(4,219,533)
Solvency Capital Requirement	11,796,612	13,980,556	(2,183,944)
Solvency Ratio	222%	217%	

The following chapters provide more details on the Company's own funds and the Solvency Capital Requirement.

E.1. OWN FUNDS

E.1.1. POLICIES AND PROCESSES RELATED TO OWN FUNDS MANAGEMENT, INFORMATION ON THE TIME HORIZON USED FOR BUSINESS PLANNING AND ON ANY MATERIAL CHANGES OVER THE REPORTING PERIOD

The capital management activities are defined by the Group and local Capital Management Policy, which is subject to approval by the respective Board of Directors.

Capital management activities refer to own funds management and control, and in particular procedures that are intended to:

- classify and periodically review the Company's own funds to guarantee that the own funds items meet the requirements of the Solvency II capital regime both at issuance and subsequently;
- regulate the issuance of own funds according to the medium-term Capital Management Plan and the strategic plan to guarantee that own funds are not encumbered, that all actions required or permitted related to the governance of own funds are completed in a timely manner, that ancillary own funds are called in a timely manner, that terms and conditions are clear and unambiguous, including instances in which distributions on an own funds item are expected to be deferred or cancelled;
- ensure that any policy or statement in respect of ordinary share dividends is taken into account when analysing the capital position;
- establish principles and standards to carry out these activities efficiently, in compliance with the relevant regulatory requirements and legislative frameworks, and in line with the risk appetite and strategy.

The Capital Management Plan represents a part of the overall three-year strategic plan. The strategic plan is primarily based on the following assumptions:

- financial scenarios;
- strategic asset allocation;
- the business mix.

The Capital Management Plan includes a detailed description of the development of own funds and the regulatory capital requirement during the strategic planning period.

The Company CRO is responsible for producing the Capital Management Plan and the CEO is responsible for submitting it to the Board of Directors.

If extraordinary operations (e.g. mergers and acquisitions, issuance of own funds) are expected in the plan period. their impact is explicitly included in the own funds and regulatory capital requirement development and further details are included in the relevant documentation. Issuances of own funds are explicitly included in the Capital Management Plan with a detailed description of the rationale.

The description of the development of the Company's own funds explicitly includes the issuance, redemption or repayment (earlier or at maturity) of own funds items and their impacts on the tier limits. Any variation in the valuation of own funds items is also indicated, with additional qualitative details in terms of tier limits when needed.

The Capital Management Plan is defined taking into account the limits and tolerances set out in the Risk Appetite Framework

E.1.2. AMOUNT AND QUALITY OF ELIGIBLE OWN FUNDS

The Company regularly evaluates its own funds and analyses their value and composition. The difference between the Company's IFRS Equity and Solvency II own funds is based on the revaluation of technical provisions, intangible assets, participations and other items.

Reconciliation between IFRS Equity and Own Funds for Solvency Purposes

	2022
IFRS Equity	19,055,148
Revaluation of intangible assets	(3,944,281)
Revaluation of investments	(4,050,695)
Revaluation of net technical provisions	23,502,053
Revaluation of other items	398,558
Revaluation of deferred taxes	(3,783,319)
Excess of assets over liabilities in Solvency II	31,177,464
Foreseeable dividend	(4,530,000)
Available own funds	26,647,464

Revaluations in the table above represent differences between valuation according to IFRS accounting standards and valuation in accordance with the Solvency II Directive.

Intangible assets are revalued to zero for Solvency II purposes. The valuation of investments (including participations) is based on the market value of the instrument/undertaking.

Technical provisions valued for solvency purposes are equal to the sum of the best estimate, risk margin and counterparty default adjustment. The best estimate corresponds to the probability-weighted average of future cash flows, taking into account the time value of money and using the relevant risk-free interest rate term structure. The risk margin is based mainly on the assumption that the whole portfolio of insurance and reinsurance obligations is taken over by another insurance or reinsurance undertaking. The counterparty default adjustment takes into account the expected losses due to the default of a reinsurance counterparty.

The remaining part of the difference consists of deferred taxes related to the revaluations mentioned above and other minor differences between the valuation for accounting and solvency purposes.

More details about valuation methods under Solvency II are provided in Section D.

The Company has no restrictions in terms of the transferability of own funds.

Eligible own funds to meet SCR equal the total available own funds after deduction of the foreseeable dividend and part of the capital which is classified as Tier 3 and is higher than 15% of the Solvency capital requirement. The development of eligible own funds to meet SCR, split according to tiers, is shown in the following table.

Eligible Own Funds by Tiers

	2022	2021	Change
Total eligible own funds to meet the SCR	26,179,556	30,399,089	(4,219,533)
Tier 1 – unrestricted	24,410,064	29,883,864	(5,473,800)
Tier 1 - restricted	-	-	-
Tier 2	-	-	-
Tier 3	1,769,492	515,225	1,254,267

The eligible own funds decreased by CZK 4,220 million as a consequence of several effects. The widening of spreads and continuous growth of the CZK yield curve due to high inflation and uncertainty linked with the conflict in Ukraine resulted in a drop of the fixed income portfolio value that was compensated partially by the drop of the best estimate of liabilities. Negative effect of inflation is mainly visible on the nonlife portfolio. In 2022, in order to strengthen the capital position, the Company reduced the dividend payout by CZK 600 million compared to the foreseeable dividend. Last but not least, it is worth mentioning that the own funds are also reduced by the part of capital classified as Tier 3 (in the amount of CZK 468 million) which exceeds 15% of the solvency capital requirement.

The tables below contain a comparison of the basic own funds in current and previous year, together with the split of basic own funds by tier.

Basic Own Funds – Comparison with Previous Year

	2022	2021	Change
Ordinary share capital (gross of own shares)	4,000,000	4,000,000	-
Share premium account related to ordinary share capital	-	-	-
Surplus funds	-	-	-
Preference shares	-	-	-
Share premium account related to preference shares	-	-	-
Reconciliation reserve	20,410,064	25,883,864	(5,473,800)
Subordinated liabilities	-	-	-
An amount equal to the value of net deferred tax assets	2,237,400	515,225	1,722,175
Other own-fund items approved by the supervisory authority as basic own funds not specified above	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-	-
Deductions for participations in financial and credit institutions	-	-	-
Total basic own funds after deductions	26,647,464	30,399,089	(3,751,625)

Basic Own Funds by Tiers

	Total	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	4,000,000	4,000,000	-	-	-
Share premium account related to ordinary share capital	-	-	-	-	-
Surplus funds	-	-	-	-	-
Preference shares	-	-	-	-	-
Share premium account related to preference shares	-	-	-	-	-
Reconciliation reserve	20,410,064	20,410,064	-	-	-
Subordinated liabilities	-	-	-	-	-
Amount equal to the value of net deferred tax assets	2,237,400	-	-	-	2,237,400
Other own -fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-	-	-	-
Deductions for participations in financial and credit institutions	-	-	-	-	-
Total basic own funds after deductions	26,647,464	24,410,064	-	-	2,237,400

The reconciliation reserve is equal to the total excess of assets over liabilities reduced by the amount of own shares, foreseeable dividends and distributions, and other items listed in the following table.

The year-on-year change in the reconciliation reserve is a consequence of the same effects as the change in eligible own funds. except for the deduction due to Tier III restriction.

Reconciliation Reserve

	2022	2021	Change
Assets – Liabilities	31,177,464	32,999,089	(1,821,625)
Own shares	-	-	-
Foreseeable dividends and distributions	4,530,000	2,600,000	1,930,000
Other basic own fund items	6,237,400	4,515,225	1,722,175
Restricted own fund items due to ring fencing	-	-	-
Reconciliation reserve	20,410,064	25,883,864	(5,473,800)

None of the basic own fund items is subject to transitional measures.

The Company does not have any ancillary own funds.

E.1.3. OWN FUNDS ELIGIBLE TO MEET THE MINIMUM CAPITAL REQUIREMENT

The Company's own funds eligible to meet the MCR equal the total amount of own funds eligible to cover the MCR. In case of the Company they are lower than eligible own funds to cover the SCR by the whole amount of deferred tax asset, which is classified as Tier 3.

Eligible Own Funds by Tiers

	2022	2021	Change
Total eligible own funds to meet the MCR	24,410,064	29,883,864	(5,473,800)
Tier 1 – unrestricted	24,410,064	29,883,864	(5,473,800)
Tier 1 - restricted	-	-	-
Tier 2	-	-	-
Tier 3	-	-	-

The drivers of year-to-year movement correspond to the drivers of the movement of eligible own funds.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

The Solvency Capital Requirement is calculated based on the Internal Model approved in March 2016 by the College of Supervisors. The capital requirement for the business transferred from Slovakia in December 2021 was calculated with Standard formula . according to the relevant legislation.

The Minimum Capital Requirement is calculated according to the relevant legislation, and its value is significantly lower than the Solvency Capital Requirement. The detailed inputs for the MCR calculation are part of the annex to this report (QRT S.28.01).

SCR and MCR

	2022	2021	Change
Solvency Capital Requirement	11,796,612	13,980,556	(2,183,944)
Minimum Capital Requirement	3,679,453	3,541,148	138,305

The Solvency Capital Requirement decreased due to a drop of both the Solvency Capital Requirement of the original GČP portfolio and the Solvency Capital Requirement of the acquired Slovak portfolio.

The Solvency Capital Requirement of the original portfolio of GČP decreased significantly. The main driver of this decrease is a drop of financial and credit risks due to both lower exposure (linked with market downturn following the Russian-Ukrainian conflict and significant upward shift of the yield curves) and a change of the structure of the company's assets portfolio. These effects were slightly compensated by increase in both life underwriting risks and non-life catastrophe risk. Moreover, more even distribution of the risks modelled within the Internal Model resulted in a higher diversification benefit.

The Solvency Capital Requirement of the acquired Slovak portfolio decreased almost by one third. The main drivers of this movement are drop of life underwriting risks following higher risk free rates and strengthening of Czech crown against Euro. Additionally, the Slovak Solvency II balance sheet tax position resulted in net deferred tax liability which allowed to reflect loss absorbing capacity of deferred taxes.

The Minimum Capital Requirement. being a volume based indicator, increased mainly due to significantly higher premiums and slightly higher BEL in Nonlife segment thanks to the last year's acquisition of Slovak business (the premium increase was reflected only this year as the acquisition took place in December).

E.2.2. SCR BREAKDOWN

The YE22 Solvency Capital Requirement amounts to CZK 11.8 billion. The Internal Model splits the total Solvency Capital Requirement into the following major modules: financial credit,. life underwriting. non-life underwriting, and operational risk. In addition to these risk modules. the total Solvency Capital Requirement is increased by the amount of Model adjustment that reflects risks that are not taken into account in the Internal Model. The Tax cap item reflects the change in net deferred taxes after stress that cannot be absorbe d due to the initial amount of net deferred tax liability, which serves as the cap of the tax absorption.

The capital requirement for the transferred business was assessed using the standard formula. In the table below it is alread y presented as final SCR reflecting loss absorbing capacity of deferred taxes arising from the Slovak business.

SCR breakdown

	2022	Weight	2021	Weight
SCR before diversification	14,489,591	100%	17,165,462	100%
Financial Risk	3,093,755	21%	4,092,175	24%
Credit Risk	1,944,786	13%	2,769,102	16%
Life Underwriting Risk	1,281,859	9%	1,105,437	6%
Non-life Underwriting Risk	2,962,893	20%	3,010,520	18%
Operational Risk	1,235,161	9%	1,483,215	9%
Tax Cap	1,628,931	11%	1,739,612	10%
Model Adjustment	303,226	2%	7,000	0%
SF transferred SK Generali	2,038,979	14%	2,958,402	17%
Diversification benefit	(2,692,979)		(3,184,906)	
Total SCR	11,796,612		13,980,556	

The Solvency Capital Requirement breakdown shows, that the risk profile of the Company is relatively stable as for the structure with higher risks related to the assets' portfolio, than to the liabilities arising from underwritten policies. However, this year with lower exposure and riskiness of assets we can observe the distribution of the risks becomes more even with significant contribution of nonlife underwriting risks to total SCR and lower contribution of the financial and credit risks. This leads to a higher diversification benefit. The life underwriting risks are relatively minor mainly in terms of contribution to the diversified SCR, which is partially due to application of contract boundaries. That results in cutting off most of the cash flows related to the life riders,, which carry significant morbidity and lapse risk.

There is a noticeable drop of capital requirement for acquired Slovak portfolio, which is currently mainly exposed to life and nonlife underwriting risks with market risks significantly lower year-to-year due to drop in market value of assets. Compared to last year. the loss absorbing capacity of deferred taxes (from Slovak business) was taken into account.

The figures presented in the table above are consistent with the Quantitative Reporting Template (QRT) reported to the Czech National Bank and hence present the risk capitals net of tax.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Company does not use the duration-based equity risk sub-module in the calculation of the SCR.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND THE INTERNAL MODEL USED

This section provides an overview of the Internal Model used to calculate the SCR, reported in Section E.2. Before focusing on the main differences between the standard formula and the Internal Model for the main risk categories, a brief introduction is provided to highlight the main purpose and scope of the Internal Model and to illustrate the methods used.

E.4.1. PURPOSE OF THE INTERNAL MODEL

The Company deems that the Internal Model is the most appropriate way to assess the SCR as it represents the best way of capt uring the risk profile in terms of granularity, calibration and correlation of various risk factors.

The Group's Internal Model is structured around a specific risk map, which contains all the risks that Generali Group and the Company have identified as relevant to their business, allowing for the calculation of the Solvency Capital Requirement at single risk level for each node of the hierarchy.

In implementing the Model, the Group has employed a Monte Carlo approach with 'proxy functions' to determine the full probability distribution of the change in the basic own funds over a one-year horizon and to calculate the SCR at any percentile for in-scope companies and risks (Monte Carlo methods are used in the industry to obtain precise numerical results using the embedded characteristics of repeated random sampling to simulate more complex real-world events. Proxy functions are mathematical functions that mimic the interaction between risk drivers and insurance portfolios to obtain the most reliable results). The aggregation process consists of the use of advanced aggregation techniques (market best-practice techniques), and the calibration procedure involves quantitative and qualitative aspects.

E.4.2. SCOPE OF THE INTERNAL MODEL

From the Company's point of view, the Internal Model covers all the risk categories reported in the Group risk map in Section B.3.1. The Internal Model covers all life underwriting risk, non-life underwriting risk, financial risk, credit risk and operational risk. The Internal Model's purpose is to capture the behaviour of individual risks and their impact on the balance sheet, taking into account the diversification between portfolios, risks and locations.

E.4.3. METHODS USED IN THE INTERNAL MODEL

The Group Internal Model allows for the determination of a full Probability Distribution Forecast (PDF) of the change in basic own funds (BOF) over a one-year time horizon. From the resulting PDF, the SCR can be calculated at a given confidence level (such a level where the outcome is deemed to correctly represent events with a low probability of occurrence) by reading the corresponding percentile. Generali uses a Monte Carlo approach with proxy functions that allows for the simulation of each balance sheet item through the calculation of the full distribution of gains/losses. Other capital metrics required for internal purposes, such as single risk capital charges (e.g. a change in BOF after a 1-in-10 drop in the level of equity prices) can also be derived from the single risk PDF.

The risk measure used is the Value at Risk (VaR) at a 99.5% quantile of the probability distribution function (corresponding to a 1-in-200 years event), the underlying variable is represented by the change in basic own funds, and the time horizon is one year according to the calibration principles of the Solvency II Directive.

The main risks of the Company are described in the following paragraphs.

Life underwriting risk

- The Internal Model stress calibration for life underwriting risk is based on Company-specific historical portfolio data, unlike the standard stress levels provided by the standard formula approach. In particular, the Company calculates the potential deviations from the best estimate due to adverse events through:
  - a combination of market data with local exposures for catastrophe risk calibration (mortality);
  - Company historical portfolio data for all other risks.
- The methodology underlying the life underwriting risk calibration is given by the Group and its adequacy assessed at local level, and also applied at local level.

Non-life underwriting risk

The main differences between the standard formula and the Internal Model for the Solvency Capital Requirement calculation concerning non-life underwriting risks are as follows:

- As regards the pricing and reserving risks. the difference refers to the calibration approach, where the standard formula uses a standard deviation defined by EIOPA, whilst for the Internal Model a bottom-up calculation of the business underwritten is performed and own data are used.
- For CAT risk, the difference lies in the calibration approach, where the standard formula is based on exposures to CAT risks in which geographic risk coefficients are determined by EIOPA. The Internal Model uses advanced models based on market best practice instead.
- As regards reinsurance, the standard formula uses a series of simplified approaches, whilst the Internal Model performs precise modelling of the reinsurance programs (proportional and non-proportional. including facultative).

Financial and credit risk

- The standard formula approach for market risk is based either on the application of standardized stress factors directly to asset exposures or, in case of interest rate risk, in the application of a standardized and simplified stress level to the curves used to discount future cash flows.
- The Internal Model adopts much more sophisticated state-of-the-art modelling techniques, based on a more granular risk map. Interest rate volatility and equity volatility risk are, for example, modelled in the Internal Model while they are not modelled in the standard formula;
- Furthermore, also within the same risk module, the Internal Model is capable of producing a much more accurate representation of the risk profile. This is because the higher granularity of the Internal Model risk map allows better reflection of the true diversification benefit of individual portfolios as well as the peculiarities of individual financial instruments.

Operational risk

The quantification of operational risk within Internal Model is based on analysis of scenarios. which affect the financial stability of the Company. It differs from the standard formula mainly in the following aspects:

- The scenarios subject to analysis cover a wide range of activities and risks arising from these, which jeopardize solvency of the Company. The material risks, entering into the calculation of the capital requirement are individualized and they adequately represent the true risk profile of the Company. In contrast, the standard formula is simply based on volumes of premiums and technical provisions, not taking into account the structure of risks of the given company
- The standard formula does not reflect dependencies among operational risk and other risk modules. The calculation using Internal Model adequately reflects these dependencies, as well as dependencies among individual scenarios within the operational risk module

For a description of the nature and appropriateness of the data used in the Internal Model, please refer to Section B.3.2.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

The Company has a solid solvency position and no issues have been identified in relation to compliance with either the Minimum Capital Requirement or the Solvency Capital Requirement,

E.6. OTHER INFORMATION

SENSITIVITIES

As anticipated in Section C.7. sensitivity testing analyses the impact of simple changes in specific risk drivers (e.g. interest rates, equity shock, credit spreads) on the level of own funds, the Solvency Capital Requirement as well as solvency ratio.

The level of eligible own funds and the SCR were recalculated for each sensitivity. Their joint impact on the solvency ratio is presented in the following table.

Sensitivities

	Solvency ratio
Base scenario	222%
Yield curve +50 bps	221%
Yield curve -50 bps	224%
Equity +25%	224%
Equity -25%	219%
Real Estate -25%	203%
No volatility adjustment	213%

Solvency and Financial condition report - Public QRTs - as of 31.12.2022

Basic Information

Undertaking name	Generali Česká pojišťovna a.s.
Undertaking identification code	31570010000000054609
Type of code of undertaking	LEI
Type of undertaking	Undertakings pursuing both life and non-life insurance activity
Currency used for reporting	CZK
Figures reported in	thousands
Accounting standards	The undertaking is using IFRS
Method of Calculation of the SCR	Full internal model

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Generali Česká pojišťovna a.s.

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Balance Sheet

	Solvency II value
Assets	
Intangible assets	0
Deferred tax assets	2 237 400
Pension benefit surplus	0
Property, plant & equipment held for own use	653 331
Investments (other than assets held for index-linked and unit-linked contracts)	**59 906 884**
Property (other than for own use)	124 827
Holdings in related undertakings, including participations	10 612 732
Equities	*2 095 841*
Equities - listed	351 053
Equities - unlisted	1 744 789
Bonds	*38 712 343*
Government Bonds	25 298 659
Corporate Bonds	12 622 365
Structured notes	596 700
Collateralised securities	194 619
Collective Investments Undertakings	5 191 409
Derivatives	2 660 457
Deposits other than cash equivalents	509 275
Other investments	0
Assets held for index-linked and unit-linked contracts	20 317 362
Loans and mortgages	**2 726 557**
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	2 726 557
Reinsurance recoverables from:	**8 853 206**
Non-life and health similar to non-life	8 392 043
Non-life excluding health	7 807 508
Health similar to non-life	584 535
Life and health similar to life, excluding health and index-linked and unit-linked	472 359
Health similar to life	0
Life excluding health and index-linked and unit-linked	472 359
Life index-linked and unit-linked	-11 197
Deposits to cedants	300
Insurance and intermediaries receivables	3 249 695
Reinsurance receivables	3 393 097
Receivables (trade, not insurance)	1 653 282
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	1 564 815
Any other assets, not elsewhere shown	460 866
Total assets	**105 016 795**

Liabilities	
Technical provisions - non-life	**19 661 613**
Technical provisions - non-life (excluding health)	**17 575 702**
TP calculated as a whole	0
Best estimate	16 953 503
Risk margin	622 199
Technical provisions - health (similar to non-life)	**2 085 911**
TP calculated as a whole	0
Best estimate	2 064 543
Risk margin	21 368
Technical provisions - life (excluding index-linked and unit-linked)	**15 500 674**
Technical provisions - health (similar to life)	**0**
TP calculated as a whole	0
Best estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**15 500 674**
TP calculated as a whole	0
Best estimate	14 235 665
Risk margin	1 265 009
Technical provisions – index-linked and unit-linked	**19 009 072**
TP calculated as a whole	3 378 795
Best estimate	15 455 994
Risk margin	174 283
Other technical provisions	0
Contingent liabilities	0
Provisions other than technical provisions	333 961
Pension benefit obligations	0
Deposits from reinsurers	2 813
Deferred tax liabilities	482 595
Derivatives	457 276
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	656 952
Insurance & intermediaries payables	2 796 114
Reinsurance payables	7 498 649
Payables (trade, not insurance)	4 347 921
Subordinated liabilities	0
Subordinated liabilities not in BOF	0
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	3 091 691
Total liabilities	**73 839 331**

Excess of assets over liabilities	**31 177 464**

Generali Česká pojišťovna a.s.

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Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
Premiums written																	
Gross - Direct Business	580 454	509 262	0	8 769 199	9 274 979	435 266	10 515 425	3 434 423	66 953	109	0	22 792					**33 608 863**
Gross - Proportional reinsurance accepted	0	0	0	0	387	71 378	445 244	179 088	6 304	0	0	0					**702 401**
Gross - Non-proportional reinsurance accepted													5 161	34 525	538	132 234	**172 458**
Reinsurers' share	409 449	204 865	0	3 416 275	3 794 643	380 649	5 420 761	2 001 459	42 289	0	0	1 038	5 161	34 525	538	132 621	**15 844 271**
Net	**171 005**	**304 397**	**0**	**5 352 925**	**5 480 724**	**125 995**	**5 539 909**	**1 612 052**	**30 968**	**109**	**0**	**21 755**	**0**	**0**	**0**	**-387**	**18 639 451**
Premiums earned																	
Gross - Direct Business	569 453	514 154	0	8 685 984	9 029 284	433 050	10 371 684	3 379 076	138 973	114	0	23 528					**33 145 300**
Gross - Proportional reinsurance accepted	0	0	0	0	387	68 816	449 386	178 787	6 435	0	0	0					**703 812**
Gross - Non-proportional reinsurance accepted													5 161	34 525	538	132 234	**172 458**
Reinsurers' share	401 695	206 595	0	3 383 357	3 697 167	380 231	5 367 129	1 955 763	40 641	0	0	1 351	5 161	34 525	538	132 621	**15 606 772**
Net	**167 758**	**307 559**	**0**	**5 302 628**	**5 332 505**	**121 635**	**5 453 941**	**1 602 101**	**104 766**	**114**	**0**	**22 177**	**0**	**0**	**0**	**-387**	**18 414 798**
Claims incurred																	
Gross - Direct Business	235 362	127 999	0	3 397 989	4 865 623	71 125	5 132 037	1 014 378	55 312	0	0	9 318					**14 909 143**
Gross - Proportional reinsurance accepted	0	0	0	550	-209	34 868	181 028	127 353	-7	0	0	0					**343 582**
Gross - Non-proportional reinsurance accepted													-4 708	-7 730	161	12 087	**-190**
Reinsurers' share	190 313	48 346	0	1 355 457	1 955 831	73 192	2 386 446	688 215	15 498	0	0	10	-4 708	-7 730	161	12 087	**6 713 119**
Net	**45 049**	**79 653**	**0**	**2 043 081**	**2 909 583**	**32 800**	**2 926 619**	**453 515**	**39 807**	**0**	**0**	**9 307**	**0**	**0**	**0**	**0**	**8 539 416**
Changes in other technical provisions																	
Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					**0**
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					**0**
Gross - Non- proportional reinsurance accepted													0	0	0	0	**0**
Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	51 718	26 982	0	1 801 171	1 711 067	52 667	2 389 192	714 760	37 812	5	0	3 434	-25	-167	0	-641	**6 787 973**
Other expenses																	**333 925**
Total expenses																	**7 121 898**

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Premiums written									
Gross	0	2 403 645	3 300 113	8 178 564	0	0	0	36 764	**13 919 087**
Reinsurers' share	0	0	0	1 678 685	0	0	0	36 764	**1 715 449**
Net	**0**	**2 403 645**	**3 300 113**	**6 499 879**	**0**	**0**	**0**	**0**	**12 203 638**
Premiums earned									
Gross	0	2 403 645	3 300 113	8 178 564	0	0	0	36 764	**13 919 087**
Reinsurers' share	0	0	0	1 678 685	0	0	0	36 764	**1 715 449**
Net	**0**	**2 403 645**	**3 300 113**	**6 499 879**	**0**	**0**	**0**	**0**	**12 203 638**
Claims incurred									
Gross	0	4 079 010	3 013 808	2 518 160	0	533 843	0	10 783	**10 155 604**
Reinsurers' share	0	0	0	484 804	0	196 451	0	10 783	**692 039**
Net	**0**	**4 079 010**	**3 013 808**	**2 033 356**	**0**	**337 392**	**0**	**-0**	**9 463 565**
Changes in other technical provisions									
Gross	0	2 923 479	2 174 877	-193 284	0	0	0	-1 230	**4 903 842**
Reinsurers' share	0	0	0	8 161	0	0	0	-1 230	**6 931**
Net	**0**	**2 923 479**	**2 174 877**	**-201 445**	**0**	**0**	**0**	**0**	**4 896 911**
Expenses incurred	0	607 020	329 497	2 475 621	0	0	0	-368	**3 411 771**
Other expenses									**63 249**
Total expenses									**3 475 019**

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Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		BG	SK	DE	HU	IT	
Premiums written							
Gross - Direct Business	33 487 766	933	93 619	8 028	7 959	2 872	**33 601 176**
Gross - Proportional reinsurance accepted	504 595	153 387	0	17 334	13 357	2 728	**691 401**
Gross - Non-proportional reinsurance accepted	0	172 845	-387	0	0	0	**172 458**
Reinsurers' share	15 504 863	326 232	0	0	13 177	0	**15 844 271**
Net	**18 487 498**	**933**	**93 233**	**25 362**	**8 139**	**5 600**	**18 620 764**
Premiums earned							
Gross - Direct Business	33 024 203	933	93 619	8 028	7 959	2 872	**33 137 613**
Gross - Proportional reinsurance accepted	505 957	153 378	0	17 334	13 357	2 728	**692 754**
Gross - Non-proportional reinsurance accepted	0	172 845	-387	0	0	0	**172 458**
Reinsurers' share	15 267 373	326 223	0	0	13 177	0	**15 606 772**
Net	**18 262 787**	**933**	**93 233**	**25 362**	**8 139**	**5 600**	**18 396 053**
Claims incurred							
Gross - Direct Business	14 909 143	0	0	0	0	0	**14 909 143**
Gross - Proportional reinsurance accepted	177 659	37 683	5 979	67 658	0	0	**288 979**
Gross - Non-proportional reinsurance accepted	0	-190	0	0	0	0	**-190**
Reinsurers' share	6 671 209	37 493	0	0	0	0	**6 708 702**
Net	**8 415 593**	**0**	**5 979**	**67 658**	**0**	**0**	**8 489 230**
Changes in other technical provisions							
Gross - Direct Business	0	0	0	0	0	0	**0**
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	**0**
Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	**0**
Reinsurers'share	0	0	0	0	0	0	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	5 906 511	-1 466	453 305	1 492	-132	400 360	**6 760 070**
Other expenses							**333 925**
Total expenses							**7 093 995**

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		KZ	AT	IT	0	0	
Premiums written							
Gross	13 882 323	36 764	0	0	0	0	**13 919 087**
Reinsurers' share	1 678 685	36 764	0	0	0	0	**1 715 449**
Net	**12 203 638**	**0**	**0**	**0**	**0**	**0**	**12 203 638**
Premiums earned							**0**
Gross	13 882 323	36 764	0	0	0	0	**13 919 087**
Reinsurers' share	1 678 685	36 764	0	0	0	0	**1 715 449**
Net	**12 203 638**	**0**	**0**	**0**	**0**	**0**	**12 203 638**
Claims incurred							**0**
Gross	10 144 820	10 783	0	0	0	0	**10 155 604**
Reinsurers' share	484 804	10 783	0	0	0	0	**495 588**
Net	**9 660 016**	**-0**	**0**	**0**	**0**	**0**	**9 660 016**
Changes in other technical provisions							**0**
Gross	4 905 072	-1 230	0	0	0	0	**4 903 842**
Reinsurers' share	8 161	-1 230	0	0	0	0	**6 931**
Net	**4 896 911**	**0**	**0**	**0**	**0**	**0**	**4 896 911**
Expenses incurred	3 161 439	-368	4 956	174 759	0	0	**3 340 787**
Other expenses							**63 249**
Total expenses							**3 404 035**

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Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees			
Technical provisions calculated as a whole	0	3 378 795		0		0	0	**3 378 795**	0		0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions calculated as a sum of BE and RM													
Best Estimate													
Gross Best Estimate	18 869 458	15 455 994	0	-6 685 748	338 415	1 713 540	0	**29 691 659**	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-4 423	-11 197	0	-84 177	0	560 959	0	**461 162**	0	0	0	0	**0**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	18 873 881	15 467 191	0	-6 601 571	338 415	1 152 580	0	**29 230 497**	0	0	0	0	**0**
Risk Margin	204 240	174 283		1 004 365		56 404	0	**1 439 292**	0		0	0	**0**
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Best estimate	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**
Risk margin	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions - total	**19 073 698**	**19 009 072**		**-5 342 968**		**1 769 944**	**0**	**34 509 746**	**0**		**0**	**0**	**0**

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Non - life Technical Provisions

	Direct business and accepted proportional reinsurance									Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance:				
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total Non-Life obligations**
Technical provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross	21 174	10 692	0	1 174 475	1 225 264	-7 041	673 229	287 266	44 793	-0	0	367	0	0	0	0	**3 430 219**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	13 174	4 687	0	414 359	416 920	-10 815	-106 504	72 518	26 259	-1	0	207	0	0	0	-0	**830 803**
Net Best Estimate of Premium Provisions	8 000	6 005	0	760 116	808 344	3 774	779 733	214 749	18 534	1	0	160	0	0	0	0	**2 599 417**
Claims provisions																	
Gross	65 479	1 965 297	0	4 447 551	1 104 783	301 112	4 434 441	2 962 410	69 572	22	0	13 976	1 901	91 310	577	129 395	**15 587 827**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	44 559	520 219	0	1 569 129	383 403	260 910	2 721 241	1 810 822	30 157	0	0	69	1 896	89 469	573	128 792	**7 561 241**
Net Best Estimate of Claims Provisions	20 920	1 445 078	0	2 878 422	721 379	40 202	1 713 201	1 151 588	39 415	22	0	13 907	5	1 841	4	602	**8 026 586**
Total Best estimate - gross	86 653	1 975 989	0	5 622 026	2 330 047	294 072	5 107 671	3 249 676	114 365	22	0	14 342	1 901	91 310	577	129 395	**19 018 046**
Total Best estimate - net	28 920	1 451 083	0	3 638 538	1 529 724	43 977	2 492 934	1 366 336	57 950	23	0	14 067	5	1 841	4	602	**10 626 003**
Risk margin	750	20 618	0	315 160	33 965	5 946	165 283	91 381	10 338	1	0	125	0	0	0	0	**643 567**
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions - total																	
Technical provisions - total	87 403	1 996 606	0	5 937 186	2 364 012	300 017	5 272 954	3 341 058	124 703	23	0	14 467	1 901	91 310	577	129 395	**19 661 613**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	57 733	524 906	0	1 983 488	800 323	250 095	2 614 737	1 883 340	56 415	-1	0	276	1 896	89 469	573	128 792	**8 392 043**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**29 670**	**1 471 700**	**0**	**3 953 698**	**1 563 689**	**49 922**	**2 658 217**	**1 457 718**	**68 288**	**24**	**0**	**14 191**	**5**	**1 841**	**4**	**602**	**11 269 569**

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Non-life Insurance Claims Information

Accident Year/Underwriting year	1 - Accident year

Gross Claims Paid (non-cumulative)

	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											65 066	65 066	
N-9	9 743 289	3 780 309	902 888	332 271	104 615	56 830	31 765	11 218	11 516	13 201		13 201	14 987 901
N-8	7 834 841	3 591 618	957 847	340 782	129 326	55 701	28 113	43 954	8 634			8 634	12 990 816
N-7	7 553 094	3 441 989	798 189	439 122	227 648	111 480	4 315	55 919				55 919	12 631 757
N-6	8 401 039	3 641 809	822 608	444 300	207 598	46 114	45 261					45 261	13 608 729
N-5	8 959 175	4 020 946	1 049 055	576 026	429 211	43 875						43 875	15 078 288
N-4	9 392 754	4 135 665	1 071 860	477 219	194 152							194 152	15 271 650
N-3	10 565 496	3 983 391	874 849	462 171								462 171	15 885 908
N-2	9 693 083	3 259 492	672 899									672 899	13 625 474
N-1	10 949 309	4 934 793										4 934 793	15 884 102
N	10 766 408											10 766 408	10 766 408
Total												**17 262 379**	**140 731 033**

Gross undiscounted Best Estimate Claims Provisions

	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											636 718	518 971
N-9	0	0	0	0	0	0	0	0	137 250	124 640		103 497
N-8	0	0	0	0	0	0	0	171 844	158 666			130 457
N-7	0	0	0	0	0	0	363 665	276 281				228 905
N-6	0	0	0	0	0	449 968	384 420					314 411
N-5	0	0	0	0	414 115	337 687						275 796
N-4	0	0	0	770 210	509 553							421 969
N-3	0	0	1 243 632	765 927								638 150
N-2	0	2 059 390	1 147 949									965 173
N-1	8 128 434	3 507 744										3 071 140
N	7 174 145											6 223 320
Total												**12 891 789**

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Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	54 171 358	0	0	344 791	0
Basic own funds	26 647 464	0	0	-226 571	0
Eligible own funds to meet Solvency Capital Requirement	26 179 556	0	0	-218 214	0
Solvency Capital Requirement	11 796 612	0	0	411 510	0
Eligible own funds to meet Minimum Capital Requirement	24 410 064	0	0	-279 941	0
Minimum Capital Requirement	3 679 453	0	0	13 333	0

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Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	4 000 000	4 000 000		0	
Share premium account related to ordinary share capital	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	20 410 064	20 410 064			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	2 237 400				2 237 400
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	**26 647 464**	**24 410 064**	**0**	**0**	**2 237 400**
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	**0**			**0**	**0**
Available and eligible own funds					
Total available own funds to meet the SCR	**26 647 464**	**24 410 064**	**0**	**0**	**2 237 400**
Total available own funds to meet the MCR	**24 410 064**	**24 410 064**	**0**	**0**	
Total eligible own funds to meet the SCR	**26 179 556**	**24 410 064**	**0**	**0**	**1 769 492**
Total eligible own funds to meet the MCR	**24 410 064**	**24 410 064**	**0**	**0**	
SCR	**11 796 612**				
MCR	**3 679 453**				
Ratio of Eligible own funds to SCR	**221,9%**				
Ratio of Eligible own funds to MCR	**663,4%**				

Reconciliation reserve	
Excess of assets over liabilities	31 177 464
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	4 530 000
Other basic own fund items	6 237 400
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	**20 410 064**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	12 916 451
Expected profits included in future premiums (EPIFP) - Non- life business	1 956 868
Total Expected profits included in future premiums (EPIFP)	**14 873 319**

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Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
FIN01	Financial Risk	3 093 755
CRD01	Credit Risk	1 944 786
LUW01	Life underwriting risk	1 281 859
HLT01	Health underwriting risk	0
NUW01	Non-life underwriting risk	2 962 893
OPE01	Operational risk	1 235 161
TAX01	Tax Cap Effect	1 628 931
MOD01	Model Adjustment	303 226
INT01	Intangible risk	0
SFA01	SF model adjustment	2 038 979

Calculation of Solvency Capital Requirement	
Total undiversified components	14 489 591
Diversification	-2 692 979
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	
Capital add-ons already set	0
Solvency capital requirement	
Other information on SCR	
Amount/estimate of the overall loss-absorbing capacity of technical provisions	0
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	0
Total amount of Notional Solvency Capital Requirements for remaining part	0
Total amount of Notional Solvency Capital Requirement for ring fenced funds	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0
Net future discretionary benefits	31 646

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Minimum capital Requirement - Both life and non-life insurance activity

	Non-life activities	Life activities
	$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
Linear formula component for non-life insurance and reinsurance obligations	2 439 594	167 404

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	28 920	171 005		
Income protection insurance and proportional reinsurance	173 186	304 397	1 277 896	
Workers' compensation insurance and proportional reinsurance	0	0		
Motor vehicle liability insurance and proportional reinsurance	3 638 538	5 352 925		
Other motor insurance and proportional reinsurance	1 529 724	5 480 724		
Marine, aviation and transport insurance and proportional reinsurance	43 977	125 995		
Fire and other damage to property insurance and proportional reinsurance	2 492 934	5 539 909		
General liability insurance and proportional reinsurance	1 366 336	1 612 052		
Credit and suretyship insurance and proportional reinsurance	57 950	30 968		
Legal expenses insurance and proportional reinsurance	23	109		
Assistance and proportional reinsurance	0	0		
Miscellaneous financial loss insurance and proportional reinsurance	14 067	21 755		
Non-proportional health reinsurance	5	0		
Non-proportional casualty reinsurance	1 841	0		
Non-proportional marine, aviation and transport reinsurance	4	0		
Non-proportional property reinsurance	602	0		

	Non-life activities	Life activities
	$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
Linear formula component for life insurance and reinsurance obligations	24 204	1 048 251

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits	0		18 842 235	
Obligations with profit participation - future discretionary benefits	0		31 646	
Index-linked and unit-linked insurance obligations	0		18 845 986	
Other life (re)insurance and health (re)insurance obligations	1 152 580		0	
Total capital at risk for all life (re)insurance obligations		0		315 445 572

Overall MCR calculation	
Linear MCR	3 679 453
SCR	11 796 612
MCR cap	5 308 475
MCR floor	2 949 153
Combined MCR	3 679 453
Absolute floor of the MCR	181 167
Minimum Capital Requirement	**3 679 453**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR	2 463 798	1 215 655
Notional SCR excluding add-on (annual or latest calculation)	7 899 127	3 897 485
Notional MCR cap	3 554 607	1 753 868
Notional MCR floor	1 974 782	974 371
Notional Combined MCR	2 463 798	1 215 655
Absolute floor of the notional MCR	90 583	90 583
Notional MCR	2 463 798	1 215 655