

185<sup>th</sup> year

# Annual Integrated Report 2016

## Generali Osiguranje Srbija



[generali.rs](http://generali.rs)



Annual **Integrated**  
Report 2016

Generali Osiguranje  
Srbija

“ A boat doesn't go  
forward if each one is  
rowing their own way.

Swahili proverb

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## Corporate bodies

as at 31.12.2016.

### Supervisory Board

**Gregor Pilgram** Chairman  
**Stefano Culos** Member  
**Toplica Spasojević** Independent member

### Executive Board

**Dragan Filipović** Chairman  
**Gorana Rašić** Member  
**Veselin Danilovac** Member  
**Nataša Marjanović** Member  
**Branko Pavlović** Member

### Audit Committee

**Láska Ondřej** Chairman  
**Renáta Šmejkalová** Member  
**Rada Radović** Member

Parent company established in Trieste in 1831  
 Share capital € 1,559,883,538 fully paid-up  
 Registered office in Trieste, piazza Duca degli Abruzzi, 2  
 Tax code and Company Register no. 00079760328  
 Company entered on the Register of Italian insurance and reinsurance companies under no. 1.00003  
 Parent Company of the Generali Group, entered on the Register of insurance groups under no. 026  
 Certified email (Pec): assicurazionigenerali@pec.generaligroup.com

ISIN: IT0000062072  
 Reuters: GASI.MI  
 Bloomberg: G:IM

## About the Report

According to the practice we adopted last year, we are continuing to promote integrated thinking and integrated reporting.

The purpose of the Integrated Report is to improve the quality of data available to shareholders and it enables a more efficient and productive capital management.

It promotes a connected and efficient approach to corporate reporting that relies on a large number of different reports and takes into account a large number of factors that affect the Company's ability to create value over time.

It enhances the influence of inputs (financial, intellectual, natural etc.) and promotes their interdependence.

It supports integrated thinking, decision making, and activities aimed at creating value short-term, medium-term and long-term.

In line with the Generali Group's corporate reporting approach, which was adopted in 2013, Serbia continues this year with the preparation of this Annual Integrated Report.

A modern way of looking at financial statements is now our reality and, encouraged by the success achieved in 2015, we present to you, this year as well, the report that will improve the making of business decisions, present the process of value creation, and explain to stakeholders the operations of Generali Osiguranje Srbija.

Generali Osiguranje Srbija's business results shown in this report are fully aligned with International Financial Reporting Standards (IFRS) and the requirements of the Generali Group and therefore deviate, in certain segments, from the statutory financial reports in the Republic of Serbia.

### Sections of Annual Integrated Report



### Elements of the content of the <IR> Framework



### Responsibility for the Annual Integrated Report

The Local Chief Financial Officer (CFO) is responsible for preparing the report as well as for the information presented in the report.



The reporting process has been carried out in accordance with the elements and principles described in the International Integrated Reporting Framework (**International <IR> Framework**) issued by the International Integrated Reporting Council (IIRC).

Generali Osiguranje Srbija has a great desire to improve reporting and thus meet the stakeholders' growing need for information. Please share with us your comments, opinions and questions by sending an email to [integratedreporting@generali.rs](mailto:integratedreporting@generali.rs). You can also contact us at this address if you would like a printed copy of the report.



Follow Generali on



[www.generali.com](http://www.generali.com)  
 for further information about the Group  
 and [www.generali.rs](http://www.generali.rs) for further information about  
 Generali Osiguranje Srbija

## Letter from the CEO



Dragan

Filipović

We closed 2016 with excellent results, showing once again that, as a team, we are capable of delivering long-term value for our customers, shareholders and employees. The business results achieved, along with our technical insurance performance and capital strength, are in line with the Group strategic policy, making Generali Osiguranje Srbija one of the top performers in the CEE region and the leading company on the Serbian insurance market.

In 2016 we achieved gross written premium of € 161.1 million. The operating result recorded € 20.7 million and a Solvency I Ratio of 164.6% while Net profit increased to € 19.2 million (+4.3%), making Generali Osiguranje Srbija the most profitable company in the Serbian market. The Company was the key driver of market development in the Life segment and strengthened its number one position. These results are a solid foundation for the further progress of our Company.

Having in mind the complex environment marked by strong competition, falling prices of insurance products and low interest rates, elements which have significant repercussions in our sector, we are even more proud of the results achieved.

This was also a year of great innovation for us and our customers. Putting a great effort into customer-centricity – one of the main pillars of our strategy – during 2016, we implemented a number of projects and initiatives. These projects and initiatives, such as the introduction of Unit-Linked Life product, the simplification of Life product terms and conditions, and digitalization, are focused on customer satisfaction and retention as well as on the simplification and acceleration of our internal processes, making them simpler, smarter and more efficient.

Being innovative is the key element in responding to new trends in the insurance market, matching customer expectations. By launching these new initiatives and projects, we want to improve the relationship with our customer and sales network, recognizing how important customer care and network agreement are for business success.

We will do this by increasing our speed of execution and making intensive use of technology and innovation, essential conditions for winning the race to the top in the insurance sector, a sector which is confirmed as one of the most important and vital for the growth and well-being of modern societies.

Our strengthening does not only confirm our leadership in the industry: we aim to act in corporate social responsibility as well, by interpreting the role of corporate citizen inherent in our insurance mission: to protect, prevent, manage risk and always take a long-term view. These are the tactics that will guide our initiatives, with a view to sustainability and the creation of shared value.

We aim to become the leader in retail insurance business in Serbia. We will further improve our operating performance, create long-term value and increase our efficiency by boosting productivity. We will strengthen our competitive advantage in life and property and casualty, on the basis of technical performance as well as profitability. And as regards the needs of our clients and our distribution networks, we will leverage our capacity for innovation and the strength of our brand.

As always, we share our pride in the results achieved with our employees, distributors and business partners, to whom I express my most sincere gratitude. They constitute our strength, and are the real reason to be optimistic about the future of Generali and the Winged Lion in Serbia.

Dragan Filipović, President of  
Executive Board and CEO

A handwritten signature in blue ink, appearing to read 'DFilipovic', written in a cursive style.



# We, Generali

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## Our history - Group

Since 1831 we are an Italian, independent Group, with a strong international presence. We are one of the largest global players in the insurance industry, a strategic and highly relevant sector for the growth, development and welfare of modern companies. In almost 200 years we have built a Group that operates in over 60 countries through more than 420 companies and almost 74 thousand employees



[www.generali.com/who-we-are/history](http://www.generali.com/who-we-are/history)

### 1831

The Group was established as **Assicurazioni Generali Austro-Italiche** in Trieste. Trieste was the ideal choice at the time as a commercial and international hub located in the main part of the Austro-Hungarian Empire.

### 1832-1914

The positive economic and social context, the keen business acumen of the founding fathers and Trieste's strategic geographical position allowed Generali to grow and thrive: it was **listed on the Trieste stock exchange** in 1857 and **became a Group** in 1881. As a consequence, subsidiaries were founded in Italy and abroad, starting with Erste Allgemeine, established in Vienna in 1882.

### 1915-1918

The First World War raged across Europe. After the Allied victory over the Central Powers, Trieste became part of Italy: as a result, **Generali became an Italian company**.

### 1919-1945

Generali returned to the growth that had been temporarily interrupted during World War I. In line with what was going on in Italy in those years when public construction activities and agriculture were strongly boosted through the policies adopted by the government, **Generali made significant investments in agriculture and real estate** starting from 1933.

With the outbreak of World War II, the Group lost contact with its subsidiaries located in 'enemy' countries: one of the most complex periods of its bicentenary history began.

### 1946-2010

After World War II, Trieste's future appeared uncertain: in 1947, Generali transferred its registered office to Rome to formalize its position as an Italian company.

The Group resumed its expansion during the Italian economic boom years. An agreement was signed with the US-based Aetna in 1966, and in 1974 **Genagricola** was founded, which heads all agricultural activities of the Group. Generali transferred its registered office from Rome back to Trieste in 1990. **Genertel**, the first direct insurance company in Italy, was established in 1994. The Group took control of the **AMB group** in 1997 to promote growth in the German market. **Banca Generali** was established in 1998 in order to concentrate all asset management activities and services under one umbrella. There were some acquisitions in the first decade of the new millennium, e.g. INA and Toro, and joint ventures were launched in Central and Eastern Europe and Asia.

### 2011-2015

Recent years have driven a new phase of change, with a **new top management** and a **corporate reorganization** which saw the birth of Generali Italia in the wake of a significant restructuring process, the completion of the acquisitions of the minority interests of Generali Deutschland Holding and Generali PPF Holding, and the disposal of non-core activities. Generali presented its **strategic plan** at the Investor Day in May 2015, which aims to set out a new business model and achieve new, challenging targets.



## Our history - Serbia

Generali Osiguranje Srbija is **the second largest insurance company in the national insurance market**, where it has been carefully building the Generali world since 2006. Since our incorporation (1998) we have been recording fast and stable development and today we are **a market leader** in life and health insurance.

We are the founders of Generali Reosiguranje Srbija, Generali Društvo za upravljanje dobrovoljnim penzijskim fondovima (Generali Voluntary Pension Funds

Management Company) – the first company of this kind in Serbia, and Generali Osiguranje Montenegro – a company for non-life insurance in Montenegro. We are a part of the Generali Group, one of the largest global insurers.

In implementing our objective to become the regional leader, and all in accordance with the authorizations granted by the Generali Group, we have expanded our operations through the company Blutek Auto to other service activities, such as the provision of technical inspection services for vehicles.

2006

1998-2006

The Company was established as Delta Osiguranje a.d.o., a privately owned local company, with the primary focus on the property segment. In 2001 the Company started sales of Life products and continued with its growth and strong development in both segments, becoming the third largest company in the market by 2004. The situation in the insurance market was dramatically changed with the new Insurance Law in 2004, when the National Bank of Serbia became the supervisor and closed many local insurance companies with insufficient control and funds in order to meet a new legal requirement.

Generali Group entered the market, purchasing 50% + 1 share and became the majority owner of the newly registered Delta Generali Osiguranje a.d.o.

2007-2013

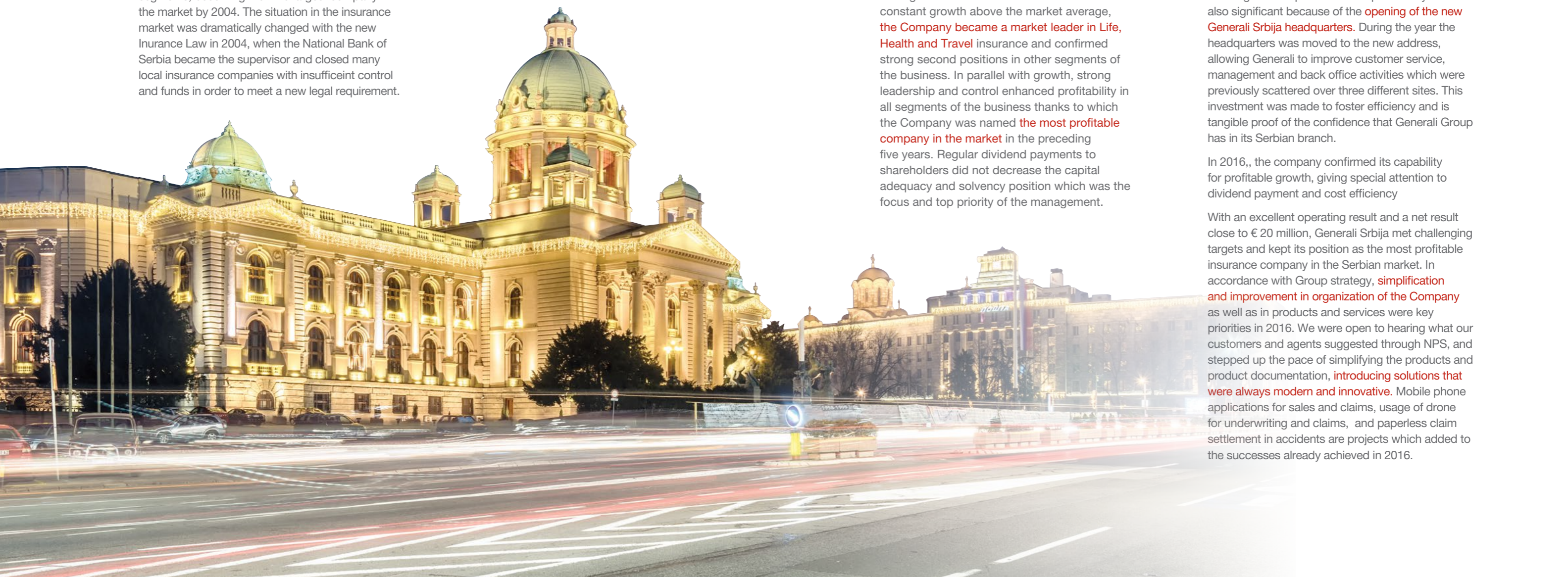
By establishing a new organization and introducing new standards and products, the Company launched a new era and started the long road to modernization, innovation and overall efficiency in customer service with the highest standards in the market. With constant growth above the market average, **the Company became a market leader in Life, Health and Travel** insurance and confirmed strong second positions in other segments of the business. In parallel with growth, strong leadership and control enhanced profitability in all segments of the business thanks to which the Company was named **the most profitable company in the market** in the preceding five years. Regular dividend payments to shareholders did not decrease the capital adequacy and solvency position which was the focus and top priority of the management.

2014-2016

After finalization of the agreement and with the purchase of the remaining shares, **Generali became the 100% owner and changed the name of the company to Generali Osiguranje Srbija a.d.o.** in September, 2014. The new name and the constant focus on clients and innovations were recognized in the market resulting in a new modern image for the company. The year 2015 was not only important for the growth of premiums and profitability: it was also significant because of the **opening of the new Generali Srbija headquarters**. During the year the headquarters was moved to the new address, allowing Generali to improve customer service, management and back office activities which were previously scattered over three different sites. This investment was made to foster efficiency and is tangible proof of the confidence that Generali Group has in its Serbian branch.

In 2016, the company confirmed its capability for profitable growth, giving special attention to dividend payment and cost efficiency

With an excellent operating result and a net result close to € 20 million, Generali Srbija met challenging targets and kept its position as the most profitable insurance company in the Serbian market. In accordance with Group strategy, **simplification and improvement in organization of the Company** as well as in products and services were key priorities in 2016. We were open to hearing what our customers and agents suggested through NPS, and stepped up the pace of simplifying the products and product documentation, **introducing solutions that were always modern and innovative**. Mobile phone applications for sales and claims, usage of drone for underwriting and claims, and paperless claim settlement in accidents are projects which added to the successes already achieved in 2016.







# Generali

Osiguranje

Srbija

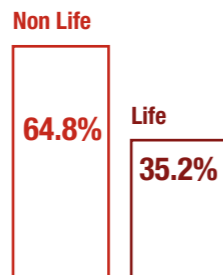
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# Generali Osiguranje Srbija in Numbers

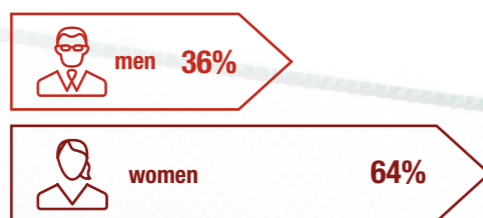
## Gross Written Premium

+6.4%  
€ 161.1 m.



## Our employees

1,647



## Operating Result

-5.3%  
€ 20.7 m.

## Net Profit

+4.3%  
€ 19.2 m.

## Solvency I Ratio

164.6%

## Non Life

### Non Life Gross Written Premium

+6.8%  
€ 104.5 m.  
60.3% Motor  
39.7% Other Non Life

## Life

### Life Gross Written Premium

+5.7%  
€ 56.6 m.  
31.2% single  
68.8% regular

## Combined Ratio

88.9%

## APE

+14.1%  
11.6%

## Operating Result

€ 16.4 m.

## Operating Result

€ 4.3 m.

## Market position



## Market position

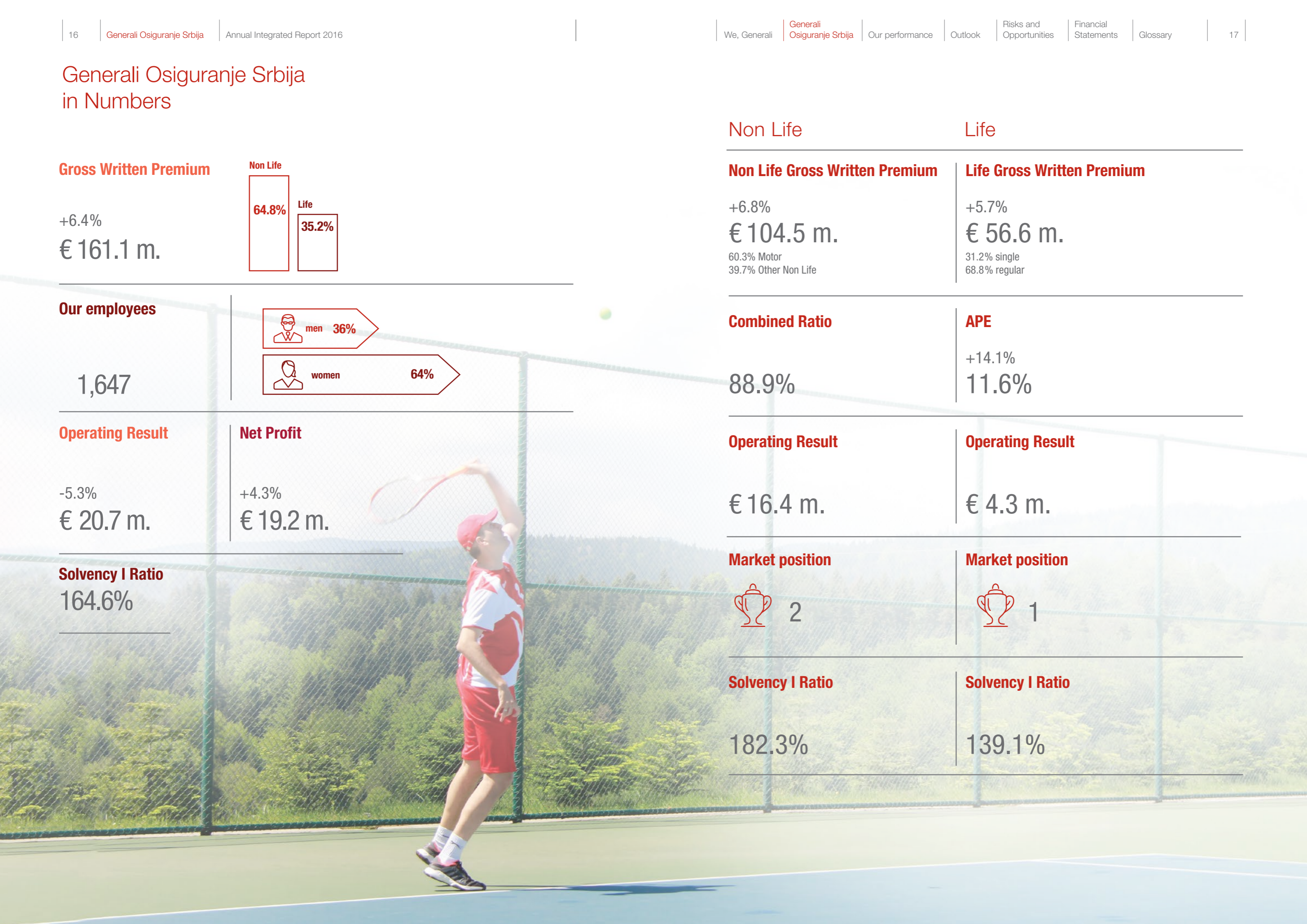


## Solvency I Ratio

182.3%

## Solvency I Ratio

139.1%



## 2016 key facts

# 2016

### January

Changes in corporate bodies and management, in response to legal requirements and also new Group ambitions and needs in the rest of the region.

After almost five years of successfully leading Generali Osiguranje Srbija, CEO Andrea Simoncelli accepted a new Group challenge and moved to Generali Poland, after resigning in Serbia.

**Dragan Filipović** was appointed the new President of the Executive Board and CEO.

### April

For the first time in the national market, unit linked products were released. **Generali Osiguranje Srbija is the first insurance company to offer unit linked products to its clients**

New **ISO 14001:2004** – Environment Management System and OHSAS 18001:2007 – Occupational Health and Safety Management were implemented

### May

New **ISO 10002:2014** Quality Management Customer Satisfaction was implemented

### June

**Generali Osiguranje Srbija released the first Annual Integrated Report for 2015** at company level, the first company in the Generali Group and the first company in the Serbian insurance market

### July

**The Company aligned its business, capital, assets, liabilities, corporate bodies, organization and acts, with the provisions of the Insurance Act**, The Company aligned its business, capital, assets, liabilities, corporate bodies, organization and acts, with the provisions of the Insurance Act,

In its meeting on July 7, 2016, the Executive Board of the National Bank of Serbia adopted the Strategy for Implementation of Solvency II in Serbia.

### October

Recertification of the **ISO 9001:2015** – Quality management

### November

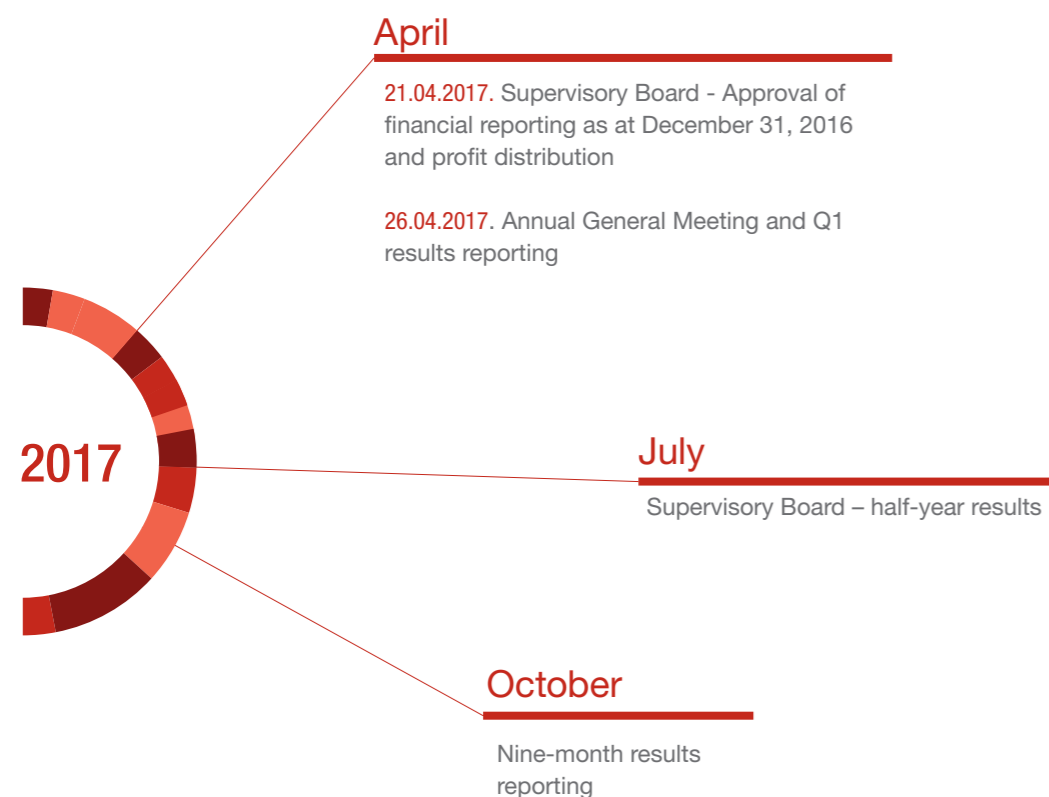
Implementation of the e-feather - **electronic signing of accident claims** in Generali Osiguranje Srbija

Recertification of the **ISO 27001:2013** – Information Security Management

## Significant events after 31 December 2016

There have been no significant events after 31.12.2016.

# 2017 Calendar

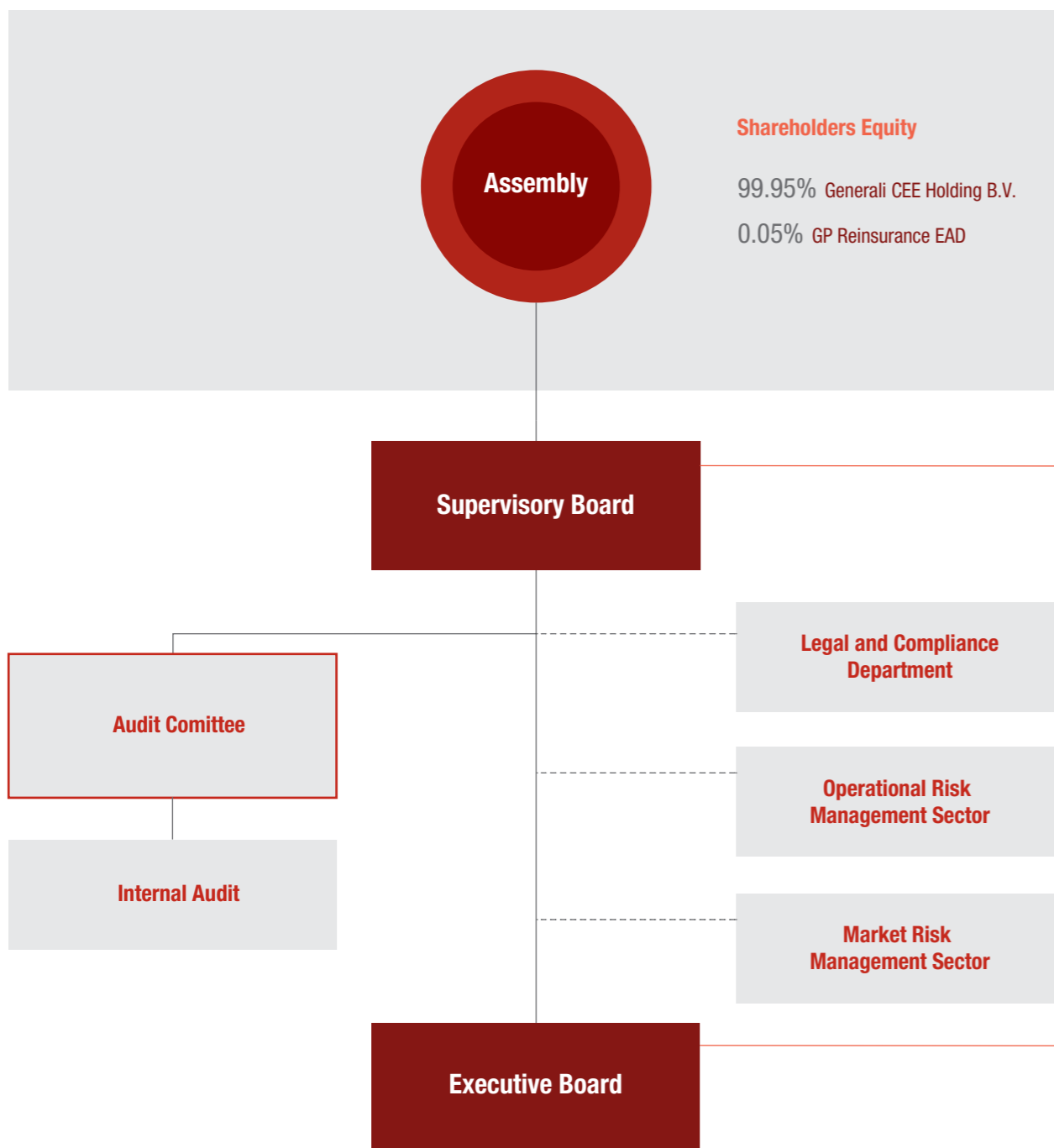


# Our governance

In the course of 2016, the Company established a two-tier governance system after alignment with the provisions of the new Insurance Law, which entered into force on June 27, 2015.

The Company bodies are: the Shareholders Assembly, the Supervisory Board and the Executive Board.

The Company's shareholders have the right to vote in the Assembly, in proportion to their share in the Company's capital.



[http://www.generali.rs/o\\_nama/generali\\_srbija/menadzment.888.html](http://www.generali.rs/o_nama/generali_srbija/menadzment.888.html)

## Members of the Supervisory Board of the Company

as of July 19, 2016, are:

The Supervisory Board has three members appointed by the Assembly for a period of four years with the prior consent of the National Bank of Serbia

The members of the Supervisory Board of the Company, as of July 19, 2016, are:



**Gregor Pilgram**  
Chairman

He began his career in the Slovenian Generali company in 1999. In July, 2013, he was appointed Chief Financial Officer and member of the Executive Committee at Generali CEE holding. Gregor Pilgram is also Chairman of the Supervisory Board of the Croatian Generali company and BoD member in Montenegro.

<https://intranet.generalicee.com/en/organization/management/Executive-Committee/Gregor-Pilgram/>



**Stefano Culos**  
Member

He started his career in the Group in Assicurazioni Generali SpA Trieste in 2003 in controlling area, and in 2008 joined Generali CEE. Stefano Culos is today Consolidation and Accounting director at Generali CEE holding. He is also Member of the board of directors of Generali Montenegro.



**Toplica Spasojević**  
Independent member

Co-founder of the ITM, President of the Association of Corporate Directors (SACD), Vice-President of the Advisory Board of NALED, Member of the Assembly of the Belgrade Chamber of Commerce

## Members of the Executive Board of the Company

The Executive Board has five members appointed for a period of four years with the prior consent of the National Bank of Serbia.

The Executive Board manages the Company's operations and supervises the day-to-day activities of the Company's employees. The Executive Board has the authority provided under the Insurance Law and the Company's Articles of Association. Each member of the Executive Board, as a Company representative, represents the Company together with the Chairman of the Executive Board or another member of the Executive Board (limitation of representation by countersignature).

The members of the Executive Board are:



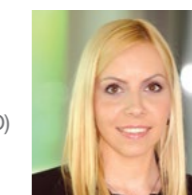
**Dragan Filipović**  
CEO

Chairman of the Executive Board and CEO of Generali Insurance Serbia and Chairman of the Board of Directors of Generali Insurance Montenegro. Vice-Chairman of the Board of Directors of the Association of Serbian Insurers. Member of the Board of Directors in the Italian-Serbian Chamber of Commerce.



**Gorana Rašić**  
CFO

Member of the Executive Board of Generali Insurance Serbia responsible for finance (CFO) and Member of the Board of Directors of Generali Insurance Montenegro. Member of the Board of Directors of Blutek Auto Company.



**Nataša Marjanović**  
CIO

Member of the Executive Board of Generali Insurance Serbia responsible for investments (CIO) and responsible for coordination of activities in the Generali Voluntary Pension Fund management company.



**Veselin Danilovac**  
CInsO

Member of the Executive Board of Generali Insurance Serbia responsible for claims, prevention, anti-fraud and underwriting (Chief Insurance Officer, CInsO).



**Branko Pavlović**  
COO

Member of the Executive Board of Generali Insurance Serbia responsible for IT, logistic and actuarial activities (Chief Operational Officer, COO).

The Supervisory Board also has a permanent auxiliary body – the Audit Committee - and can also form other auxiliary bodies for providing assistance in its operation.

Members of the Audit Committee at the end of 2016 were:



The Executive Board may have permanent auxiliary bodies, whose composition, authority, obligations and responsibilities are set out on the basis of the Executive Board's decision.

The Executive Board has established the following permanent auxiliary bodies: **Risk Committee, Products and Underwriting Committee (P&UWC) and Information Security Committee.**

The **Risk Committee** was established to provide support for the Company's management in fulfilling its obligations under the law and under the Company's Rulebook on the Internal Control and Risk Management System and, in this respect, to assist in the organization and functioning of the established internal controls system, assessment of its adequacy and effective functioning on a regular basis, and in the identification and management of major corporate risks. It notifies and makes recommendations to and advises the management of the Company on the need to implement adequate measures and activities to manage risks at the company level.

Members of the Risk Committee are:



The **Product and Underwriting Committee (P & UWC)** was established to support the Executive Board through consultations, recommendations and preparations related to new lines of insurance development and management, product management, and the launch of new products by implementing local underwriting procedures and aligning them with the Group's requirements, and by revising local corporate (GC & C) operations which could lead to financial constraints.

The Committee considers cases of exceeding the set underwriting limits and issues conclusions and suggestions, as assistance and support to the Executive Board of the Company in the process of decision-making on the issues in question.

Composition:



as well as heads of departments concerned with the issues under consideration by the Committee.

The **Information Security Committee** monitors all risks related to the functioning and security of the information system, reports to the Executive Board, proposes measures for establishing an adequate control system in relation to the Company's information system and implements all other measures and actions in accordance with the regulations.

Composition:



# Vision, Mission, Values

## Our vision

### Our purpose is to actively protect and enhance people's lives

#### Actively

We play a proactive and leading role in improving people's lives through insurance.

#### Protect

We are dedicated to the heart of insurance - managing and mitigating risks of individuals and institutions.

#### Enhance

Generali is also committed to creating value.

#### People

We deeply care about our clients' and our people's future and lives.

#### Lives

Ultimately, we have an impact on the quality of people's lives: wealth, safety, advice and service are instrumental in improving people's chosen way of life for the long term.

## Our mission

### Our mission is to be the first choice by delivering relevant and accessible insurance solutions

#### First choice

Logical and natural action that acknowledges the best offer in the market based on clear advantages and benefits.

#### Delivering

We ensure achievement striving for the highest performance.

#### Relevant

Anticipating or fulfilling a real life need or opportunity, tailored to local and personal needs and habits, perceived as valuable.

#### Accessible

Simple, first of all, and easy to find, to understand and to use; always available, at a competitive value for money.

#### Insurance solutions

We aim at offering and tailoring a bright combination of protection, advice and service.

## Our values

### Deliver on the promise

We tie a long-term contract of mutual trust with our people, clients and stakeholders; all of our work is about improving the lives of our clients. We commit with discipline and integrity to bringing this promise to life and making an impact within a long lasting relationship.

### Value our people

We value our people, encourage diversity and invest in continuous learning and growth by creating a transparent, cohesive and accessible working environment. Developing our people will ensure our company's long term future.

### Live the community

We are proud to belong to a global Group with strong, sustainable and long lasting relationships in every market in which we operate. Our markets are our homes.

### Be open

We are curious, approachable and empowered people with open and diverse mindsets who want to look at things from a different perspective.

## Our rules for running business with integrity

We run our business in compliance with the law, internal regulations and professional ethics.

The **Code of Conduct** defines the rules of conduct to be observed, for example, for the promotion of diversity and inclusion, the management of personal data and privacy, the prevention of conflicts of interest and corruption, bribery, money laundering, terrorist financing and international sanctions, and the proper management of relationships with customers and suppliers.

The **Responsible Investment Guideline** codifies responsible investment activities at Group level.

The **Group Policy for the Environment and Climate** contains the guiding principles of reference for our environmental management strategies and objectives.

The **Ethical Code for suppliers** highlights the general principles for the proper and profitable management of relations with contractual partners.



[www.generali.com/info/download-center/policies](http://www.generali.com/info/download-center/policies)  
[www.generali.com/our-responsibilities](http://www.generali.com/our-responsibilities)



Sustainability Report 2016, p. 24  
for other information on the prevention of corruption topic

We also have a structured internal regulatory system named **Generali Internal Regulation System** (GIRS).



Corporate Governance and Share Ownership Report 2016,  
p.45



## Values in Action - Serbia

A unique idea within the Group, with the aim of reviving the values launched. This is a group of 20 people who have volunteered to participate in the design of actions and their implementation. In 2016, they continued with actions that help the community in which we live, as well as with ideas that empower employees to live more healthily, to socialize and also to compete.

### Embassy Of Values



Generali Osiguranje Srbija supported organized participation in the Belgrade and Budapest marathons.

Altogether our employees ran more than 323 kilometres.



**323**  
km

**55 participants**  
the Tara Games, 2016



**6 medals**

**>1t**  
plastic bottle caps collected

**900 employees**  
participated in Generali day

**45 employees**  
signed organ donor cards



more than  
**100 employees**  
donated blood

In 2016, our employees played an important role in the Fourth Insurance Games on Mount Tara. Our team counted 55 entrants and supporters. We had participants in all sports, and managed to win gold medals in women's volleyball and men's basketball, silver in women's basketball and bronze medals in women's darts, and men's tennis and volleyball.



For the second consecutive year the Embassy of Values organized the initiative Generali Day, which promotes team spirit.

More than 900 employees from all around the country took part in this one-day team-building event. This event was recognized as an opportunity to promote our Coin Box initiative and the Organ Donation initiative, during which 45 of our employees signed donor cards.



Our employees have collected, packed and took New years' gifts for the institutions „Čuvarkućica“, „Nurdor“ and „OŠ Dušan Dugalić“. It was the largest campaign of this type in our Company.



# Value Creation Process



Our strategy, p. 25 for 2016-2018 targets

Capital

## Input

Financial

Human

Intellectual

Social and relationship

Natural

ENVIRONMENT

Employees

Community

Clients

Financial community

Agents and distributors

ENVIRONMENT

VISION MISSION VALUES

OUR STRATEGY

OUR GOVERNANCE

OUR BUSINESS MODEL

INNOVATION



We develop simple, integrated, customized and competitive life and property&casualty **insurance solutions** for our clients: the offer ranges from savings, individual and family protection policies, unit-linked policies, as well as motor third-party liability (MTPL), home, accident and health policies, to sophisticated coverage for commercial and industrial risks and tailored plans for multinational companies.



We distribute our products and offer our services on the basis of a multi-channel strategy, mostly in our own sales force but also through a network of agents and financial advisors, brokers, bancassurance and direct channels which allow our clients to obtain information on alternative products, compare options for the desired product, acquire the preferred product and rely on excellent after-sales service and the best customer experience.



The **premiums** we receive from our clients to enter into insurance contracts are **responsibly invested in high quality assets**.



The premiums collected are managed through appropriate asset-liability management policies so as to guarantee the **payment of claims and benefits** to our policyholders or their beneficiaries **after death, accidents or the occurrence of the insured event**.

Capital

## Created Value

Financial

Human

Intellectual

Social and relationship

Natural

EXTERNAL CONTEXT

New customer needs

Technological evolution

Uncertain financial and macro-economic landscape

Regulatory evolution

Environmental challenges

Demographic and social change

The business model implemented in our strategy aims to maximize the utilization of inputs and environment in a given external context and to create new capital for the stakeholders.

# GENERALI

# Our strategy

Accelerate to excellence



In May 2015 we rolled out our strategy of becoming a simpler and smarter insurer for customers and distributors, in order to improve our capacity to generate cash and dividends.



**● Improve operating performance**

- Optimise international footprint
- Rationalise the operating machine
- Enhance technical capability

**● Long-term value creation**

- Rebalance the insurance portfolio
- Customer and distribution innovation
- Strengthen the brand

The external context is increasingly challenging: on the one hand, economic, financial and political uncertainty which results in greater volatility in interest rates, government and corporate bond spreads and the equity markets and, on the other hand, different customer behaviour, driven primarily by rapid technological evolution and more stringent regulations.

“ Our strengthening confirms not only industrial leadership: Generali aims to act as a global point of reference for corporate social responsibility as well, by best interpreting that role of corporate citizen inherent in its insurance mission: to protect, prevent, manage risk and always take a long-term view.

— Philippe Donnet, Generali group CEO

## Improve operating performance

### Optimise international footprint



We aim to maintain a diversified global presence by focusing on markets in which we can achieve a significant position and excellent performance. We will therefore dispose of the companies that do not meet specific profitability and future growth requirements in order to invest in those activities that generate higher returns.

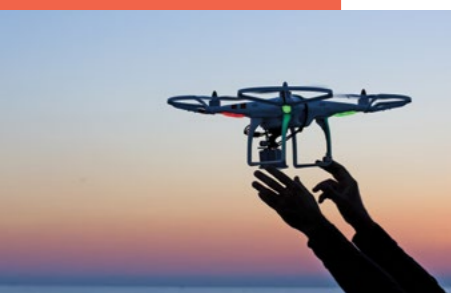
### Rationalize the operating machine



We are committed to constantly improving our operating machine to maximize the Group's potential, by implementing optimization initiatives such as streamlining the product portfolio, simplifying processes and integrating IT platforms. At the same time, we will invest in new competences to enhance those activities that have higher value for stakeholders.

Respecting clients' recommendations in 2016 Generali Srbija was focused on simplification of product documentation and creating easier and client-friendly terminology, starting with Life products where we decreased the average number of pages from 25 to 5. The focus on paperless in claims and the modernization of the claim settlement department is another confirmation of strategy implementation in Generali Serbia. Starting with accident claims, we introduced digital signatures and a full paperless process that will be extended to the remaining processes where possible.

### Enhance technical capabilities



We already have strong technical capability but to become the best player we will continue with price sophistication, risk selection and claims management in our P&C business while continually improving the quality of our products and optimizing capital return in our life business.

Together with Generali CEE Holding, we developed the project and launched usage of drones for underwriting and loss adjustments in Serbia. We are the first in the insurance industry to obtain a license to use drones for large property inspections. This is a unique solution for obtaining detailed documentation and cutting time and costs.

## Long-term value creation

### Rebalance the insurance portfolio

The share of products with low capital absorption and commission income will be increased so as to generate long-term value while protecting portfolio sustainability and increasing resilience in the face of market volatility.

Already recognized as a market leader in innovation, with a constant focus on profitability, Generali Osiguranje Srbija introduced the first unit-link product to the Serbian insurance market, just a few months after the new Insurance Law created the possibility for this. As soon as general market conditions for the development of investment funds improve, we expect to utilize the product and to boost sales.



Generali is one of the insurance industry leaders in the area of **telematics**, with over 1.3 million policies that use various technology tools, such as Mobile Apps or Black Boxes, to encourage the adoption of responsible driving behaviour to help reduce accidents, and to collect useful information that can be used to provide products and services that are increasingly tailored to the needs of customers. Recently, the first **connected home** policies have also been launched, important innovations in the domestic risk insurance sector.



### Customer and distribution innovation



More than **58,000** surveys sent



More than **10,000** calls to detractors

We will continue to be committed to our laser-like focus on customers and distributors with the introduction of specific, targeted innovations with clear added value.

#### T-NPS Group Program

Launched in 2015, the Net Promoter Score Listen and Act program is currently active in 26 business units and covers roughly 90% of our client base.

As part of this program, Generali Osiguranje Srbija sent more than 58,000 surveys to clients, obtaining a high response rate, a sign of our clients' desire to have their voices heard and of their interest in the future of Generali.

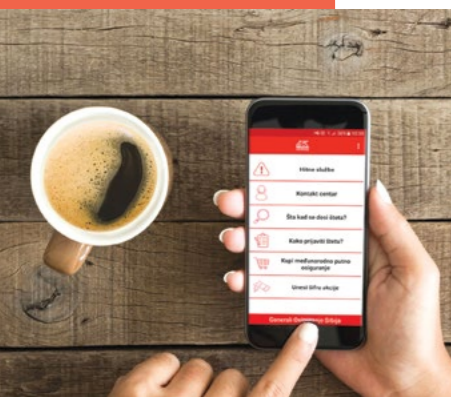
We called more than 1,700 dissatisfied clients to understand their reasons and we organized interdepartmental work groups to implement several actions in response to the feedback received. We also called over 9,000 of our passive clients and promoters.

Feedback provides us with pointers to what clients like and areas in which we could improve; to date, six quick wins have been implemented, and we have made three structural improvements, such as life terms simplification, 24/7 customer service, and a health customers portal on our new website.



#### Digital

Generali Osiguranje Serbia recognized the importance of new, modern technologies before the competitors and developed a mobile application used mostly for sales and in the case of loss, as well as for general client support. The first product that can be sold and paid for using only our application is a travel policy that we expect to become the most frequently used tool for the sale of travel policies in 2017.



### Strengthen the brand

We aim to become the top choice for consumers, committing ourselves to:

- strengthening our brand;
- increasing its visibility through not only event sponsorship and media support, but also search engine optimization for insurance coverage estimates;
- helping our agents to build value-added relationships with current and potential clients and adopting an even more advisory-oriented approach to sales.

There will be 4 main initiatives to achieve these objectives:



optimize number of brands to maximize efficiency



shift to a more coordinated media mix/pend



favour common platforms and strategic partnerships to efficiently drive cost savings



repackage our range of product to protect what is most valuable for our clients



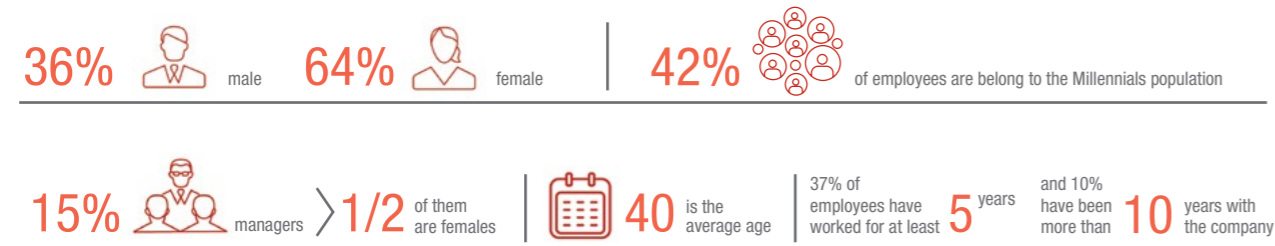
We must know our customers better than the others, to provide them with a first-class experience and always offer services of the same quality, in line with their expectations.

— Isabelle Conner, Group Chief Marketing Officer

# Our People Strategy

## Our people: always at the heart of the strategy

The transformation process that results in us being Simpler, Smarter, Faster is supported by the Generali People Strategy based on four priorities.



Insurance is changing. This is why we want to be an environment in which innovation and bravery are encouraged, in which people are not afraid of challenges and team work in order to find the fastest way to implement new solutions. An inclusive and open environment in which the customer comes first.

A place where we look at the ways we work and find simpler and smarter solutions. A place where each of us, wherever we are, can make a personal contribution and change things for the better. Where taking responsibility is rewarded.

We value curiosity, creative thinking and hunger for knowledge. People who are ready to help shape our business. By valuing and developing our people, we will be ready for the challenges ahead.

That is why Generali People Strategy has been developed, as part of a business strategy, and it enables a change towards the principles: Simpler, Smarter, Faster. Its four priorities are:



### BY MEASURING AND PROMOTING ENGAGEMENT

With encouragement to provide and seek constructive comments in day-to-day work, as well as through a Global Engagement Survey, our people can make Generali an even better place to work.

Last year was marked by the implementation of an action plan aimed at increasing the involvement of employees, based on the 2015 Global Engagement Survey results, "Your time is in your hands", "Baby Basket", "A Day Off for Parents of First Graders" are just some of the initiatives whose implementation contributes to establishing a work-life balance.

### BY SUPPORTING THE PERFORMANCE CULTURE

Providing structured discussions on performance with all employees helps us conform to the values and strategic objectives of the company. In 2016, the project "Use your potential" was launched, to help employees better manage their performance, and to ensure the success and satisfaction of each employee through the development of personal and professional potential. This initiative started last year as a pilot project. Performance feedback was received by 137 employees. The plan is for this project to include 618 employees in 2017.

Over 70 baby baskets and more than 900 Christmas presents

About 60% of back office employees used the option of flexible working hours

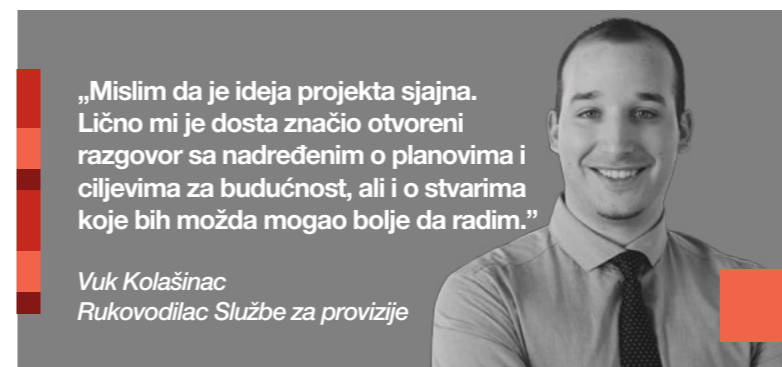
148 colleagues received a jubilee award, for ten or fifteen years with the Company

### BY EMBRACING THE NEW GLOBAL GOVERNANCE SYSTEM

By embracing the set of globally defined "golden rules" and their incorporation into the new Generali governance system, steering managers towards the mindset, skills and tools necessary for effective management of people and organization.

### BY INCREASING DIVERSITY AND INCLUSION

Fostering an inclusive environment where everyone, regardless of their resume, can submit ideas, adding value to the organization.



„Use your potential“





**BY PROVIDING THE SUCCESSORS PLAN FOR THE HIGHEST POSITIONS AND A CLEAR CAREER PATH**

By making individual development plans for our future leaders and creating a roadmap for all types of jobs at various levels of the organization.

**BY IDENTIFYING AND DEVELOPING LOCAL TALENT**

By establishing a common definition for talent on a global scale, by using a fair process to identify them, in order for our best people to accelerate their career development.

Last year we completed the selection of the second generation of local talent.

**BY DEVELOPING LEADERSHIP SKILLS**

With continuous investment in our leaders and talents at all organizational levels, through specifically designed development programs, work in an international environment and gaining varied experience.

In 2016, the program of the first generation of local talent was completed. Nine colleagues had the opportunity to gain international experience and this program was recognized as one of the eight most successful practices, globally. Fifteen managers also attended the Mokra Gora School of Management, General Management Program module, and two managers had the opportunity for development through the Mokra Gora Executive Master

**BY ATTRACTING, SELECTING AND RETAINING BEST EMPLOYEES**

By facilitating internal mobility of key talents throughout the Group, and providing excellence in terms of technical knowhow. By training international young talents as a part of a special global programs. By recruiting people whose values match our own, as well as our leadership model, and who have the capacity to contribute to our business objectives.

Two employees have become a part of the CEE Top Talent program, and four of the Group Talent program.

Six internationally mobile in 2016

Eleven employees included in the second generation of local talent

We have one participant in the Global Mentoring Program

A total of 415 hours of management-specific training

As many as 44 internally mobile employees

Seven colleagues had the opportunity to attend training at the Generali Group Academy

Nearly 175,000 hours of training conducted in 2016.



**BY CREATING A SIMPLER ORGANIZATION**

By simplifying our organization to become "well prepared to lead" and to allow for a simpler, smarter way of working with a greater focus on customers.

**BY IDENTIFYING AND INVESTING IN KEY NEW OPPORTUNITIES**

By improving the skills of our people, by launching a set of initiatives for the development and training that enhance the ability to come up with new opportunities.



**BY USING THE CUSTOMERS' WAY OF THINKING FROM DAY ONE**

By informing new employees of the strategy, culture and values of our company, and by making contact with customers a fundamental step in the first months of their work through a structured program of adaptation to the organization.

**BY UNDERSTANDING HOW TO SUPPORT CUSTOMER EXPERIENCE**

By investing in memorable experiential learning which increases the customer's knowledge and awareness among all our people.

**BY SIMPLIFYING OUR HR PROCESSES USING THE LATEST PLATFORM**

By using a system that supports our HR processes, including performance and learning management.

**BY SUPPORTING SMART BUSINESS**

By developing a new approach to work that empowers us by increasing our flexibility, autonomy and responsibility. Last year an Innovation Team began working, a team of 40 employees from all departments, who are involved in the shaping and development of ideas from all employees.

**BY GIVING RECOGNITION FOR EXCELLENT SERVICES**

By introducing campaigns throughout the Group which highlight examples of employee activities which have provided customers with a first-class experience. At the end of 2016 the global campaign "Are You a Hero" was launched in Serbia also, in order to promote interesting stories of our employees in creating a positive experience for customers.

In 2016, once every three days on average, we received a proposal from a colleague for improvement of our business model.

A total of six received financial rewards.



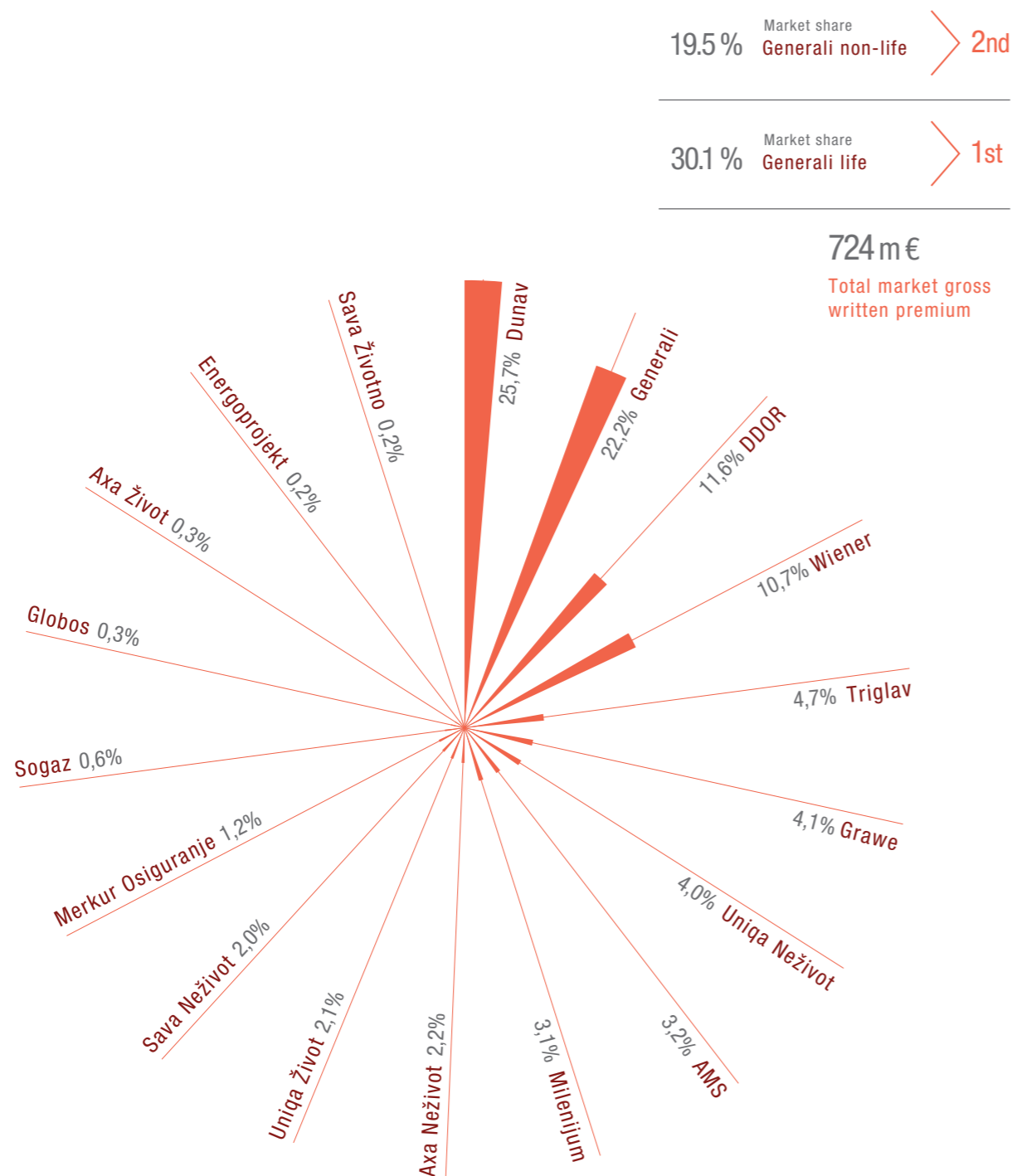
Our

# performance

- 49 Generali Osiguranje Srbija - Non Life
- 52 Generali Osiguranje Srbija - Life

# Our Performance

## Insurance market at glance



## Company highlights

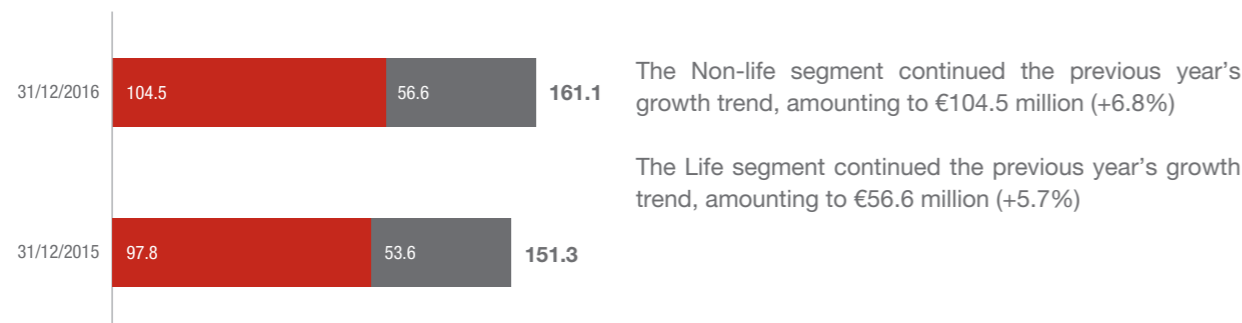
All numbers in charts are presented in € millions if not stated otherwise.

Disclosed financial statements are reported and presented in accordance with International Financial Reporting Standards (IFRS) and Generali Group requirements, which may differ from the statutory Financial reports.

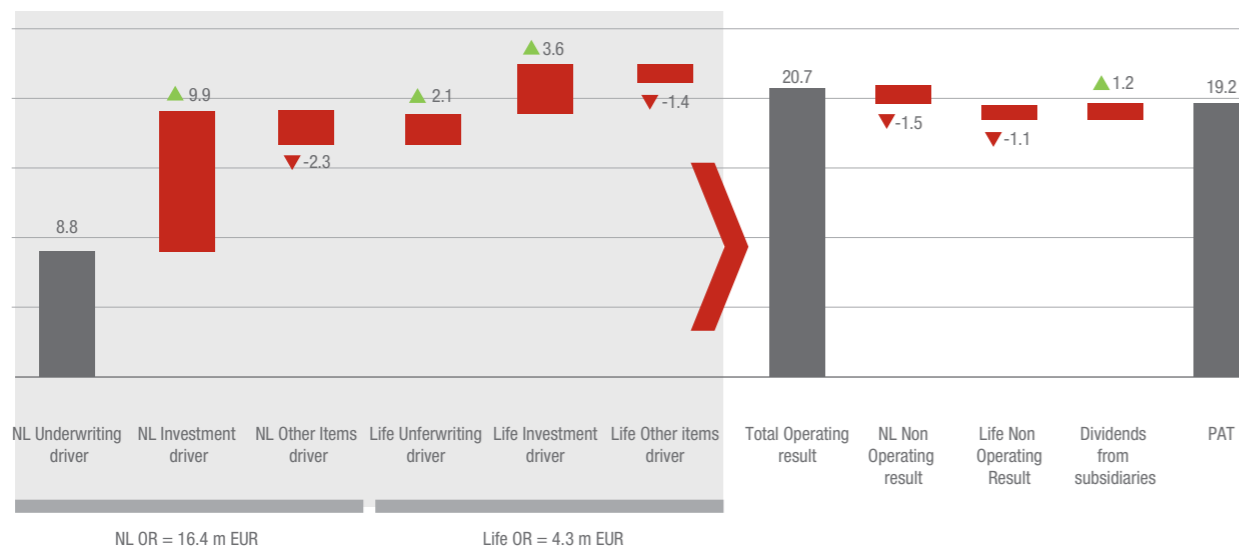


- Gross written premium exceeded € 161 million (+6.4%), reflecting strong growth both in Life and Non-life. Main growth drivers in Non-life were Agro business (+36.8%) and Health (+36.1%). In Life, growth was achieved in regular Life business (+12.1%, both saving and protection), while single Life had declined (-6.2%) following a strategy to sell less single
- The Bank channel and Brokers are becoming more important for Non-life distribution, while for Life distribution the Bank channel is the second biggest channel, just behind the tradition internal sales force.
- The operating result has been kept on high level exceeding € 20 m, despite a slight decrease (-5.3%) in underwriting results of Non-life and Life
- The net result nearly €20 million is the highest result ever, additionally boosted by good investment result
- A strong capital position confirmed by the Regulatory Solvency I ratio at 164.6% (+10.7 p.p.)



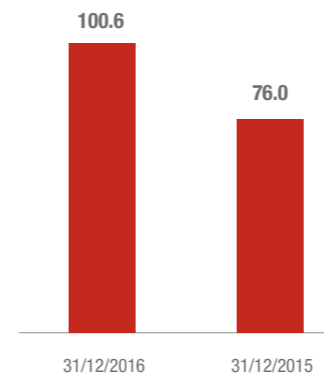


Composition of net profit current year m EUR



- A strong investment result (+8.4%) is the major driver in the total operating result
- A high underwriting result in Non-life, thanks to a good combined ratio (88.9%)
- A good underwriting result and excellent collection of receivables enabled a high positive cash flow from operating activities

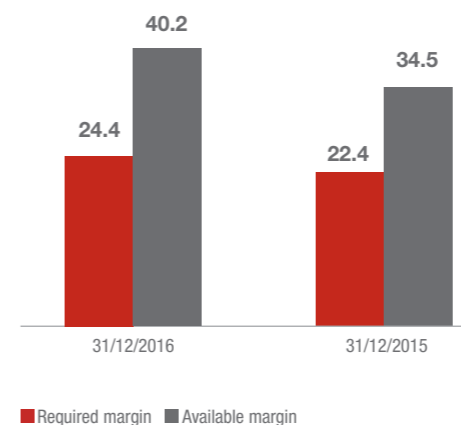
Shareholders' equity



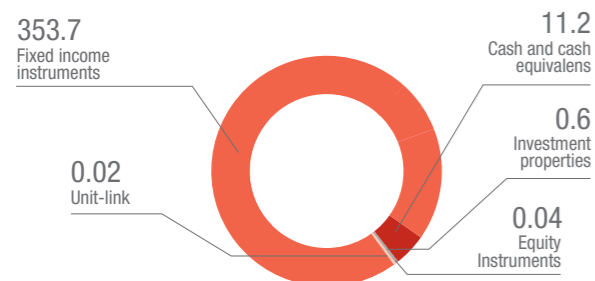
A strong growth in result and an increase of AFS reserves influenced the growth of shareholders' equity in 2016. Share capital remained at the same level €17.3 million. Since 2011 the company has had a stable dividend payout policy. In 2016 dividend payment was continued, with €6.1 million dividend paid. In addition, in 2017 dividend amount will be doubled. Starting from 2011 the Company has paid (incl. approved dividends in 2017) a total €43.3 million in dividends.

Rollforward of Shareholders' equity

(€ million)	2016	2015
Shareholders' equity at the end of the previous period	17.3	17.3
Reserves	38.4	21.7
Result of the period	19.2	18.4
Dividend distributed	-6.1	-1.7
Unrealized gains and losses	31.7	20.2
<b>Shareholders' equity at the end of the period</b>	<b>100.6</b>	<b>76.0</b>



## Investments at 31/12/2016



## Investments at 31/12/2015



The investment portfolio consists predominately of Government bonds, classified as AFS. Equity instruments are practically minimized due to the small market exchange volume and high volatility.

For the first time unit-link (investments units) are present in our investment portfolio.

## Liquidity

## Cash flows

(€ million)	2016	2015
Cash flows from operating activities	40.6	31.2
Cash flows from investment activities	-29.8	-18.8
Cash flows from financial activities	-9.6	-5.2
<b>Total cash flows</b>	<b>1.2</b>	<b>7.2</b>

A strong positive net cash inflow from operating activities increased investment possibilities.

Cash-out from financial activities comes from two events: payment of dividends and repayment of loan to the Group.

Generali Osiguranje Srbija  
- Non Life

Generali Osiguranje Srbija remains firmly in second position in the insurance market in Serbia. With market share of 19.5%, the same as last year.

The market remains MTPL dominated, with nearly 46% of all Non-life premium being MTPL. Nevertheless, the fast growing segment in Serbia is health insurance (+41%), where Generali is the perennial market leader. Although a relatively small insurance segment, CPI had remarkable growth, almost doubling the figures compared to the previous year. This is related to increased bank credit activity. Casco, for the first time in several years, had double-digit growth (+11%), although the premium level is far behind the record year of 2008.

The Serbian insurance market still lacks a true insurance culture, thus mandatory insurance represents the bulk of all insurance in terms of premium.

Drought in 2012, hail storms and even the recent floods in 2014 did little to raise awareness in the population of the need to protect their own property, even though many homes, cars and crops were destroyed. People are to some extent accustomed to receiving help from the government in the event of natural disasters, on the basis of past experience.

Related to 2014 floodings, largest single indemnity in company's history was paid in 2016 (over € 12 million).

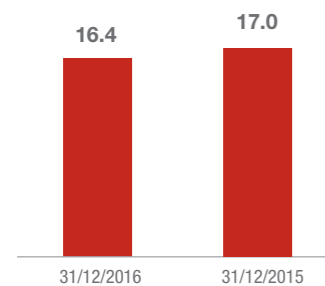
In line with most of the market, Generali Osiguranje Srbija derives most of its premiums from MTPL insurance. Being aware of the exposure of such a portfolio mix, the company wants to retain the present level of MTPL business, but also to strongly increase



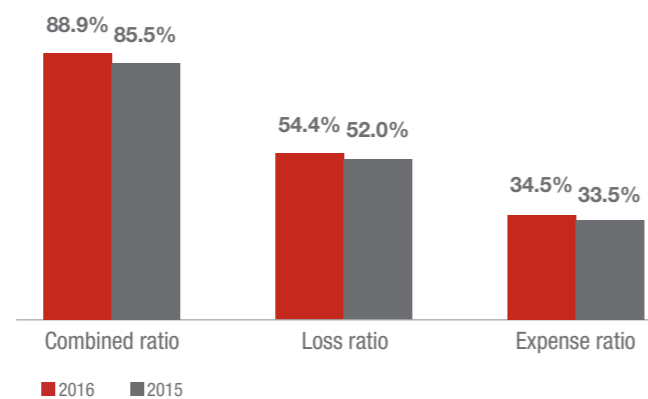
other insurance lines, mainly in the retail segment. Results in 2016 confirm the Company's orientation toward Non-motor retail business with a growth rate exceeding +20%, primarily in agriculture, health and CPI. The retail segment (including both motor and non-motor) has proved to be more stable in premium income but, even more importantly, more stable in claim frequency and overall is more desirable for an insurance company in spreading risk and reducing exposure to large accounts.

The company is committed to increasing premium volumes and improving profitability in all lines of business by improving the existing range and creating new products, putting the accent on digital transformation and portfolio clean-up.

## Operating Result - Non Life



## Combined ratio



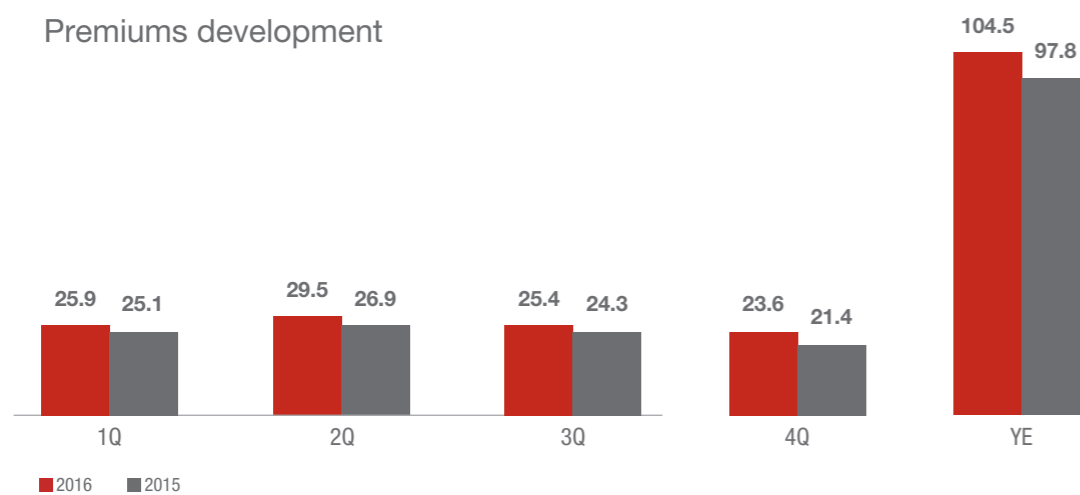
## Gross written premiums



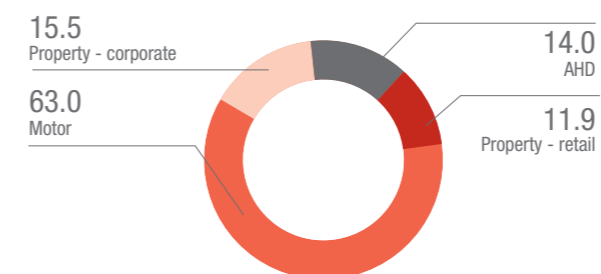
Non life segment under strong influence in MTPL. Corporate segment limited by number of potential clients. Retail segment still very weak, although with significant potential

Weaker operating result due to negative trend in casco and accident, compensated by other lines of business and good investment result. Similarly, the net combined ratio was negatively influenced by casco and accident

## Premiums development

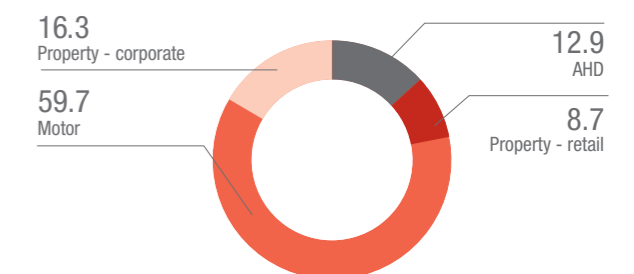


## GWP by lines of business 2016



Motor represents the majority of Generali business. Corporate business had a negative impact in aviation fleets and the energy production sector, which is the key sector for corporate business. Also, the Generali

## GWP by lines of business 2015



group's new underwriting guidelines had a negative impact on corporate GWP. AHD and retail property had fair growth in 2016, balancing our portfolio structure.

## Technical result

## Property and Casualty operating result: technical result

(€ million)	2016	2015
<b>Technical result</b>	<b>8.8</b>	<b>11.0</b>
Net earned premiums	85.7	79.9
Net insurance benefits and claims	(46.7)	(41.5)
Net acquisition and administration costs	(29.6)	(26.7)
Other net technical income	(0.7)	(0.6)

The strong technical result was achieved mainly thanks to low frequency of MTPL claims (below 3%). There is a downward trend in casco and health during 2016 in terms of net technical result, but measures to restore profitability were taken. In addition, numerous hailstorm events in 2016 negatively impacted profitability in agriculture.

## Property and Casualty net combined ratio

	2016	2015	Change
Loss ratio	54.4%	52.0%	2.4%
Expense ratio	34.5%	33.5%	1.0%
<b>Combined ratio</b>	<b>88.9%</b>	<b>85.5%</b>	<b>3.4%</b>

## Generali Osiguranje Srbija - Life

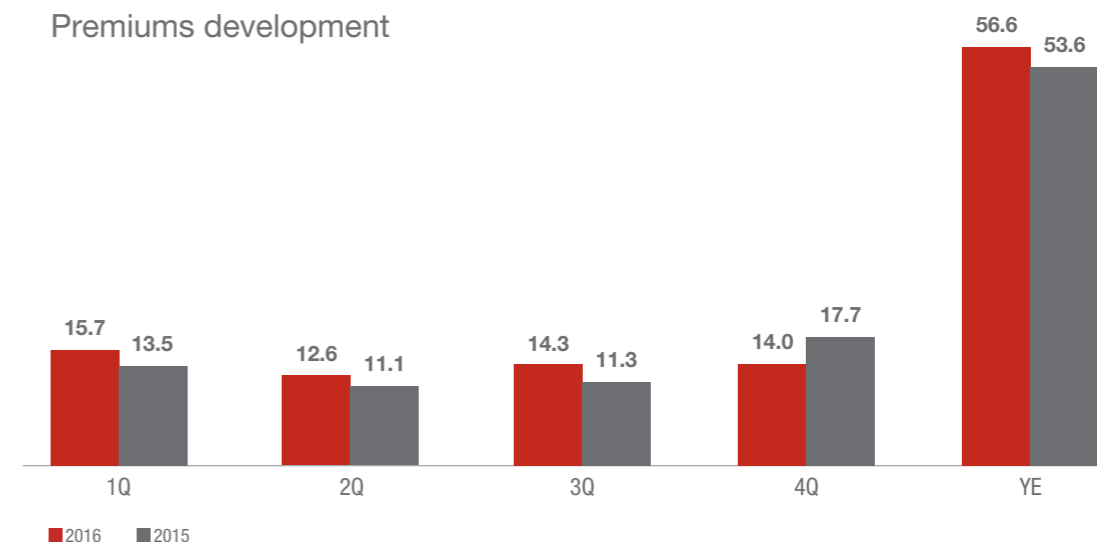
Generali Osiguranje Srbija remains firmly in first position, by a large margin, among players on the Serbian insurance market. With market share of 30.1% (-4.0%), we are 8.1 p.p. ahead of the following insurer. The life insurance market grew by 19.4%, maintaining the very high growth rate from the previous years.

The loss of four percentage points is due to the fact that a new player in the Serbian life insurance market supplanted sales of our "Premium profit" with their own single product sold in their own bank. Generali is oriented towards selling more protection-based products, returning to the insurance core, which is protection of people's lives and care for their families.

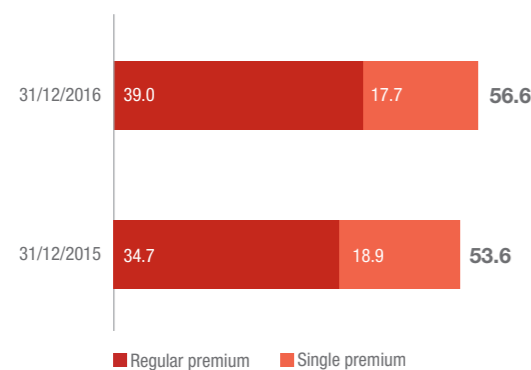
In 2016, the most important event was the issuing of the first ever unit-link policy in Serbia. Up to the end of 2016, unit-link sales were modest, setting a base with strong potential in the years ahead.



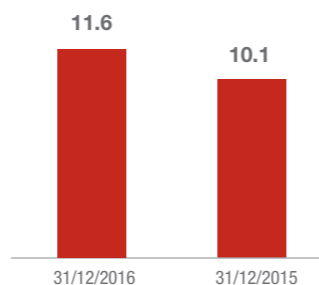
### Premiums development



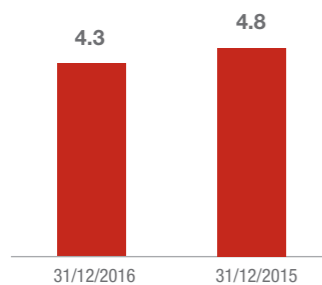
### Gross written premiums



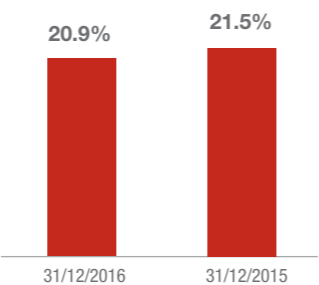
### APE



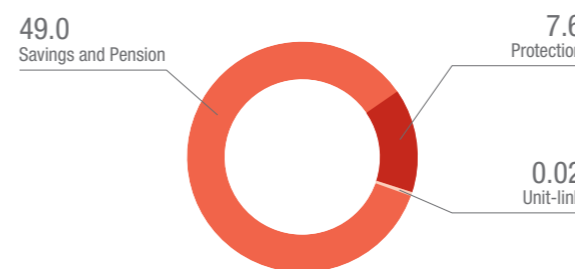
### Life operating result



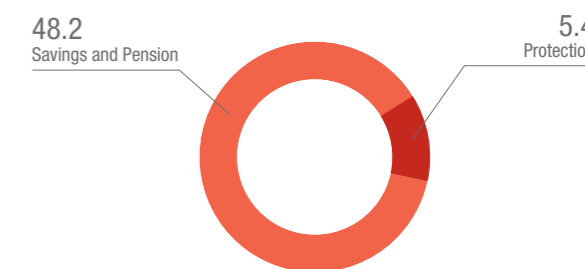
### NBM



### GWP by lines of business 2016



### GWP by lines of business 2015



- Total Life premium grew by 5.7%, even more important when taking into account that regular grew faster and single premium was reduced.
- Fastest growing products are Providenca and Senior Cash.
- Bank channel becomes increasingly more important. Generali Srbija holds 28% of market share in bancassurance life.
- Operating result declined (-10.5%), due to weaker underwriting result, although keeping good profitability.
- APE increased by 14%, mostly thanks to Senior Cash, but other Life products also contributed, such as Providenca, Horizont and Group Life



# Outlook

## Outlook

The Executive Board of the International Monetary Fund (IMF) on December 16, 2016, completed the sixth review of Serbia's economic performance under the Stand-By Arrangement (SBA).

Following the Executive Board's decision, Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

"The Fund-supported program is delivering positive results, underpinning macroeconomic management and structural reforms in Serbia. The economy continues to strengthen, supported by the authorities' efforts to improve public finances, address structural weaknesses, and strengthen the financial sector. Employment is rising, inflation remains firmly under control, and public debt has started to decline. Full implementation and strong ownership of the reform agenda are critical to consolidate hard-won gains, improve the business climate, and support Serbia's medium-term growth.

"Significant progress has been made on fiscal consolidation in 2016, on account of strong revenue and ongoing expenditure control. Institutional reforms aim to secure fiscal sustainability and improve public services. Priorities include eliminating domestic arrears, reforming the public administration and wage system, and strengthening public investment management. Further efforts are also needed to minimize fiscal risks through a restructuring of unviable state-owned enterprises, especially in the mining, energy, and transportation sectors, while enhancing social safety nets. The authorities are taking steps to strengthen public project appraisal and implementation, and modernize the educational system."

The progress that IMF confirmed is expected to continue and to support foreign investments in years to come: "The reduction in the inflation target reflects improved

macroeconomic fundamentals and market confidence. The lower target should support the dinarization strategy and help reduce long-term interest rates. The current, cautiously accommodative monetary policy stance remains consistent with the new target."

Positive development is noted in the financial sector as well: "Financial sector reforms have strengthened the resilience of the sector. The strategy for resolving non-performing loans has helped reduce the overall bad loan ratio, and the authorities remain committed to its full implementation, especially with respect to state-owned banks."

Insurance sector growth in 2016 was double-digit, with the fastest growth in life premium due to the lower base as well as the development of saving products that were competitive to banks savings. Still, insurance penetration is at a very low level, below 2% of GDP and much lower than the rest of Europe. The largest state-owned company has still not been privatized and the Government has not announced plans for this.

The IMF is positive about the general prospects for 2017, but expects demanding pressure on further reforms in order to achieve GDP growth above 3% : "Serbia has achieved notable improvement in the business environment, but more needs to be done to boost investor confidence and medium-term potential growth. Particular efforts should be made to improve the court system, strengthen the quality of the judiciary process, and facilitate the use of effective out-of-court arbitration."

Financial sector and in particular insurance sector will develop in line with the general economy and will need to work on the modernization and retail client centricity much more than before.



# Risks and Opportunities

## Risks and Opportunities

### Risks and opportunities of the external context

Main long-term factors that could significantly affect business and capacity of the Group to create value

#### New customer needs

##### Strategic risk

##### Insurance risk

In this currently uncertain economic environment, consumer attitudes to insurance products and services are changing in the light of two global trends:

- **digitalization**, which has introduced new selling options and different insurance product management
- **economic uncertainty** which has changed spending on savings and other insurance products.

Today, customers are demonstrating greater attention to service quality: they no longer rely only on an agent to acquire an insurance product; rather, they have a more independent approach to the decision-making process, which includes visiting the websites of insurance companies, reading customer reviews on social media and checking comparison websites.

#### Technological evolution

##### Strategic risk

##### Operational risk

We are facing a profound change caused by the interaction and cumulative effects of various developments in technology: the Internet of Things, the constant growth of mobile networks, the adoption of cloud services, the development of cognitive computing and machine learning are all elements that contribute to creating a renewed environment in which to operate.

The unprecedented availability of customer data, combined with the **technological capabilities** of processing data quickly and efficiently in terms of costs, allows the insurance business to create customized prices and identify potential fraud. However, it creates potential risks arising from the management of personal data as well as new challenges within the traditional insurance risk management model.

Technology as an enabling element of the processes may also impair business continuity, representing a potential threat (malfunction of equipment and systems, etc.).

#### Uncertain financial and macro-economic landscape

##### Financial risk

##### Credit risk

##### Strategic risk

In 2016, numerous political events have impacted the global economy: the referendum on constitutional reform in Italy, Brexit and the US presidential elections. At the **macroeconomic** level, Italy remains in difficulty, with expected growth of 0.8%; Eurozone growth forecasts stand at 1.7% in 2016 and 1.5% in 2017. The British economy has not yet shown signs of a slowdown, and the pound has depreciated by 17% against the euro. Consumption has slowed and investments are weak in the United States. US growth forecasts are 1.6% for 2016 and 2.2% for 2017; the Fed will therefore raise benchmark interest rates. On the local level Serbia performed well in 2016, with its credit rating confirmed in March by Moody's as B1 with positive outlook, which was followed in December by Standard & Poor's BB- with positive outlook and Fitch's BB- with stable outlook. Local GDP growth in 2016 was 2.8%, and is expected to follow in positive steps with 3% growth projected in 2017.

The European **insurance sector** was characterized by good performance in property and casualty premiums (with the exception of Italy), in line with the, albeit feeble, economic recovery and a certain difficulty in the performance of life premiums, influenced by low interest rates. This situation should also continue in 2017; the only exception is forecast in Italy, which is expected to record an improvement in life premiums.

As far as the Serbian insurance sector is concerned, 2016 saw growth in both property and casualty premiums, as well as in life insurance, mostly due to interest rates which are still fairly good. This trend should also continue in 2017.

##### Our risk management

Generali Osiguranje Srbija aims to become the **top choice of clients and distributors**. We offer insurance solutions and services that are simple, tailored and even more innovative in meeting their needs, including digital ones, and in improving their customer experience. We are analysing and implementing a real digital transformation in our business units in order to make our global distribution networks more efficient. We are supporting them so that the interaction with clients can be increasingly based on an advisory approach. This means interpreting clients' needs and offering the best solutions for them.

To protect our trustworthiness, reputation and survival under threats of natural, human and technological origin, we have also implemented a **Business Management Continuity process** which identifies critical processes and operational risks that may interrupt business operations, as well as risk mitigation measures and solutions, to recover and resume vital business processes as soon as possible and with limited financial impact.

Macroeconomic and financial expectations, along with the yield expectations of policyholders, the Solvency II rules relating to the calculation of economic capital, and Group targets on profitability are the main factors influencing the definition of our **asset allocation strategy**. In addition, the progressive decline of interest rates and the new regulatory environment have made asset management which is disciplined and focused on consistency between assets and liabilities even more important. In investment activities, factors such as diversification and a selective focus on alternative investments are key to limiting portfolio risks and strengthening current returns.



## Regulatory evolution

### Strategic risk Operational risk

The insurance industry is characterized by a detailed regulatory system consisting of continuously evolving domestic and European rules and regulations. Some of the most significant are:

- **Solvency II**, the European insurance market supervisory framework
- **Common Framework of the International Association of Insurance Supervisors (IAIS)** on the development of standard qualitative and quantitative capital requirements based on risk for insurance groups operating globally
- **European directive on insurance distribution and regulations on investment product disclosure and transparency** which guarantee an increasingly high level of consumer protection
- **European regulation on personal data protection** for improved protection of citizens
- **European directive on non-financial information**
- **IFRS 9 (on financial instruments) and IFRS 17 (on insurance contracts).**

The Republic of Serbia, not being a part of the European Union, has not adopted the Solvency II directive. However, the Insurance Law adopted in 2014, has moved the regulation closer to the requirements of Solvency II, especially when it comes to capital adequacy, risk management and internal controls. In 2016 the National Bank of Serbia issued a Strategy to align with Solvency II in which it details the phases in aligning the regulation to Solvency II. In accordance with this Strategy, the National Bank of Serbia expects to align the local regulation by the end of 2018.

In addition to the global regulatory changes affecting the Group, on the local level the most important changes that are expected to impact the insurance business in the short term are the following:

- The new model of Data Protection Law in accordance with the European legislation is expected to be adopted in 2017,
- The new Anti-Money Laundering Law, expected to be adopted in the first half of 2017.

## Environmental challenges

### Underwriting risk Emerging risks Operational risk

The global warming caused by greenhouse gas emissions originating from human activity is triggering a rise in **extreme weather events**, such as higher temperatures and flooding, which are becoming increasingly frequent and violent. These factors impact the economic and social system as well as the relative insurance needs. Proper measures are therefore necessary to avoid higher losses and increased volatility that would impact on the price of insurance policies', also due to higher capital absorption resulting from the events being underwritten, and make access to insurance too expensive or, in extreme cases, the risk uninsurable.

## Demographic and social change

### Underwriting risk Emerging risks

Modern communities are characterized by conflicting demographic and social phenomena: the continuous **ageing of populations**, driven by increased life expectancies and lower birth rates, which are partially offset by **increasing migration**, boosting younger populations, whose average income capacity is, however, quite limited and highly sensitive to a flexible, yet precarious, job market. The risk remains of increasingly unbalanced societies, in which the higher post-retirement requirements of the older population with greater willingness to save are no longer properly covered by the public system, and the economic and financial resources produced by the younger categories of the population, or from private savings, have to be directed and valued more carefully.

### Our risk management

The Group puts the focus on running its business in compliance with the law, internal regulations and codes and professional ethics, and closely monitors the evolution of the regulatory environment. Furthermore, it has strengthened an **international and multifunctional initiative** aimed at the internal sharing of knowledge, experience and best practices in the field of product development and distribution strategies so as to be ready to meet the necessary regulatory requirements.

The Group has also contributed to the European debate on **personal data protection** and it monitors developments in **international accounting standards** through work groups skilled in investments and insurance contracts.

As part of the Group, we are committed to performing our business in line with regulatory requirements and closely monitor and manage all the emerging risks that could arise from new legislation.

The Company is locally engaged in the Insurance Association, through which it is actively included in cooperation with regulators and through which, along with its peers, it aims at enhancing the local insurance market.

### Our risk management

We constantly monitor the main perils and territories where we are exposed, using actuarial models to estimate the damage that could result from natural

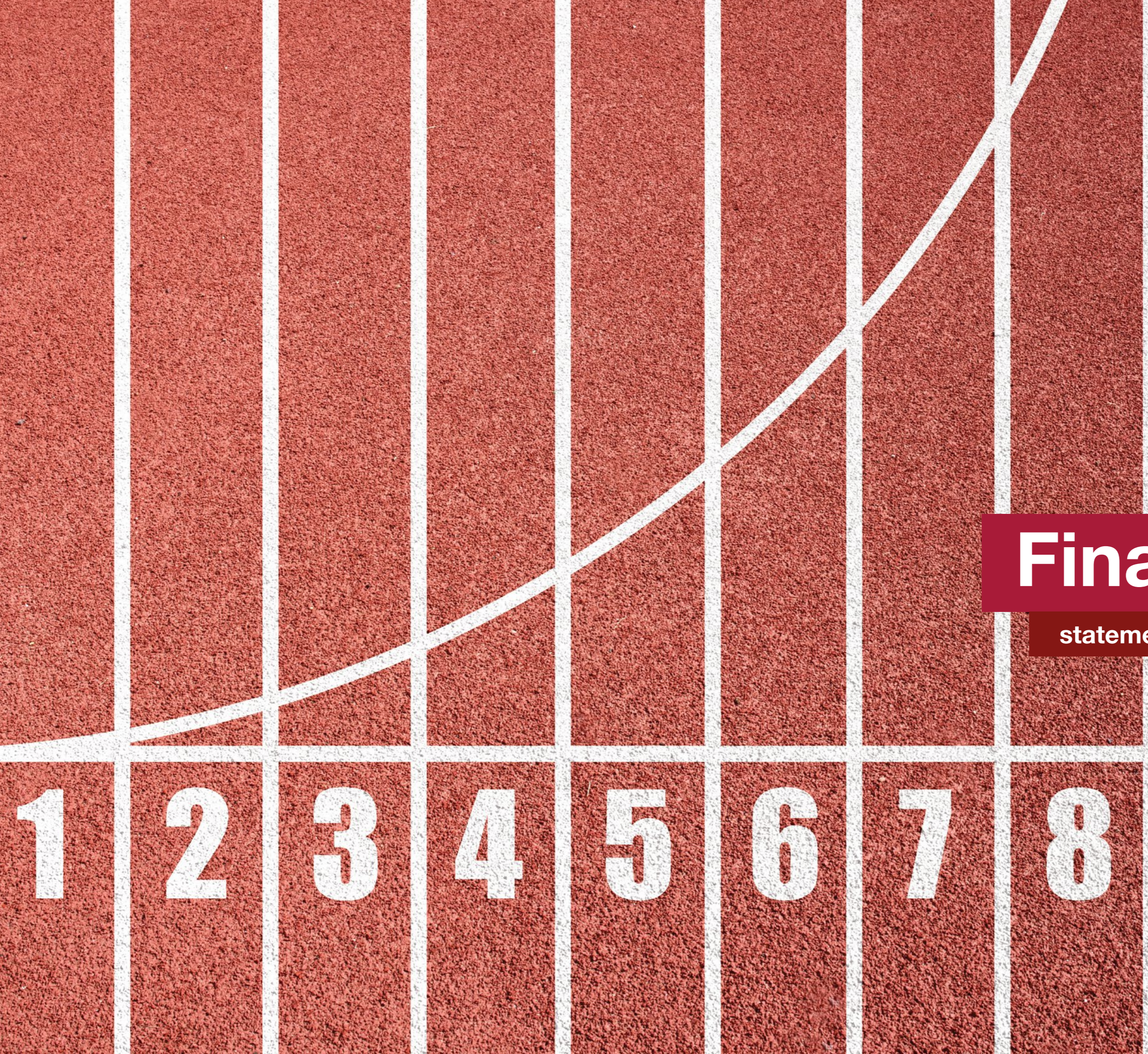
phenomena. We can therefore optimize our underwriting strategy.

**Reinsurance** plays a key role: we manage our protections on a centralized basis in order to take advantage of economies of scale and pricing thanks to the size of the Group, with the aim of leveraging on business diversification.

We also continue to monitor and reduce our **direct impact** and to advocate the limitation of global warming to within 2°C through our **insurance solutions** as well as our **investments**. We develop and distribute increasingly innovative products along with a high level of services in order to meet the potential demand for more and improved protection against catastrophes, as well as products that reward morally sound and environmentally sustainable decisions and behaviour. Also, in partnership with other public and private stakeholders, we work to support initiatives that help to expand access to insurance products which would lower the impact of reconstruction on the public sector, as well as initiatives aimed at preventing and mitigating environmental risks. We invest responsibly, excluding from our investment universe those companies that are involved in causing serious harm to the environment. We support research and studies on environmental risks.

### Our risk management

We monitor and manage the consequences of a changing society. We offer **effective, flexible and modular solutions with high pension and assistance content** to cover healthcare expenses and any other possible individual and family requirements, both current and future. We commit to strengthening dialogue with people, providing complete and easy-to-use information on products and services, helping them to understand the main risks that may impact their earning capacity and to accurately assess their capacity for saving and the financial gap between the pension accrued by the age of retirement and the projected income. We therefore believe it is important to provide support to face the possible needs of old age in due time with adequate financing, within a general context characterized by scant knowledge of, and propensity to seek out, insurance solutions.



# Financial

statements

# Financial Statements

All numbers in charts are presented in € millions if not stated otherwise.

Disclosed financial statements are reported and presented in accordance with International Financial Reporting Standards (IFRS) and Generali group requirements, which may differ from the statutory Financial reports.

The Company uses the same FX rate (123.11) for all items presented in this document

## FINANCIAL STATEMENTS – BALANCE SHEET

### BALANCE SHEET

(€ million)	2016	2015
<b>ASSETS</b>	<b>423.0</b>	<b>359.4</b>
<b>INTANGIBLE ASSETS</b>	<b>0.1</b>	<b>0.1</b>
Goodwill	0.0	0.0
Other intangible assets	0.1	0.1
<b>TANGIBLE ASSETS</b>	<b>5.9</b>	<b>6.5</b>
Land and buildings (self used)	3.0	3.3
Other tangible assets & inventories	2.9	3.2
<b>INSURANCE PROVISIONS CEDED</b>	<b>9.7</b>	<b>15.1</b>
<b>INVESTMENTS</b>	<b>366.4</b>	<b>300.6</b>
Land and buildings (investment properties)	0.6	0.6
Investments in subsidiaries, associated companies and JV	9.8	10.0
Loans and receivables	5.6	2.4
Held to maturity investments	0.0	0.0
Available for sale financial assets	350.4	286.7
Financial assets at fair value through profit or loss	0.0	0.9
<b>RECEIVABLES</b>	<b>13.5</b>	<b>11.7</b>
Receivables arising out of direct insurance operations	11.2	9.5
Receivables arising out of reinsurance operations	0.1	0.3
Other receivables	2.1	1.9
<b>OTHER ASSETS</b>	<b>16.3</b>	<b>15.4</b>
Deferred acquisition costs	11.3	10.4
Tax receivables	1.3	1.3
Deferred tax assets	0.3	0.0
Other assets	3.4	3.7
<b>CASH AND CASH EQUIVALENTS</b>	<b>11.2</b>	<b>9.9</b>

(€ million)	2016	2015
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>423.0</b>	<b>359.4</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>100.6</b>	<b>76.0</b>
Shareholders' equity attributable to the Group	100.6	76.0
Shareholders' equity attributable to minority interests	0.0	0.0
<b>OTHER PROVISIONS</b>	<b>2.7</b>	<b>1.0</b>
<b>INSURANCE PROVISIONS</b>	<b>301.3</b>	<b>259.0</b>
Insurance provisions	0.0	0.0
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	45.6	40.7
Provisions for outstanding claims	46.0	49.2
Other insurance provisions	6.9	4.0
Mathematical provisions	202.9	165.1
Provisions for policies where risk borne by the PH&PF	0.0	0.0
<b>FINANCIAL LIABILITIES</b>	<b>0.0</b>	<b>3.5</b>
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	0.0	3.5
<b>PAYABLES</b>	<b>11.4</b>	<b>10.1</b>
Payables arising out of direct insurance operations	1.2	1.0
Payables arising out of reinsurance operations	3.6	3.6
Other payables	6.6	5.5
<b>OTHER LIABILITIES</b>	<b>7.0</b>	<b>9.8</b>
Tax payables	1.6	2.3
Deferred tax liabilities	0.6	0.5
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	4.8	7.0

Generali Osiguranje Srbija is a composite company, dealing in both the Life and Non-life insurance segments. That said, the company has issued separate Balance sheets and Profit and Loss accounts. As the company's assets and liabilities apply to both segments, there is a certain amount on the so-called "clearing account", thus the sum of the separate Life and Non-life Balance sheets, will not be equal to the company's Balance sheet.

#### BALANCE SHEET NON-LIFE

(€ million)	2016	2015
<b>ASSETS</b>	<b>191.3</b>	<b>176.0</b>
<b>INTANGIBLE ASSETS</b>	<b>0.1</b>	<b>0.0</b>
Goodwill	0.0	0.0
Other intangible assets	0.1	0.0
<b>TANGIBLE ASSETS</b>	<b>4.8</b>	<b>4.4</b>
Land and buildings (self used)	2.7	2.8
Other tangible assets & inventories	2.1	1.6
<b>INSURANCE PROVISIONS CEDED</b>	<b>9.5</b>	<b>15.0</b>
<b>INVESTMENTS</b>	<b>141.1</b>	<b>123.1</b>
Land and buildings (investment properties)	0.4	0.4
Investments in subsidiaries, associated companies and JV	8.8	8.9
Loans and receivables	3.0	0.6
Held to maturity investments	0.0	0.0
Available for sale financial assets	128.9	112.3
Financial assets at fair value through profit or loss	0.0	0.9
<b>RECEIVABLES</b>	<b>11.1</b>	<b>9.8</b>
Receivables arising out of direct insurance operations	8.9	7.6
Receivables arising out of reinsurance operations	0.1	0.3
Other receivables	2.1	1.9
<b>OTHER ASSETS</b>	<b>20.5</b>	<b>21.3</b>
Deferred acquisition costs	11.3	10.4
Tax receivables	1.3	1.3
Deferred tax assets	0.2	0.0
Other assets	7.7	9.6
<b>CASH AND CASH EQUIVALENTS</b>	<b>4.2</b>	<b>2.3</b>

(€ million)	2016	2015
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>191.3</b>	<b>176.0</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>80.8</b>	<b>65.3</b>
Shareholders' equity attributable to the Group	80.8	65.3
Shareholders' equity attributable to minority interests	0.0	0.0
<b>OTHER PROVISIONS</b>	<b>2.6</b>	<b>1.0</b>
<b>INSURANCE PROVISIONS</b>	<b>93.9</b>	<b>91.7</b>
Insurance provisions	0.0	0.0
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	45.6	40.7
Provisions for outstanding claims	45.7	48.9
Other insurance provisions	2.6	2.1
Mathematical provisions	0.0	0.0
Provisions for policies where risk borne by the PH&PF	0.0	0.0
<b>FINANCIAL LIABILITIES</b>	<b>0.0</b>	<b>3.5</b>
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	0.0	3.5
<b>PAYABLES</b>	<b>9.9</b>	<b>9.3</b>
Payables arising out of direct insurance operations	1.2	1.0
Payables arising out of reinsurance operations	3.4	3.4
Other payables	5.3	4.9
<b>OTHER LIABILITIES</b>	<b>4.1</b>	<b>5.2</b>
Tax payables	1.6	2.3
Deferred tax liabilities	0.9	0.8
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	1.7	2.2

**BALANCE SHEET LIFE**

(€ million)	2016	2015
<b>ASSETS</b>	<b>236.6</b>	<b>189.5</b>
<b>INTANGIBLE ASSETS</b>	<b>0.1</b>	<b>0.1</b>
Goodwill	0.0	0.0
Other intangible assets	0.1	0.1
<b>TANGIBLE ASSETS</b>	<b>1.0</b>	<b>2.2</b>
Land and buildings (self used)	0.3	0.6
Other tangible assets & inventories	0.8	1.6
<b>INSURANCE PROVISIONS CEDED</b>	<b>0.2</b>	<b>0.1</b>
<b>INVESTMENTS</b>	<b>225.3</b>	<b>177.5</b>
Land and buildings (investment properties)	0.2	0.2
Investments in subsidiaries, associated companies and JV	1.1	1.1
Loans and receivables	2.6	1.9
Held to maturity investments	0.0	0.0
Available for sale financial assets	221.5	174.4
Financial assets at fair value through profit or loss	0.0	0.0
<b>RECEIVABLES</b>	<b>2.3</b>	<b>1.9</b>
Receivables arising out of direct insurance operations	2.3	1.9
Receivables arising out of reinsurance operations	0.0	0.0
Other receivables	0.0	0.0
<b>OTHER ASSETS</b>	<b>0.7</b>	<b>0.2</b>
Deferred acquisition costs	0.0	0.0
Tax receivables	0.0	0.0
Deferred tax assets	0.4	0.2
Other assets	0.3	0.0
<b>CASH AND CASH EQUIVALENTS</b>	<b>7.0</b>	<b>7.6</b>

(€ million)	2016	2015
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>236.6</b>	<b>189.5</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>19.8</b>	<b>10.7</b>
Shareholders' equity attributable to the Group	19.8	10.7
Shareholders' equity attributable to minority interests	0.0	0.0
<b>OTHER PROVISIONS</b>	<b>0.0</b>	<b>0.0</b>
<b>INSURANCE PROVISIONS</b>	<b>207.4</b>	<b>167.3</b>
Insurance provisions	0.0	0.0
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	0.0	0.0
Provisions for outstanding claims	0.3	0.3
Other insurance provisions	4.2	1.9
Mathematical provisions	202.9	165.1
Provisions for policies where risk borne by the PH&PF	0.0	0.0
<b>FINANCIAL LIABILITIES</b>	<b>0.0</b>	<b>0.0</b>
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	0.0	0.0
<b>PAYABLES</b>	<b>1.6</b>	<b>0.8</b>
Payables arising out of direct insurance operations	0.0	0.0
Payables arising out of reinsurance operations	0.3	0.2
Other payables	1.3	0.6
<b>OTHER LIABILITIES</b>	<b>7.8</b>	<b>10.7</b>
Tax payables	0.0	0.0
Deferred tax liabilities	0.0	0.0
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	7.7	10.7

**FINANCIAL STATEMENTS – INCOME STATEMENT****INCOME STATEMENT**

(€ million)	2016	2015
<b>TOTAL INCOME</b>	<b>173.0</b>	<b>165.2</b>
NET EARNED PREMIUMS	141.5	132.9
Gross earned premiums	156.2	148.2
Earned premiums ceded	-14.6	-15.3
FEE AND COMMISSION INCOME	0.0	0.0
NET INCOME FROM FINANCIAL INSTRUMENTS AT FVTHPL	0.7	0.9
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.7	0.9
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE	1.2	1.6
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDING	21.1	19.7
Interest income	19.7	17.0
Other income	0.1	0.1
Realized gains on financial instruments	0.0	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	1.3	2.6
OTHER INCOME	8.5	10.1
Financial assets at fair value through profit or loss	0.0	0.0
<b>TOTAL EXPENSES</b>	<b>-153.7</b>	<b>-145.9</b>
NET INSURANCE BENEFITS AND CLAIMS	-96.3	-86.0
Claims paid and change in the insurance provisions	-103.8	-85.9
Reinsurer's share	7.5	-0.1
FEE AND COMMISSION EXPENSES	0.0	0.0
EXPENSES FROM SUBSIDIARIES, ASSOCIATED COMPANIES&JV	-0.2	0.0
EXPENSES FROM OTHER FIN. INSTRUMENTS&LAND AND BUILDINGS (IP)	-3.0	-5.9
Interest expenses	-0.1	-0.2
Other expenses	0.0	0.0
Realized losses	0.0	0.0
Unrealized losses	0.0	0.0
Impairment losses	-3.7	-5.6
ACQUISITION AND ADMINISTRATION COSTS	-40.6	-36.9
Net acquisition costs and other commissions	-33.9	-30.1
Investment management expenses	0.0	0.0
Other administration costs	-6.7	-6.7
OTHER EXPENSES	-13.6	-17.2
<b>EARNINGS BEFORE TAXES</b>	<b>19.3</b>	<b>19.3</b>
INCOME TAXES	-0.1	-0.9
<b>RESULT OF DISCONTINUED OPERATIONS</b>	<b>0.0</b>	<b>0.0</b>
<b>RESULT OF THE PERIOD</b>	<b>19.2</b>	<b>18.4</b>

**INCOME STATEMENT NON-LIFE**

(€ million)	2016	2015
<b>TOTAL INCOME</b>	<b>100.4</b>	<b>97.2</b>
NET EARNED PREMIUMS	85.7	79.9
Gross earned premiums	99.5	94.6
Earned premiums ceded	-13.8	-14.7
FEE AND COMMISSION INCOME	0.0	0.0
Net income from financial instruments at FVthPL	0.1	0.2
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.1	0.2
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE	0.6	1.1
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDING	10.7	11.7
Interest income	9.8	8.9
Other income	0.1	0.1
Realized gains on financial instruments	0.0	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	0.8	2.6
OTHER INCOME	3.3	4.3
TOTAL EXPENSES	-84.5	-81.1
<b>TOTAL EXPENSES</b>	<b>-153.7</b>	<b>-145.9</b>
NET INSURANCE BENEFITS AND CLAIMS	-46.7	-41.5
Claims paid and change in the insurance provisions	-54.0	-41.4
Reinsurer's share	7.3	-0.1
FEE AND COMMISSION EXPENSES	0.0	0.0
EXPENSES FROM SUBSIDIARIES, ASSOCIATED COMPANIES&JV	-0.2	0.0
EXPENSES FROM OTHER FIN. INSTRUMENTS&LAND AND BUILDINGS (IP)	-1.0	-3.7
Interest expenses	0.0	-0.2
Other expenses	0.0	0.0
Realized losses	0.0	0.0
Unrealized losses	0.0	0.0
Impairment losses	-1.7	-3.5
ACQUISITION AND ADMINISTRATION COSTS	-29.6	-26.7
Net acquisition costs and other commissions	-24.7	-21.4
Investment management expenses	0.0	0.0
Other administration costs	-4.9	-5.4
OTHER EXPENSES	-7.1	-9.2
<b>EARNINGS BEFORE TAXES</b>	<b>15.9</b>	<b>16.1</b>
INCOME TAXES	-0.5	-1.1
<b>RESULT OF DISCONTINUED OPERATIONS</b>	<b>0.0</b>	<b>0.0</b>
<b>RESULT OF THE PERIOD</b>	<b>15.4</b>	<b>15.0</b>

## Notes to the Financial Statements

### INCOME STATEMENT LIFE

(€ million)	2016	2015
<b>TOTAL INCOME</b>	<b>72.6</b>	<b>68.0</b>
NET EARNED PREMIUMS	55.8	53.0
Gross earned premiums	56.6	53.6
Earned premiums ceded	-0.8	-0.6
FEE AND COMMISSION INCOME	0.0	0.0
Net income from financial instruments at FVthPL	0.6	0.6
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.6	0.6
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE	0.6	0.5
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDING	10.4	8.0
Interest income	9.9	8.0
Other income	0.0	0.0
Realized gains on financial instruments	0.0	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	0.5	0.0
OTHER INCOME	5.2	5.8
<b>TOTAL EXPENSES</b>	<b>-69.2</b>	<b>-64.8</b>
NET INSURANCE BENEFITS AND CLAIMS	-49.7	-44.5
Claims paid and change in the insurance provisions	-49.8	-44.5
Reinsurer's share	0.1	0.0
FEE AND COMMISSION EXPENSES	0.0	0.0
EXPENSES FROM SUBSIDIARIES, ASSOCIATED COMPANIES&JV	0.0	0.0
EXPENSES FROM OTHER FIN. INSTRUMENTS&LAND AND BUILDINGS (IP)	-2.0	-2.2
Interest expenses	0.0	0.0
Other expenses	0.0	0.0
Realized losses	0.0	0.0
Unrealized losses	0.0	0.0
Impairment losses	-2.0	-2.1
ACQUISITION AND ADMINISTRATION COSTS	-11.1	-10.1
Net acquisition costs and other commissions	-9.3	-8.8
Investment management expenses	0.0	0.0
Other administration costs	-1.8	-1.4
OTHER EXPENSES	-6.5	-8.0
<b>EARNINGS BEFORE TAXES</b>	<b>3.4</b>	<b>3.2</b>
INCOME TAXES	0.4	0.2
<b>RESULT OF DISCONTINUED OPERATIONS</b>	<b>0.0</b>	<b>0.0</b>
<b>RESULT OF THE PERIOD</b>	<b>3.8</b>	<b>3.4</b>

### Average exchange rate

Currency	2016
EURO	123.1105

### Investment in subsidiaries, associated companies and joint venture

(€ million)	2016	2015
Subsidiaries included in line by line consolidation	8.6	8.6
Investments in non-consolidated subsidiaries	1.2	1.4
Investments in associated companies valued at equity	0.0	0.0
Investments in joint ventures	0.0	0.0
Investments in other associated companies	0.0	0.0
<b>Total</b>	<b>9.8</b>	<b>10.0</b>

### Investments

(€ million)	2016		2015	
<b>Equity instruments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Available for sale financial assets	0.0	0.0%	0.0	0.0%
Available for sale financial assets	0.0	0.0%	0.0	0.0%
<b>Fixed income instruments</b>	<b>355.9</b>	<b>94.3%</b>	<b>290.0</b>	<b>93.4%</b>
Bonds	350.4	92.8%	287.6	92.6%
Other fixed income investment	5.6	1.5%	2.4	0.8%
Held to maturity investments	0.0	0.0%	0.0	0.0%
Loans	5.6	1.5%	2.4	0.8%
Available for sale financial assets	350.4	92.8%	286.7	92.3%
Financial assets at their fair value through profit or loss	0.0	0.0%	0.9	0.3%
<b>Real estate investments</b>	<b>0.6</b>	<b>0.2%</b>	<b>0.6</b>	<b>0.2%</b>
<b>Other investments</b>	<b>9.8</b>	<b>2.6%</b>	<b>10.0</b>	<b>3.2%</b>
Investment in subsidiaries, associated companies and joint ventures	9.8	2.6%	10.0	3.2%
Derivatives	0.0	0.0%	0.0	0.0%
Other investments	0.0	0.0%	0.0	0.0%
<b>Cash and similar instruments</b>	<b>11.2</b>	<b>3.0%</b>	<b>9.9</b>	<b>3.2%</b>
<b>Total investments</b>	<b>377.6</b>	<b>100.0%</b>	<b>310.5</b>	<b>100.0%</b>

Insurance provisions (€ million)	Gross provisions	
	2016	2015
<b>Non-life insurance provisions</b>	<b>93.9</b>	<b>91.7</b>
Provision for unearned premiums	45.6	40.7
Provision for outstanding claims	45.7	48.9
Other insurance provisions	2.6	2.1
<b>Life insurance provisions</b>	<b>207.4</b>	<b>167.3</b>
Provision for unearned premiums	0.4	0.3
Provision for outstanding claims	0.3	0.3
Mathematical provision	202.5	164.8
Provisions for policies where risk borne by the PH&PF	0.0	
Other insurance provisions	4.2	1.9
of which provisions for liability adequacy test	1.9	0.6
<b>Total</b>	<b>301.3</b>	<b>259.0</b>

Provisions for outstanding claims (€ million)	Gross provisions	
	2016	2015
<b>Motor</b>	<b>35.4</b>	<b>32.7</b>
<b>Non-motor</b>	<b>10.3</b>	<b>16.2</b>
Accident/Health	3.7	3.1
Other Non-motor	6.6	13.1
<b>Total</b>	<b>45.7</b>	<b>48.9</b>

Shareholders' equity		
(€ million)	2016	2015
Share capital	17.3	17.3
Capital reserves	0.0	0.0
Revenue reserves and other reserves	32.3	20.0
Own shares	0.0	0.0
Currency translation differences	0.0	0.0
Reserve for unrealised gains and losses on available for sale financial assets	31.7	20.2
Reserve for unrealised gains and losses through equity	0.0	0.0
Result of the period	19.2	18.4
<b>Shareholders' equity</b>	<b>100.6</b>	<b>76.0</b>

Employees		
	2016	2015
Managers	19	23
Middle Managers	217	229
Employees	324	311
Others	2	3
Sales attendant	1,085	1,102
<b>Total</b>	<b>1,647</b>	<b>1,668</b>

Properties		
(€ million)	2016	2015
Land and buildings (investment properties)	0.6	0.6
Land and buildings (self used)	3.0	3.3
<b>Total</b>	<b>3.6</b>	<b>3.9</b>





# **glossary**

## Glossary

### General definitions

■ **Integrated report:** concise communication that illustrates how the strategy, governance and future prospects of an organization, in the external environment in which it operates, are used to create value in the short, medium and long term.

■ **GOS** stands for Generali Osiguranje Srbija

■ **CEE** region is Central Eastern Europe

### Technical components

■ **MTPL** stands for motor third party liability insurance. This insurance is compulsory in Serbia

■ **AHD** insurance consists of accident, health and disability insurance

■ **Combined Ratio (COR):** it is a technical performance indicator of property&casualty segment, calculated as the weight of the loss ratio and the acquisition and general expenses (expense ratio) on the earned premiums net of insurance.

■ **Gross written premiums (GWP):** equal to gross written premiums of direct business and accepted by third parties.

■ **Gross direct premiums:** equal to gross premiums written of direct business.

■ **Net cash inflows:** equal to the amount of premiums collected net of benefits paid and insurance expenses.

■ **APE, new business annual premium equivalent:** is equivalent to the sum of new annual premium policies, plus one tenth of premiums in single premium policies.

■ **NBV, value of new business:** is obtained by discounting, at the date of new contracts, the corresponding expected profits net of the cost of capital.

■ **New Business Margin:** the ratio NBV / APE

■ **Operating return of investments:** equal to the ratio between the operating result and the average investments calculated on the basis of the financial statement figures.

■ **Current accident year loss:** is the ratio between:

■ current year incurred claims + related claims management costs net of recoveries and reinsurance, to

■ earned premiums net of reinsurance

■ **Previous accident year loss:** is the ratio between:

■ previous year incurred claims + related claims management costs net of recoveries and reinsurance, to

■ earned premiums net of reinsurance

■ **Solvency I ratio:** equal to the ratio of the available margin and the required margin.

■ **Earnings per share:** equal to the ratio of Group net result and the weighted average number of ordinary shares outstanding.

### Alternative performance measures

■ **The operating result:** was obtained by reclassifying the components making up earnings before tax in each line of business on the basis of the specific characteristics of each segment, and taking account of recurring expense of the holding. In the life segment, the following are also considered as non-operating items: realised gains and losses on investments not considered in determining profits attributed to policyholders and net measurement losses that do not contribute to the formation of local technical reserves

but exclusively in determining the deferred liability to policyholders for amounts not relating to policyholders and those on free assets. In the P&C segment, the following are considered as non-operating items: all realized and measurement gains and losses, including exchange-rate gains and losses.

■ **Operating return on equity:** an indicator of return on capital in terms of the Group operating result adjusted as described in the previous methodological note.

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