

Annual Integrated Report 2018

Generali Osiguranje Srbija



187th year

| generali.rs

Annual Integrated Report 2018

Generali Osiguranje Srbija



To accomplish great things
we must not only act,
but also dream; not only
plan, but also believe.

François Anatole Thibault

Corporate bodies as at 31.12.2018.

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)

Audit Committee

Petra Jankovská (Chairwoman)

Renáta Šmejkalová (Member)

Rada Radović (Member)

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

Parent company established in Trieste in 1831

Share capital € 1.565.165.364 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



Contacts available at the end of the document

Contents

04 About the Report

06 Letter from the CEO

08 We, Generali

10 Our history – Generali group

12 Our history – Generali Osiguranje Srbija

14 Generali Osiguranje Srbija

16 Generali Osiguranje Srbija in numbers

18 Key facts 2018

20 Calendar for 2019

22 Generali strategy 2019-2021

24 Our people

34 Our rules for running business with integrity

36 Strategy execution makes the difference

38 Our purpose and value creation

40 Living our values

42 Our governance

46 Our performance

48 Insurance market overview

49 Company's performance

53 Non-life segment results

56 Life segment results

58 Outlook

62 Risks and opportunities

70 Financial statements

72 Financial statements

81 Notes to the financial statements

84 Glossary



About the Report

The Integrated Report has become our most important financial report. We have published it regularly since 2015, and it is available to our clients, shareholders and the general public in both Serbian and English.

In this report we present our results in an innovative and integrated way, which consolidates and provides the whole picture of Generali Osiguranje Srbija, through financial and non-financial indicators incorporated into the story of our Group's value creation system.

The integrated report promotes a coherent and efficient approach to corporate reporting. It relies on a large number of different reports and considers factors which affect the ability of the company to create value in the course of time.

In addition to the integrated annual business report, Generali Osiguranje Srbija publishes a package of financial reports which fully comply with the regulations and standards pertaining to reporting for insurance companies in Serbia. As a member of the Generali group, the company also draws up a package of financial reports conforming to the requirements of the Group, and to International Accounting Standards (IAS) and International Standards of Financial Reporting (IFRS). These, however, are available only to internal users within the Group as well as auditors and supervisory bodies.

Lastly, through the Integrated Report, the management of the company wishes to complete the picture of our total business in Serbia, using the previously cited reports as well as a much broader set of financial and non-financial indicators which are necessary for both our shareholders and our clients in making decisions and creating a future together.

The financial indicators presented by Generali Osiguranje Srbija in this report are fully compliant with International Standards of Financial Reporting (IFRS) and the requirements of the Generali group and so, in some areas, they deviate from statutory financial reports in the Republic of Serbia.

Unless otherwise stated, all amounts shown in this report are in millions of euros. The official average exchange rate of the National Bank of Serbia for 2018 has been applied (1 EUR = 118.24 RSD). Amounts are rounded to the first decimal point, so it is possible that the sum of the individual rounded amounts in the tables does not correspond to the rounded total.



Sections of Annual Integrated Report



Elements of the content of the <IR> Framework



www.generali.com for further information about the Group
and www.generali.rs for further information about Generali Osiguranje Srbija

We, Generali

Our Performance

Outlook

Our history

Our strategy

Vision,
mission and
values

Our people

Governance

Key financial
indicators

Outlook

Risk and
opportunities

Financial
statements

Responsibility for the integrated annual report

The financial director (CFO) is responsible for drawing up the report and the information within it.

The report has been drawn up in conformity with the elements and principles described in the International Framework for Integrated Reporting (International <IR> Framework), published by the International Integrated Reporting Council - IIRC.

Follow Generali on



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. You can also contact us at this address if you would like a printed copy of the report.

Letter from the CEO

Dragan Filipović



Generali Osiguranje Srbija achieved excellent results in 2018. It was not an easy year, but the insurance market saw an overall growth of 6.6%. The stable macroeconomic situation in the country favours further growth of the insurance industry in Serbia, with an emphasis on continuing to raise public awareness of the necessity of insurance and strengthening and developing the general insurance culture.

We have remained the largest insurance company in Serbia based on total assets, the second-largest based on gross premium and the leading insurance company based on profitability. We closed the year with an increase of gross written premium and with improved operating results. The results achieved have allowed us to meet, and in some cases exceed, the planned figures, confirming our capability and our dedication to achieving extraordinary results.

In accordance with Generali group's sustainability culture and long-term planning, Generali Osiguranje Srbija is publishing its integrated report for the fourth consecutive year. In addition to regular financial information, the report also contains non-financial information about our socially responsible operations, with a focus on taking care of employees and the community we live and work in.

During the previous period, we have been devoted to the optimization and digitalization of procedures, the introduction of new technological solutions and improving our relations with our clients in order to create quality, long-lasting relationships. In addition, we have launched a family program together with the Novak Đoković Foundation, within Generali's The Human Safety Net initiative. The goal is to raise awareness of the importance of early childhood development, to promote children's right to equal life opportunities, and to raise funds in order to help organize educational workshops for parents.

With the introduction of the Smart Working policy and by receiving the Family Friendly Enterprise certificate for socially responsible company management with a focus on balancing work and private life, we have confirmed our commitment to employee satisfaction. We know that our people are the key to our success, and their satisfaction and loyalty are of the utmost importance to us. We are one of very few companies in Serbia to receive this certificate and the only one in the insurance industry, which is something I am very proud of.

Results from 2018 show that, in addition to increasing premiums and improving the operating results, we have achieved growth of investment assets, reaching EUR 463.1 million, and we have increased the number of clients. We have significantly bolstered our position as the leader in the life insurance sector, and we remain a leader in health insurance.

In November 2018, the Group presented Generali 2021, a new strategic plan which aims to accelerate growth by tapping potential. As a Group, we want to become a partner for life to our clients, offering innovative and customized solutions and relying on our unparalleled distribution network.

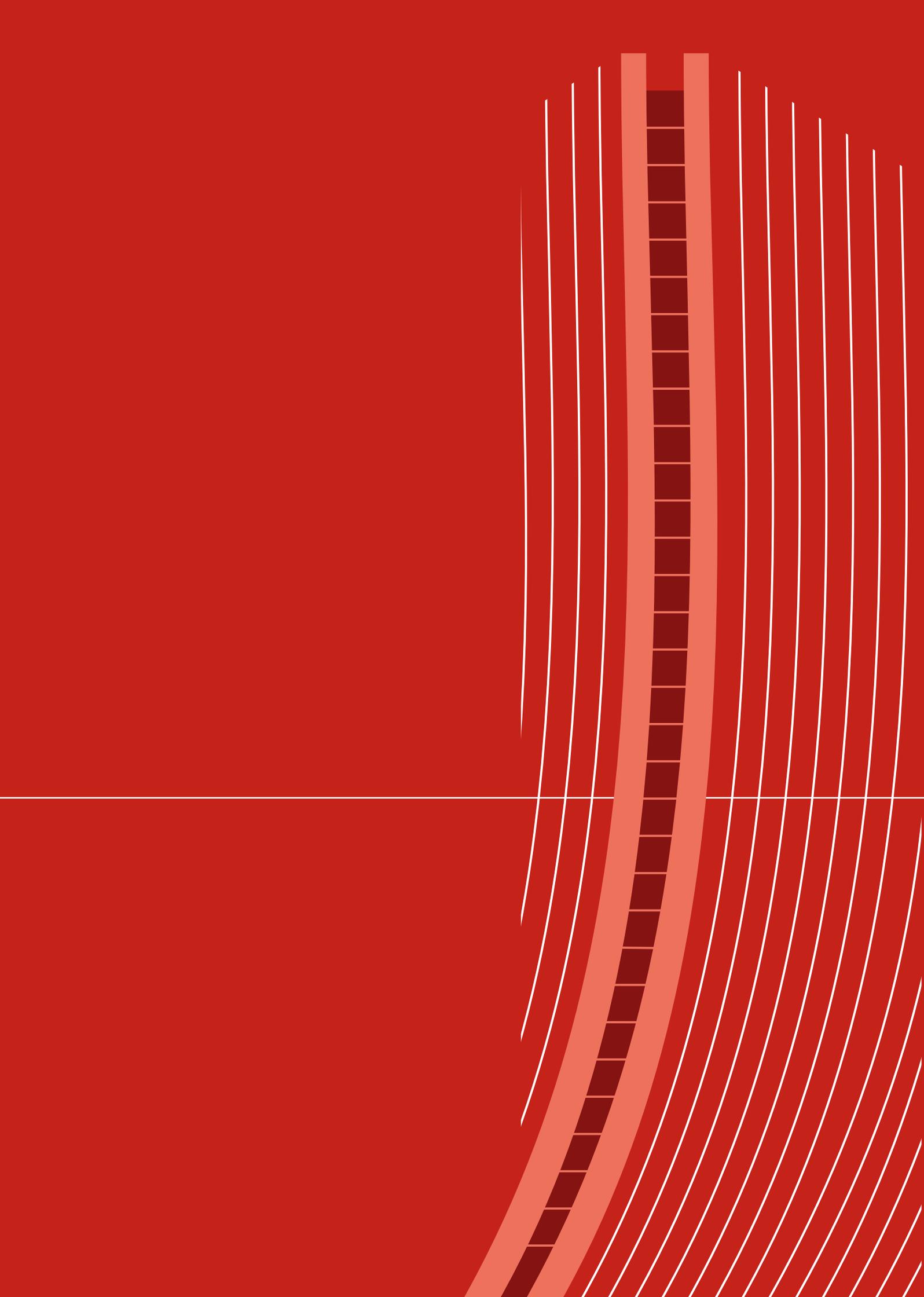
Generali Osiguranje Srbija wants to become the leader in all types of insurance geared towards individuals and SMEs. Additionally, we are using the strength and experience of Generali Group to design new solutions for corporations, government and private institutions, and major companies so we can respond to their ever-changing needs.

Given our leading position on the market in numerous areas and, primarily, thanks to the dedication, talent, skills and proud sense of belonging of more than 1,400 of our employees who help us make a difference on the market, I am certain that Generali Osiguranje Srbija will achieve the goals it has set for 2021. We also owe gratitude to our partner banks, agencies and representatives who share our values and help us tremendously in achieving our results.

I want to thank all our employees and partners for making their contribution every day, and helping all of us achieve our business goals, year after year – helping us take care of the lives and property of our clients, allowing them to sleep better and have a safer future.

Dragan Filipović





We, Generali

- 10 Our history – Generali group
- 12 Our history – Generali Osiguranje Srbija

Our history – Generali group

1831

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 50 countries through more than 400 companies and around 71 thousand employees.

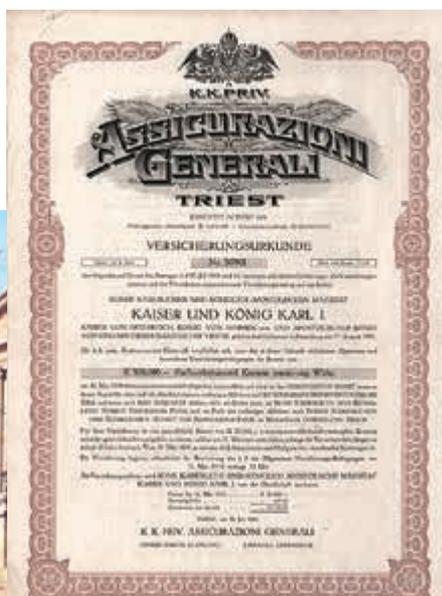
The Group was established as **Assicurazioni Generali Austro-Italiche** in Trieste. Trieste was the ideal choice at the time as a commercial and international hub located in the main port of the Austro-Hungarian Empire.

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.



www.generali.com/who-we-are/history



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.

2011-2018

Recent years have driven a new phase of change, with a **new top management** and a corporate reorganization. The Group presented the **update of its strategic plan** at the Investor Day in November 2016, which aims to set out a new business model. The Central Eastern Europe region has been expanded with two important countries – Austria and Russia are now a part of Generali CEE Holding, under which Generali Osiguranje Srbija operates. In November 2018, on Investor Day, the Group presented its three-year strategy focused on customers and the creation of a lifetime partnership with them. The new strategy is detailed on page 22.



Our history – Generali Osiguranje Srbija

1998-2006

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 (reinsurance company), Generali Društvo za upravljanje dobrovoljnim penzijskim fondovima (Pension Funds Management Company Generali Reinsurance Serbia) – 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.

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.

2006

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.

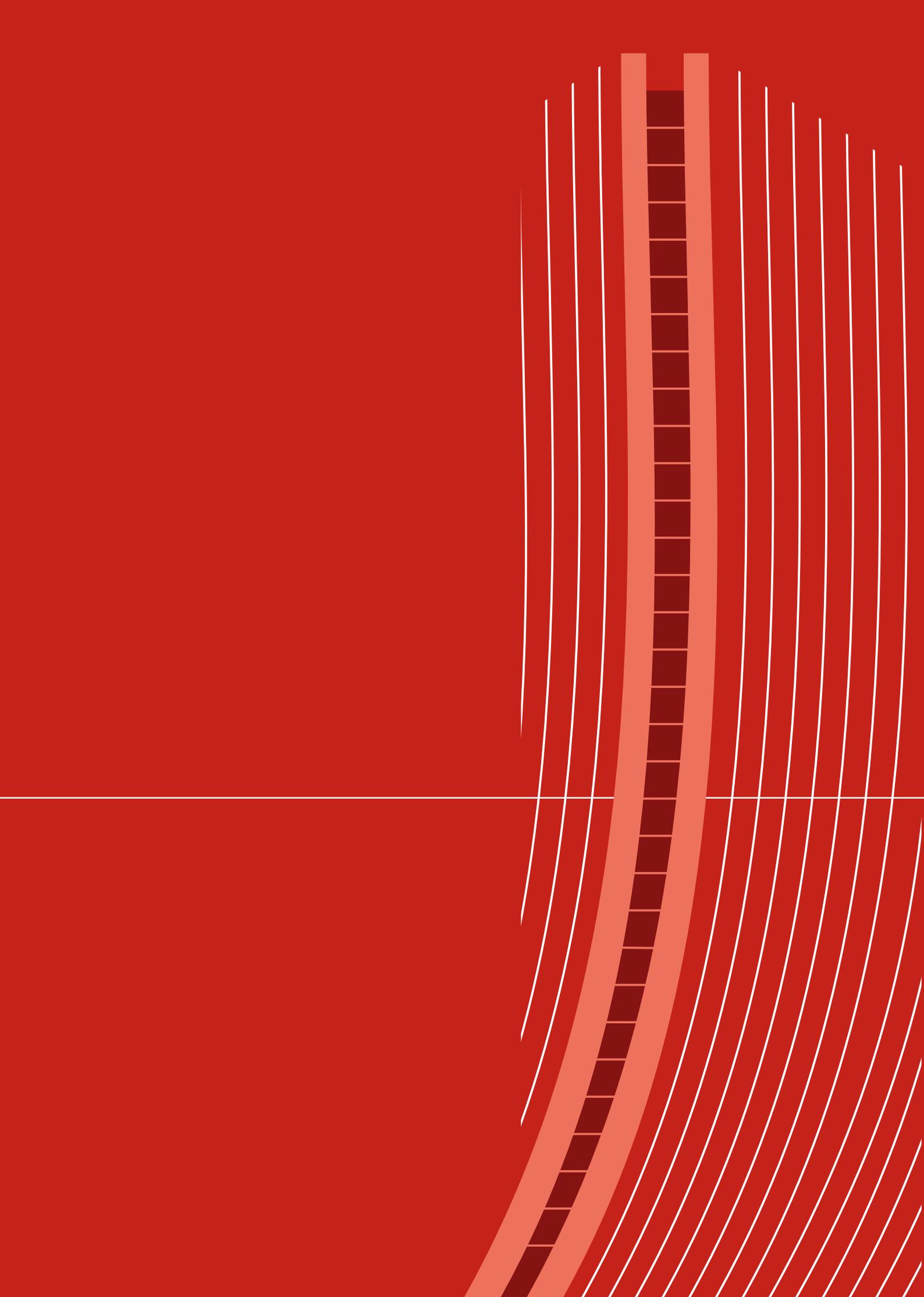
2014-2018

With the purchase of the remaining share, **Generali became the sole proprietor and changed the name to Generali Osiguranje Srbija a.d.o.** in September, 2014. The new name, and a constant focus on clients and innovations become recognised in the market and gave the company a new, modern image. The year 2015 was not only important because of the growth in premiums and profitability, but also because of the **opening of new headquarters for Generali Osiguranje Srbija in Belgrade**. Keeping-up with the strategy of the Generali group, the key priorities of that year were the **streamlining and upgrading of the organisation**, products and services. We listen to the suggestions of clients and agents received through the NPS and streamline products and documentation, **introducing modern and innovative solutions**.

Part of the initial phase of digitalization in 2016 was the introduction of the first mobile apps for sales and claims, and the drone for risk assessment and claim settlement, which for us was an incentive to continue in 2017. Following the first successes in travel insurance sales, in 2017 **we introduced sales of household insurance and many other options for customers**, both in the app and on our website. Thanks to better operation of our customer support units, we now provide faster and more efficient service to our customers. In Belgrade, in 2017 **we introduced a modern and organized system of loss assessment scheduling, with no wait-time, the first of its kind on our market**. Along with profitable business as a standard, and fulfillment of requirements of our shareholders, in 2018 we reaffirm our customer centricity

by further improving the quality of our products and services, **continuous investments and innovations in the technologies we use**, and constant care for and investments in the skills and know-how of our employees. In 2018 we offered our customers another **modern set of products called SMART** along with many new options on our **digital platforms**, website and mobile apps. We have reaffirmed our focus on employee satisfaction by introducing SMART WORKING policy, based on which, along with many other measures and activities we have implemented, at the end of the year we became the first financial institution in Serbia to be awarded the **Family Friendly certificate**, which makes us very proud.





Generali Osiguranje Srbija

16	Generali Osiguranje Srbija in numbers
18	Key facts 2018
20	Calendar for 2019
22	Generali strategy 2019-2021
24	Our people
34	Our rules for running business with integrity
36	Strategy execution makes the difference
38	Our purpose and value creation
40	Living our values
42	Our governance

Generali Osiguranje Srbija in Numbers

GROSS WRITTEN PREMIUMS

€ 181.2 million

+8.3%

NON-LIFE

65.3%

LIFE

34.7%

OPERATING RESULT

€ 28.6 million

+8.9%

NET COMBINED RATIO

86.6%

-1.4%

NON-LIFE OPERATING RESULT

€ 21.1 million

+10.9%

LIFE OPERATING RESULT

€ 7.5 million

+3.6%

ASSETS UNDER MANAGEMENT

€ 463.1 million

+11.4%



APE - LIFE

€ 11.4 million

-1.7%

NET PROFIT

€ 27.8 million

+14.1%

SOLVENCY I RATIO

NON-LIFE

LIFE

TOTAL

179.3%

161.7%

172.0%

OUR PEOPLE

1 464

-5.5%

MEN

WOMEN

WOMEN IN TOP MANAGEMENT

34%

66%

50%



OUR CUSTOMERS

613 035

+2.5%

Key facts 2018



www.generali.rs/media

March

The *Smart Working* project began, introducing a number of benefits and providing a more comfortable work experience for our employees.

A performance-based reward system for back-office non-managerial positions was introduced. Now, all employees have a chance to achieve a variable bonus.

The *Managerial Acceleration Program* began, aimed at developing managerial skills for further empowerment of employees.

We received the *Kapetan Miša Anastasijević* award for our contribution to the business and social environment.

April

Approval of annual financial statements for 2017 and approval of the Decision on distribution of dividends after attribution of profit share to life saving insurance policyholders.

The „Love in the Spring” event brought together children who visited their parents' workplace.

May

Generali Osiguranje Srbija received a *Top Serbian Brands 2017* award in the banking and insurance category.

At the 2018 Agriculture Fair in Novi Sad, which we sponsor, we presented a crop damage assessment app.

We began long-term collaboration with the BioSense Institute in order to implement modern solutions in agricultural insurance.

On May 9, 2018, Generali Osiguranje Srbija joined the Generali group's global initiative – The Human Safety Net – focused on the protection and improvement of people's lives beyond the scope of everyday business operations.

The 2017 Annual Integrated Report was published.

We have renewed standards:
ISO 9001:2015,
ISO 27001:2013,
ISO 10002:2014,
ISO 14001:2015,
OHSAS 18001:2007
and
ISO 22301:2012.

June

We have aligned the ownership structure in our Montenegro subsidiary Generali Osiguranje Montenegro.

Generali Group remains the owner (100% of shares) of Generali Osiguranje Montenegro, but individual stakes have changed.

In Belgrade, we hosted a *CFO Community* meeting which brought together CFOs and the most relevant experts in this field from the Generali Group.

We received the *Superbrands* award for 2017-2018.

Introductory workshops were held on the application of the new IFRS 17 standard.

July

We aligned our business operations with the ISO 50001:2011 standard – Energy Management Systems.

2018

August

We created a new, modern, digital, informational life insurance proposal, beginning the modernization of this important business segment.

September

We moved into new premises in Novi Sad. This has made all services available in a single place for our customers from Novi Sad and the surrounding areas.

The Generali Kindergarten opened for the children of our employees. Employees enjoy more favorable conditions.

October

We carried out the first Quantitative Impact Study (QIS I) as part of preparations for implementation of the Solvency II regulatory framework in the Republic of Serbia.

We began collaboration with UniCredit Bank in Serbia and became part of the global collaboration between Generali group and UniCredit group.

Within the THSN program we began collaboration with the *Novak Đoković Foundation*.

November

The new Generali group strategy 2019-2021 was released.

Following extensive measures taken to enhance the life-work balance of employees, Generali Osiguranje Srbija became the first financial organization in Serbia to be awarded a *Family Friendly Enterprise* certificate.

December

In late December we gathered over a thousand of our employees for a corporate celebration of yet another successful business year.



Corporate calendar and major projects in 2019

March

Supervisory board – first quarter results.

Start of the local talent program for the third generation of talents.

April

Supervisory board – Approval of financial reports as at December 31, 2018 and profit distribution.

Annual General Meeting and Q1 results reporting.

“Love in the Spring” manifestation.

Innovations marathon – event where new ideas are generated and adopted, with the goal to improve our business.

May

General sponsorship of the International Agricultural Fair in Novi Sad, the largest agricultural fair in the region.

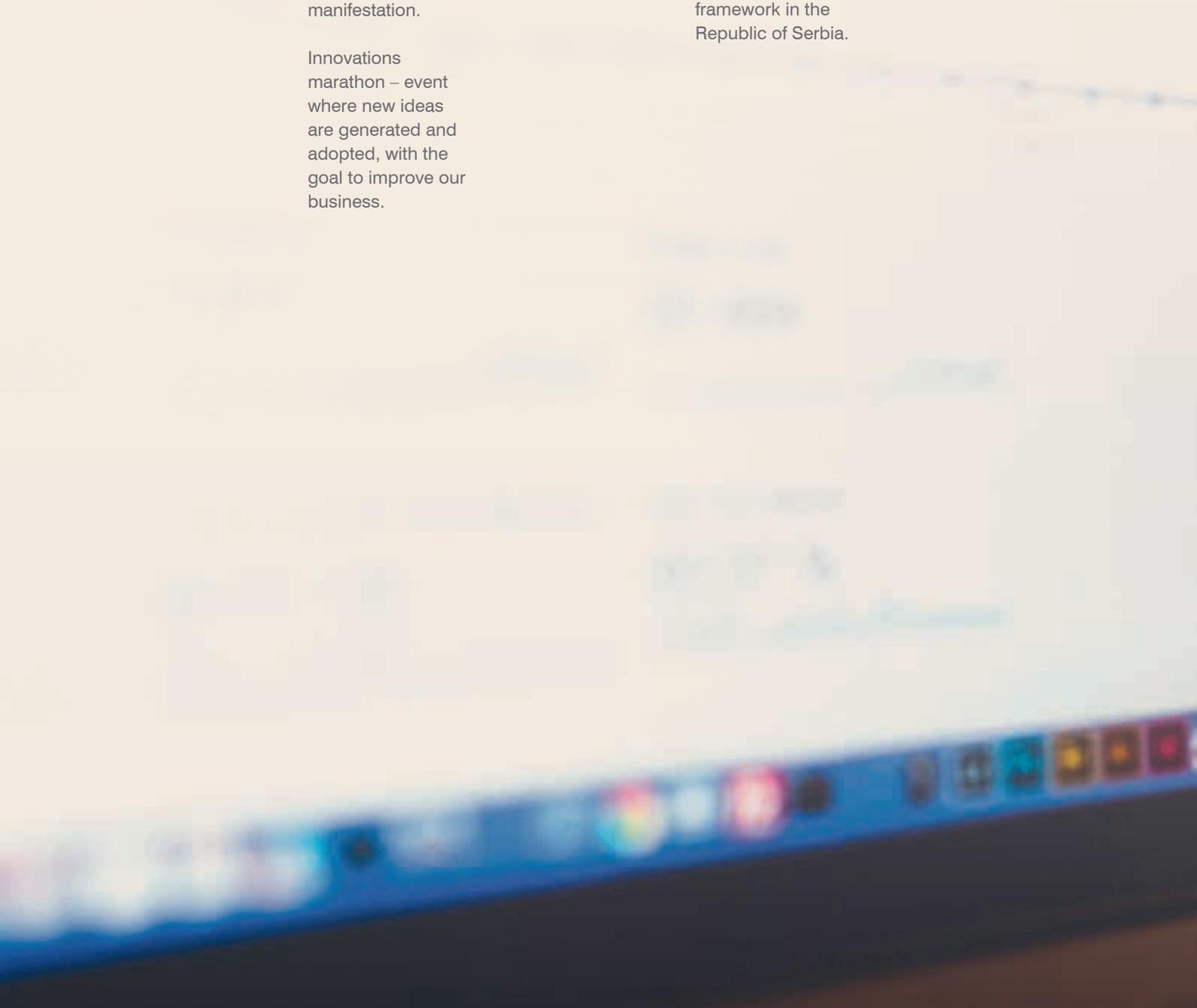
June

The new, third-in-a-row Engagement Survey will take place in June.

The second Quantitative Impact Study (QIS II) as part of preparations for implementation of the Solvency II regulatory framework in the Republic of Serbia.

July

Supervisory Board – half-year results.



2019

August September October November December

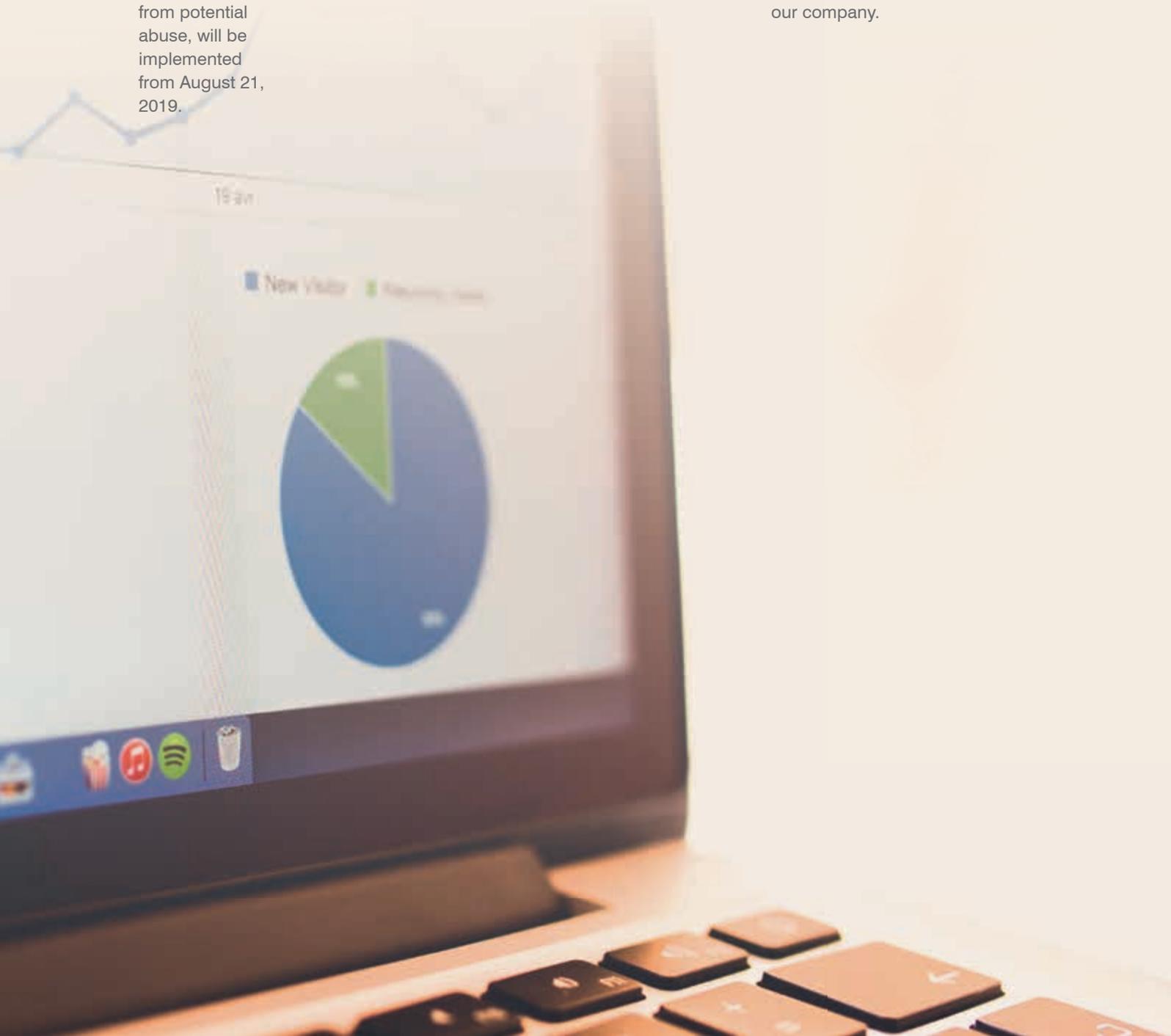
Local GDPR, which will enable customers to exercise their legal rights and secure adequate protection of their data from potential abuse, will be implemented from August 21, 2019.

Submission of three year period plans to Generali CEE Holding – ACCER ExCo.

Supervisory board- quarterly meeting

Innovations marathon – event where new ideas are generated and adopted, with the goal to improve our business.

The local *Net Promoters Score* (NPS) event. The NPS program is focused on improving customer experience in interaction with our company.



The Generali 2019-2021 strategy

Being a life-time partner to customers, offering innovative, personalized solutions thanks to an unmatched distribution network.

Profitable Growth

STRENGTHEN LEADERSHIP IN EUROPE:

reinforce #1 market position

FOCUS ON HIGH POTENTIAL INSURANCE MARKETS:

15%-25% earnings CAGR 2018-2021 depending on country/segment

Capital Management and Financial Optimization

INCREASE CAPITAL GENERATION:

> € 10,5 billion cumulative capital generation 2019-2021

ENHANCE CASH REMITTANCE:

+35% cumulative cash remitted to holding 2019-2021 compared to period 2016-2018

Innovation and Digital Transformation

BECOME LIFE-TIME PARTNER TO CUSTOMERS

ENABLE DIGITAL TRANSFORMATION OF DISTRIBUTION

about € 1 billion total investment in internal strategic initiatives 2019-2021

Three key enablers which will drive the execution of the strategy:

1. our people

2. a strong brand



Our people, p. 24 - 26



A strong brand, p. 31

Leading the European insurance market for individuals, professionals and SMEs, while building a focused, global asset management platform and pursuing opportunities in high potential markets.

DEVELOP GLOBAL ASSET MANAGEMENT PLATFORM:

15%-20% earnings CAGR 2018-2021

REDUCE DEBT LEVEL AND COST:

€ 1,5-2,0 billion debt reduction by 2021;

€ 70-140 million reduction in annual gross interest expense by 2021 vs 2017

TRANSFORM AND DIGITALIZE OPERATING MODEL

Generali 2021 – Financial Targets



GROWING EARNINGS PER SHARE:

6%-8%

EPS CAGR range 2018-2021



GROWING DIVIDEND:

55%-65%

dividend pay-out range 2019-2021



HIGHER RETURN FOR SHAREHOLDERS:

> 11,5%

average return on equity 2019-2021



3. a continuous commitment to sustainability

Our people

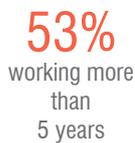


The Generali People Strategy, based on four priorities, ensures the execution of the business strategy while respecting our values.



Each priority is supported by specific Group initiatives, the results of which are measured and monitored over time to ensure continuous improvement.

In the period 2019-2021, our people development strategy will be focused on the development of key skills, strengthening leadership and talents, rewarding exceptional performance and establishing a simple and agile organization.



Generali, our favourite place to work

During the previous year, in anticipation of the new Engagement Survey 2019, we implemented over 40 activities from our action plan in order to increase our employees' satisfaction. Some of these are:

An annual reward system for employees in the back office, created for all employees who are not eligible for the Managerial Annual Bonus system or any other reward system.



We are the first Family-friendly financial organization in Serbia

Generali Osiguranje Srbija is the first financial organization in Serbia and the region to receive the **Family Friendly Enterprise Certificate**.

Family Friendly Enterprise is a process of assigning certificates to socially responsible companies with a focus on work-life balance. The certificate is awarded by TMS CEE d.o.o. according to the certification scheme of the Ekvilib Institute.

Thanks to the benefits offered to its employees, Generali Osiguranje Srbija has become one of these prestigious employers and the first of more than 90 financial organizations in Serbia to receive this significant certificate.



In the previous period, Generali Osiguranje Srbija had already implemented many work-life balance initiatives such as flexible working hours, working outside the office, a special package of benefits for people with disabilities, workshops for advising parents when enrolling children in secondary schools, half-time working hours with full salary after maternity leave, additional days of annual holidays for single parents, payment of school materials for single parents. The employees also have a leisure area with social games, a massage chair and the opportunity to practise office yoga.

The next step is to become a company with the full FFE certificate after the basic one. The full certificate is awarded after three years of successfully implementing the basic measures. The Generali Family Friendly team launched thirteen new measures, such as cash loans for employees, additional free days for newcomers, free days and short hours for moving children to kindergarten or school, adapting working conditions to an employee's personal situation, free days for participation in volunteer activities, and enhanced communication with employees.

Jubilee celebration



This year the celebration of the Jubilee was special because of the highest ever number of employees celebrating ten, fifteen or twenty years in the company. The theme for the event was the FIFA World Cup. One hundred and fifty-seven colleagues from Serbia and seventeen from Montenegro are the reason for our success and the core of the company from its establishment.



41.7
hours of education
per employees

115
Talents

92.3%
Talent retention

2018 – a new chapter of the Generali Academy

Individual approach

Training content and programs are created for the individual development plans of our colleagues, our business needs, and in accordance with Generali competencies.

Prework, Follow-up

The development of employees is a continuous process with strong connections and cooperation between participants, managers and the Generali Academy. We have developed programs that include activities before, during and after the training. We have created a system where training content is always available through various additional materials, and we have established the tracking of learning through open and continuous communication between trainers and managers. Managers give us feedback on whether we have to make an improvement in specific skills or knowledge.



New tools and methods:

A combination of live training, individual work, m-learning, e-learning, training videos, microlearning, and external educational platforms.

Our Academy continues to be a reliable partner in the professional development of our colleagues.

MAP

At the level of the Generali Group, a new global leadership system was created.

We want our managers to have the necessary attitude, skills and tools to effectively manage their people. The Managerial Acceleration Program (MAP), launched in Serbia in 2018, was developed to increase the empowerment and involvement of managers in the cultural change within the Group. Thanks to this program, the Group Academy has identified the eight managerial skills aimed at empowering our people and defined the Generali Empowerment Manifesto (GEM).

The MAP training program begins on a platform dedicated to the preparation of the participants, continues with three days in the classroom and ends with a final session in which all participants present the changes they have applied in practice. By the end of 2019, we will have all 220 managers trained.



Training participant feedback: “My key impression is the atmosphere of full openness and authenticity of the participants themselves, which has made people more empowered and even more committed to the company.”

Generali advising

Our aspiration to develop a high-quality, long-term relationship with our clients has led to the creation of our own way of selling and we now have clearly defined principles of behaviour. In its essence, this approach means finding the right choice of solutions based on clearly defined client needs and providing very precise information on insurance coverage. Thanks to this way of working, our insurance advisors can build long-term partnerships with clients and definitely fulfil our purpose – to protect and enhance people's lives.

The integration of these principles into the advisers' daily work began in 2018 through a carefully designed education program and continues through active monitoring of the implementation.



Training participant feedback: “The training is concrete, applicable and focused on solving the problems we have in sales.”

Talent management program: a proper place to grow into a lion

Our colleagues who were part of the local talent program during 2018 showed us that it is possible to solve completely unknown problems from scratch, dealing with areas outside their field of work.



The results of their work are visible and useful for all our employees:

If someone needs, for example a red umbrella on a cloudy day, or a planner with a winged lion, they can find them in the company's online brand shop opened by talents. When the time comes for our colleague's child to go to kindergarten, a vacant place, provided by our talents, will be waiting for them in one of the best kindergartens in the neighbourhood (with various benefits). In addition, the talents were dedicated to solving business problems: they supported the administration department in solving the unidentified payments problem and were involved in developing a portal that would enable easier field work for our sales and therefore a faster response to clients' needs. After a year and a half of constant learning within the program and stepping out of the comfort zone, the talents were ready to take on new roles and greater responsibilities within the company.

The goal of our talent program is to build new leaders, but new friendships and a sense of personal development are the reasons that every participant finishes this program with a smile.



1.47
successors per
employee
55%
of female in
Succession planning

7.9%
turnover
in back office

2 620
days
of Smart Working
(out of office)

Generali agile organization

In a dynamic, complex and uncertain digital world which is changing rapidly, the ability to adapt quickly to changes while, at the same time, creating new values and innovations is very important for Generali. That's why we are trying to create an **efficient and agile organization**.



Company organization is fundamental for the achievement of business objectives and strategy implementation. Therefore, we constantly analyze and improve our **organizational structure** to ensure that it is aligned with business challenges. In line with Generali Group guidelines, we adopted the "organizational golden principles" and defined local criteria in order to simplify our organization and make functions and teams more effective.



We are promoting a **new way of working** which, thanks to the use of technology, is more efficient, effective and capable of leveraging the organization's collective intelligence. In this context, we support the smart working concept.



We care about our employees and are preparing them for a new era of business. **The development and promotion** of employees has always been one of our objectives, and is now more important than ever in today's rapidly evolving business environment.

Diversity and inclusion

We are proud that in Generali Osiguranje Srbija there are more than a thousand women whose contribution is recognized every day. Across all our management positions, there are 50 per cent of women, which is significantly higher than the European average of 30 per cent. They make decisions and influence our business every day.

The results of the global engagement survey show that our colleagues feel equally secure and satisfied in all segments. Encouraging diversity and inclusion is a priority for the Generali group, and we have used International Women's Day, as well as the Group, to launch a major local campaign led by the CEO, Dragan Filipović.

Diversity and inclusion imply much more than equality issues.

Considering the representation of women in the company, we wanted to include colleagues who, through a discussion with Mr Filipović, have contributed to shaping our strategy for the encouragement of diversity, and thus made Generali our favourite place to work.



The customer is at the centre of everything we do. At first, this was a slogan, now it is a way of thinking for all our employees. Since June 2015, NPS has been helping us find out what customers want. In this way we improve the service and upgrade procedures in order to achieve greater customer satisfaction. This gives us a significant competitive advantage on the market and proves that we are a company that follows global trends and operates in line with them.

Since the inception of the program we have sent enquiries to more than 236,000 customers asking them to complete the NPS survey and have received 48,000 responses. We are very proud to have received feedback from almost 16,000 customers in 2018 alone.

So far, we have implemented over 80 minor and major changes aimed at increasing customer satisfaction. We keep showing them that we value their opinion by informing them regularly about the changes we have implemented.

We are transparent and proud of our results. Anyone who visits the Generali website can read what our customers say about our products and services. In addition to these benefits the NPS program also has humanitarian aspect: for each NPS survey that is filled out, Generali donates RSD 100 to charity. So far, we have donated over one and a half million dinars.

The operation of such a system would not be possible without the participation of our employees. Thanks to the hard work of more than 150 committed NPS members, we are among the best when it comes to the success of the program.

Customer care and satisfaction are part of our culture.

In 2018

+9,3%

Number of promoters

-7,3

Number of detractors

+16,6

NPS score

The best sales agents in 2018

For the third consecutive year, we have chosen the best sales agents from life and non-life insurance, thus giving recognition to our colleagues for their excellent results, diligent and devoted work, and commitment to their customers' satisfaction.

The best sales agent for non-life insurance is Darko Pavlov, senior consultant, and the best sales agent in life insurance is Nenad Milićević, mentor.





A strong brand

Generali strives to create a brand experience aligned with the Group's goal of becoming a life-time partner to its customers.

We strive to be proactive and focused on customer relationships and integrate protection, prevention and assistance, creating tailor-made products and services that meet our clients' needs. Our agents are at the very heart of this transformation. Data and technology are the crucial levers that give our distribution networks the opportunity to customize and adapt our products and services. Continuous connectivity and real-time support will enable us to create faster and more consistent experiences that will delight our clients.

Being a life-time partner to customers allows us to transform our role from a mere product vendor to a provider of integrated solutions that add genuine value to people's lives, their health, their home, their mobility and their work.

We are committed to strengthening our brand to become 1st choice in the Relationship Net Promoter Score among our European international peers by the end of 2021, to foster new business development. We thus must get consumers to consider, prefer and acquire Generali, and connect them with our agents. Our goal is to have a higher brand preference than our market share.

Lasting commitment to sustainability

Generali Osiguranje Srbija operates in accordance with sustainability commitments adopted on the Group level. In line with this, we are increasing the amount of premiums for green and social products.

We have placed specific products on the market which, taking into account the type of clients, their social responsibility or the coverage they bought, adequately respond to certain social and environmental needs.

In that sense, we would primarily like to mention products meant for the older population, children, people who lost their jobs, people who were diagnosed with severe illnesses and people with temporary or permanent disability.

When it comes to products for people who act responsibly, we would like to highlight products which ensure preventive check-ups with the goal of health preservation.

When it comes to green products, the ones that stand out are the products protecting from environmental disasters meant for big companies, small and medium enterprises and the insurance of households, as well as products which protect crops and fruits from floods, draught, thunder, hail and other elements.

Generali will continue to create specific offers for responsible clients who want to make a positive impact on society and the environment. These offers will include green and social products, helping us meet the expectations and demands of our present and future clients.



The Human Safety Net

In partnership with the Novak Đoković Foundation, Generali Osiguranje Srbija supports early childhood development.

On May 9, 2019, Generali Osiguranje Srbija joined the Generali Group's global initiative, The Human Safety Net, which is focused on the protection and improvement of people's lives beyond the scope of everyday business operations.

The company is implementing a family program promoting the right of children's to equal opportunity. Generali's partner in this initiative, the *Novak Đoković Foundation*, plays an important role as it is active in the early childhood development program *Support, Not Perfection*.

The first cycle of workshops began in November 2018, in nine towns in Serbia. One hundred and eighty parents, foster parents and caregivers of children up to six years of age have been learning, acquiring skills and getting support for the most challenging and important job of developing their children's potential.

The employees of Generali Osiguranje Srbija give their full support to the program implementation and by volunteering they contribute to building a support network for future generations.



"I am a mother of two girls of 12 months and 8 years of age. I was delighted with the workshops because there I felt the support of other parents and experts. Now I understand better how to treat my daughters and how my behaviour will affect their development. I listened to the words of other parents about how they dealt with the same situations and that helped me a great deal. The program made me feel better and therefore my daughters can feel better too. I think this program will prove to be beneficial to our entire family," said program participant Tamara from Pančevo.





Our rules for running business with integrity

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

Running a sustainable business, pursuing excellence in our internal processes, and living the community, playing an active role where we operate, beyond our day-to-day business, represent our commitments to stakeholders and the society as a whole.

We have a collection of public policies and guidelines which support our operations in a sustainable and responsible manner, such as:

Code of Conduct that defines the basic behavioural principles which all the personnel of the Group are required to comply with: these principles are outlined in specific guidelines that refer, for example, to the promotion of diversity and inclusion as well as the management of conflicts of interest, personal data protection and corruption prevention.

Group Policy for the Environment and Climate that contains the guiding principles for the strategies and objectives of environmental management.

Responsible Investment Guideline that codifies the responsible investment activities at Group level.

Ethical Code for suppliers that highlights the general principles for the correct and profitable management of relations with contractual partners.



Together, these Group policies and guidelines contribute to ensuring respect for human rights, a topic which we began to focus on in 2017. The goal is to identify, prevent and mitigate the main direct risks of human rights violations to which the Group is exposed, while also identifying areas and activities for improvement.

We also have a structured internal Group regulatory system, regulated by the Generali Internal Regulation System (GIRS) Policy. The Group regulations cover the internal control system and governance as well as the risk management system.

The primary compliance risks are monitored through specific programs spread throughout the Group. We regularly monitor - by means of specific risk assessment activities - our exposure to these risks with the aim of minimizing potential reputational and economic damages deriving from the violation of regulatory provisions, including those which aim to prevent corruption.

We condemn and combat all forms of corruption and financial crime. We have made available communication channels (Group Compliance Helpline) to our employees, customers and suppliers, even in anonymous format, which ensure an objective and independent management of reports of behaviour or actions which might violate law, the Code of Conduct and the related Group Rules or other internal rules, in accordance with the Process on managing reported concerns and the whistleblowing policy which we have been applying for years. These channels are active 24 hours a day. We have also adopted a rigorous policy against retaliations.

Compliance week

“Risk is no joke! Awareness is key to risk management in our day-to-day work. Our commitment is crucial!”

This was the motto in the latest edition of our Compliance Week during which we examined the concept of risk and emphasized the importance of compliance management system aimed at compliance risk prevention. We pointed out the importance and the role of each employee in this process.



Strategy execution makes the difference

Generali Osiguranje Srbija, for years one of the largest insurance companies in the country, has been improving and changing the overall image of the insurance business by constantly enhancing customer experience. For us, the customer is the center of our entire business, which we prove by constantly designing simple and smart solutions which will make the experience with us, and our current wide range of services, memorable. In this way, we continue to adapt every day in order to become a more agile and flexible company, and open to innovation.

Over the past few years, together with the Generali group, we have gone through a major strategic reorganization that has allowed us to focus more on our core business, and to provide greater discipline in asset management and a simpler, more transparent governance while, and on the other hand, focusing on investments in innovation and digitalization.

The Digital Transformation Program is based on the target model established by the Generali group in 2016, which sets out the digital functionalities to be developed by 2020. These functionalities are monitored and evaluated particularly from three different aspects: internal distribution channel, external distribution channels and direct channel (customer zone). To this end, we set annual action plans and projects that we will develop in the following year. These aim to upgrade and digitize our business processes, and thus improve the set functionalities.

Since the beginning of the digital transformation program, we have made a significant shift and implemented many customer-oriented projects, the most important of which were finalized in 2018:

BioSense

We have begun long-term cooperation with the BioSense Institute in order to implement modern solutions in agricultural insurance.



New options on the mobile app and a **retail** portal

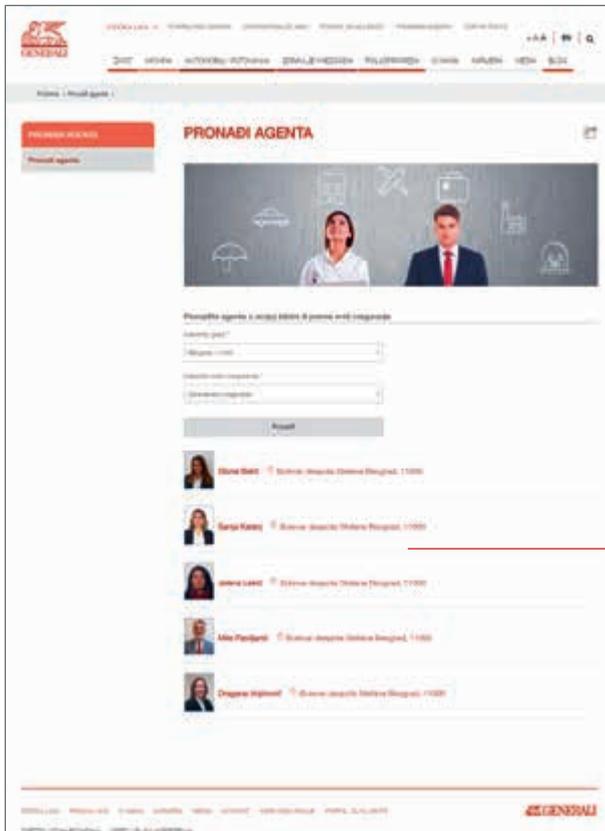
Mobile app and web portal integration for customers. Now our customers can view all their policies, regardless of the purchase method (mobile app, web-shop or via agent), both on the portal and in a mobile app.

Customers can now check the status of their claim on our web portal.



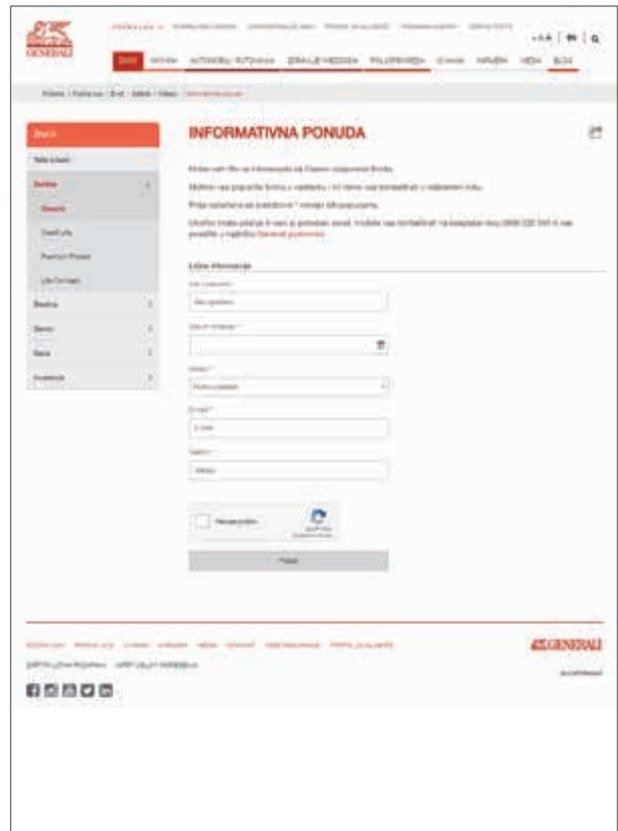
YouTube channel and *Find an Agent* section on our website

Visitors can simply find an agent for each type of insurance on our website. We have also enabled support for our customers via a YouTube channel in the form of a number of tutorials focused on practical insurance-related issues.



E-applications for life insurance

We created a new, modern, digital, informational life insurance proposal, beginning the modernization of this important business segment.



CRM campaigns tool upgrade

Significant investments in IT security upgrade

We implemented the Data Leakage Protection tool for security system upgrade which will enable us to respond to customer enquiries when they ask for a report on the use, purpose and location of their personal data.

Network traffic monitoring – DARKTRACE – makes it easier to locate problems, potential incursions and/or potential abuse, with easier computer network operation diagnostics procedures.

The new 2019-2021 IT strategy was created and released. This will help us speed up digital transformation and business efficiency processes, the introduction of a digital archive and paperless office, as well as the modernization and digitalization of all customer-oriented processes.

Our purpose and the value creation

E X T E R N A L

FINANCIAL CAPITAL
HUMAN CAPITAL
SOCIAL AND RELATIONSHIP CAPITAL
INTELLECTUAL CAPITAL
MANUFACTURED CAPITAL
NATURAL CAPITAL



 The Generali 2021 strategy, p. 22

Our strategy

Our governance

 Our governance and remuneration policy, p. 42

In defining its new strategic plan, Generali has identified a new purpose representing an evolution of its previous vision and mission:

Enable people to shape a safer future by caring for their lives and dreams

It is the essence of what Generali does for its clients every day.

Our **sustainable value creation** is reflected in an integrated offering of Life, P&C and Asset Management products, which is fundamental for customers who seek complete solutions to protect their quality of life, now and in the future.

We distribute our products and we offer our services based on a multi-channel strategy: the guidance of our agents will be essential to provide our customers with customized products that meet their needs, including with the support of new technologies.

BRAND

LIFE-TIME PARTNER



 The Generali 2021 strategy, p. 22

 Challenges and opportunities of the market context, p 64

Social and relationship capital
Natural capital

C O N T E X T

VALUES

Deliver on the promise
Value our people
Live the community
Be open

CULTURAL TRANSFORMATIONAL AREAS

Ownership
Simplification
Human touch
Innovation

Intellectual capital
Manufactured capital
Human capital

 The Generali strategy, p. 22

 www.generali.com/our-responsibilities/our-commitment-to-the-environment-and-climate/real-estate-investments for further information on sustainable real estate investments

Deliver on the promise

At 31 December 2018, Generali reached and surpassed its financial targets of more than € 7 billion in cumulative net operating cash in the 2015-2018 period and an average operating return on equity of more than 13%. The proposed 2019 dividend per share will enable Generali to reach and exceed the target of more than € 5 billion in cumulative dividends in the 2015-2018 period.

- > € 7 bln cumulative net operating cash 2015-2018
- > € 5 bln cumulative dividends 2015-2018
- > 13% average operating RoE 2015-2018

Financial capital

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.

Human capital

 The Generali strategy, p. 22

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.

Social and relationship capital Natural capital

Be open

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

Social and relationship capital Intellectual capital

Living the values

Embassy of Values

The foundations of our Embassy are solid and it is made up of 38 ambassadors. Value ambassadors are people who in every situation demonstrate and live Generali values - and are recognised by others for this.

With their ideas and courage, we have managed to get out of the box and help our colleagues and the community. Last year, we collected more than 1.6 million dinars for our colleagues. Solidarity was also demonstrated by the fact that the winners in the competition *Join and Win* donated their prize of €2,000 to charity, to our partners, the Čuvarkućica Children's Shelter and the Home for the Elderly in Bežanijska Kosa.

We have traditionally helped in the collection of clothes, toiletries, toys and so on for the Čuvarkućica Children's Shelter and the National Association of Parents of Children with Cancer - NURDOR, and have also helped in tidying-up of the green area of the Home for the Elderly in Bežanijska Kosa.



Svetlana Milosavljević, value ambassador: "No obstacle on the way to achieving human goals can crush my faith in good deeds. That is why, with unwavering enthusiasm, I have been a member of the Embassy of Values since its founding. And the more we trust and contribute to the same goal, the more our strength grows".



Generali Love in Spring is one of one of the most beautiful initiatives organized internally - it has already become a traditional visit by our little ones, the children of employees, who spend one spring day of lively play and entertainment, with their parents in the workplace.



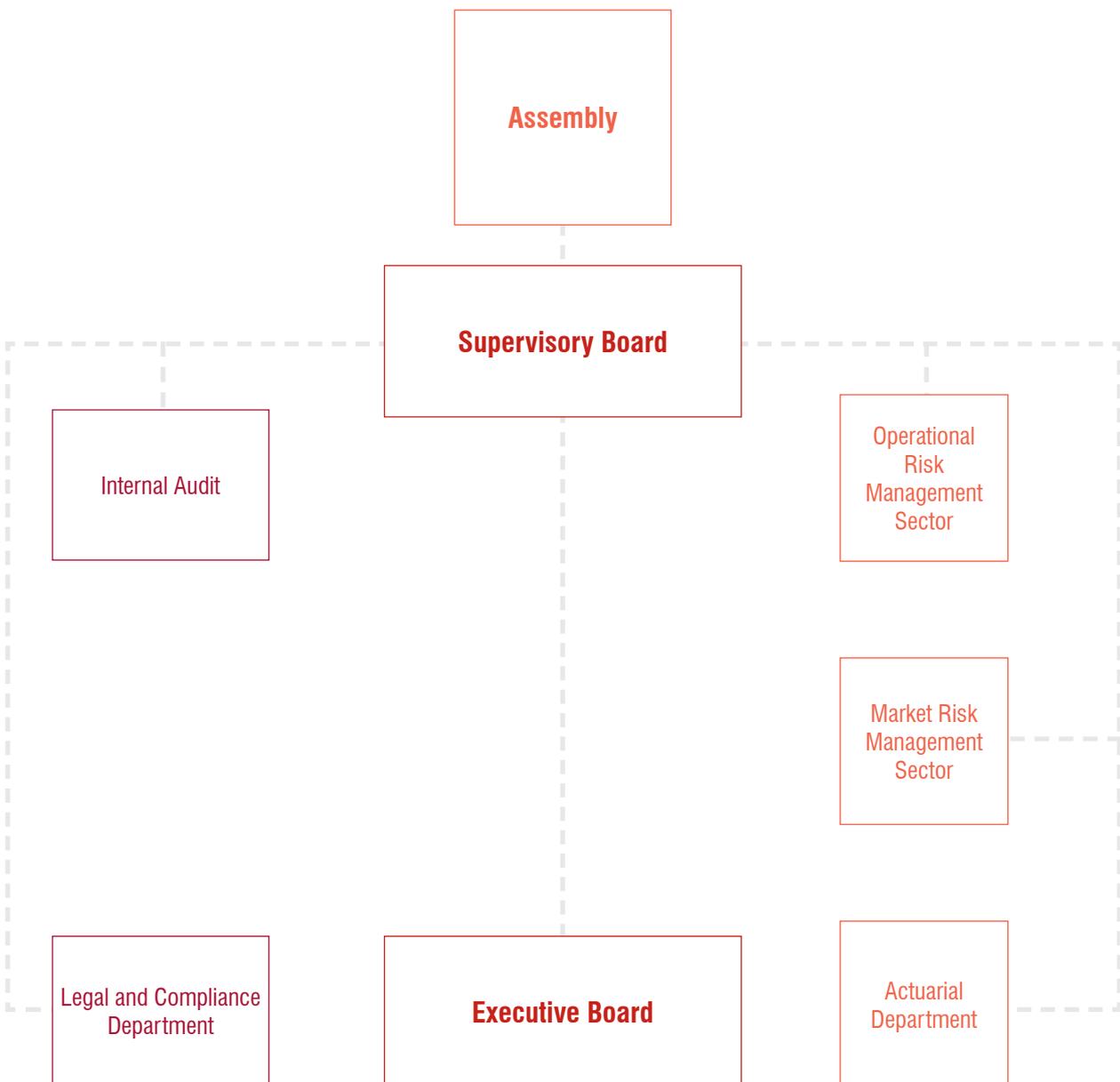
Challenges and successes that reinforce Generali team spirit

Each year, our ambitions are high and we have to make a good start. For the second year in a row the determination, energy and community spirit of our team won the trophy for the best team at the Sixth Sports Games of the Association of Serbian Insurers.



Our governance

Within a challenging economic and financial environment, we are convinced that our governance - which complies with the best international practices - is adequate for effectively pursuing our strategy of creating value for all stakeholders in the medium-long term.



http://www.generali.rs/o_nama/generali_srbija/menadzment.888.html

 <https://www.generalicee.com/who-we-are/our-management>

Supervisory Board

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 (Austria, CEE and Russia Region). Gregor Pilgram is also Chairman of the Supervisory Board of the Croatian Generali company and BoD member in Generali Osiguranje Montenegro.



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 Holding. Stefano Culos is today Consolidation and Accounting director at Generali CEE Holding (Austria, CEE and Russia Region). He is also Member of the board of directors of Generali Osiguranje 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.

Executive Board

The Executive Board has four 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 Osiguranje Srbija and Chairman of the Board of Directors of Generali Osiguranje 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 Osiguranje Srbija responsible for finance, actuarial and IT functions and Member of the Board of Directors of Generali Osiguranje Montenegro.



Veselin Danilovac
CInsO

Member of the Executive Board of Generali Osiguranje Srbija responsible for claims, prevention, antifraud, underwriting, procurement and logistic and product development.



Nataša Marjanović
CIO

Member of the Executive Board of Generali Osiguranje Srbija responsible for investments (CIO), life insurance and coordination of activities in the Generali Voluntary Pension Fund management company.

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.

Petra Jankovská
Chairwoman

Renata Šmejkalová
Member

Rada Radović
Member

The **Executive Board** may have permanent auxiliary bodies whose composition, competencies and responsibilities are determined by decision of the Executive Board.

The permanent auxiliary bodies of the Executive Board are: the Product Development and Underwriting Committee, the Risk Management Committee, the Information Security Committee, the Management, Classification and Protection of Information Goods Committee, the Committee for Insider Information, and the Committee for Simplification of Conditions.

The **Product development 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.

Veselin Danilovac
Chairman

Gorana Rašić
Member

Anja Marković
Member

Dušan Lalić
Member

Aleksandar Perišić
Member

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.

Dušan Lalić
Chairman

Anja Marković
Member

Darko Marković
Member

Aleksandar Perišić
Member

Miloš Arsić
Member

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.

Veselin Danilovac
Chairman

- Miodrag Jovanović**
Member
- Dušan Lalić**
Member
- Vesna Minić Pavlović**
Member
- Tijana Stojanović**
Member
- Ivana Stamenković**
Member
- Miloš Arsić**
Member
- Sanja Abadžić**
Member
- Nebojša Varoščić**
Member

The Commission for the Management, Classification and Protection of Information Assets was established with the aim of implementing a system of classifying information, including support in the identification and classification of macro data, rules for handling of data, monitoring the application of the principles and rules of classification and reporting significant violations and breaches of the confidentiality of data.

Nebojša Varoščić
Chairman

- Sanja Abadžić**
Member
- Ivana Todorović**
Member
- Branislav Lađarević**
Member
- Vlatko Čanev**
Member

The Commission for the Management, Classification and Protection of Information Assets was established with the aim of implementing a system of classifying information, including support in the identification and classification of macro data, rules for handling of data, monitoring the application of the principles and rules of classification and reporting significant violations and breaches of the confidentiality of data.

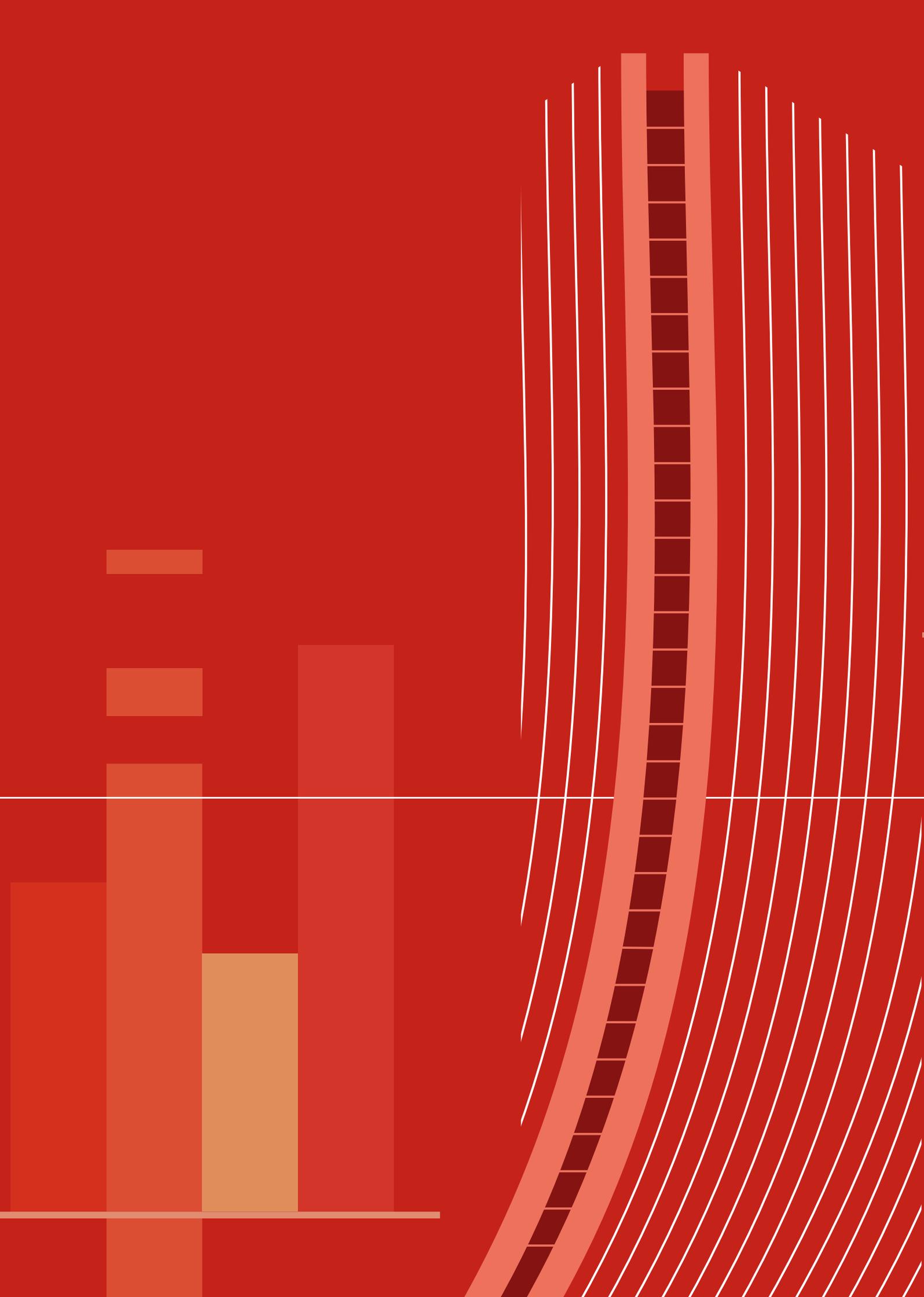
Gorana Rašić
Chairwoman

- Dušan Lalić**
Member
- Anja Marković**
Member

The Commission for Simplification of Conditions. This commission was formed to comprehensively examine the products offered by the Company in order to propose the simplification of products for them to be clear and understandable to policy holders. The commission is drawn from various functions of the Company.

Dušan Lalić
Chairman

- Representative of Actuarial function
- Representative of Communication Department
- Representative of Technical Department
- Representative of competent Sales function
- Representative of competent Claims Department





Our performance

48	Insurance market overview
49	Company's performance
53	Generali Osiguranje Srbija – Non-life segment results
56	Generali Osiguranje Srbija – Life segment results

Our performance

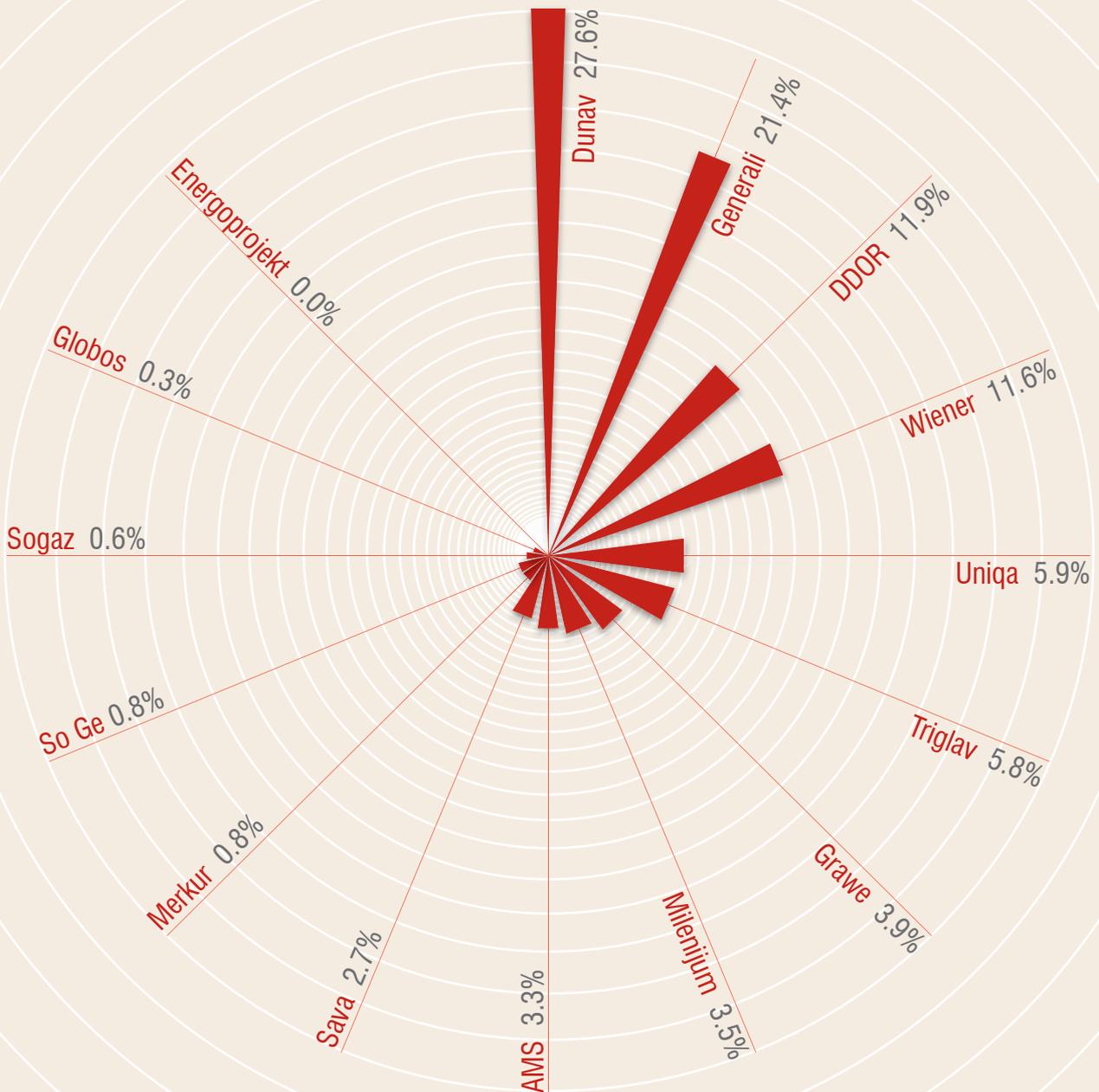
Insurance market at glance

18.4% Market share
Generali non-life > 2nd

31.2% Market share
Generali life > 1st

€ 846 million

Total market gross written premium

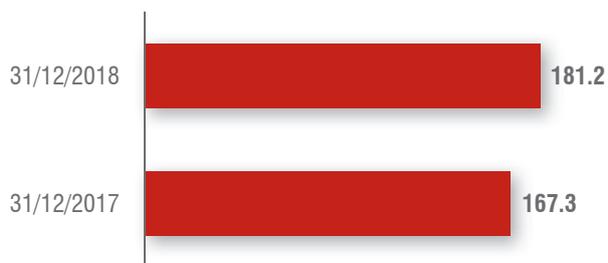


Company highlights

All numbers in tables are presented as millions of euros unless stated otherwise, using the average FX rate for 2018 of 1 EUR=118.24 RSD. Amounts are rounded to the first decimal, and therefore the rounded amounts may not always coincide with the rounded total.

The financial statements disclosed 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 premiums



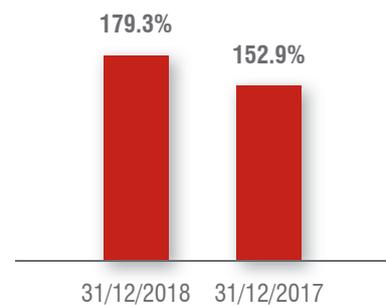
Net Result



Operating result



Solvency I ratio



Gross written premium reached 181 million euros, which is higher than in 2017 (+8.3%).

Non-life premium increased by +5.0%. Premium growth was recorded in almost all lines of business, except motor insurance. In property insurance, more premium was realized in corporate, credit, agriculture, household and SME. The dynamic health insurance premium growth of recent years continued. The motor insurance premium is the same as last year.

In life insurance premiums we saw a growth of +15.3%, mainly due to a higher volume of sales of single payment products.

The company sells most premiums via its own distribution channels (employees, head office and branch offices sales), but brokers and banks are becoming an ever more important distribution channel.

The bank distribution channel continues to record growth in the distribution of non-life insurance (+16.7%) mainly due to the credit insurance growth. At the end of the year, the Company began strategic cooperation with UniCredit Bank in Serbia. In life insurance, this channel has recorded growth due to the sale of Premium Profit product. Banks are the second most important life insurance distribution channel, contributing 21.6% to life insurance premiums.

Sales via brokers have shown significant growth in recent years, primarily in health insurance. With a premium increase of +18.2% in 2018, brokers represent the third most important non-life insurance channel.

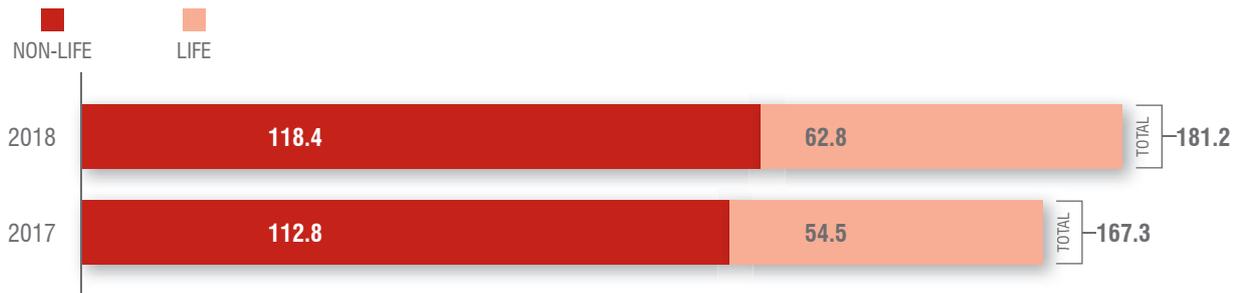
The year 2018 was the most successful year in business operations so far in terms of operational results, reaching 28.6 million euros. Both non-life and life insurance grew (+10.9% and +3.6%) and in both segments the technical result was the main driver of growth.

Investment income from regular business operations in 2018 was at a similar level to that in 2017. However, due to exchange rate fluctuation in 2017, significant losses were caused by exchange rate differences in 2017, unlike in 2018. Thus, the total investment result increased in 2018.

The company achieved a net result of 27.8 million euros, which is the highest result in our history. In addition to the profit from our regular business operations, the company made significant profits from the sale of a stake in the Montenegro subsidiary in the amount of 1.3 million euros.

A strong capital position, based on Solvency I methodology, was strengthened in 2018 primarily due to the result achieved according to official (i.e. statutory, local) financial statements. The excellent result achieved according to local GAAP was additionally higher due to the reduction of the risk equalization reserve, which is a significant difference with respect to the result according to IFRS financial reporting standards. The solvency ratio for 2018 is 172%.

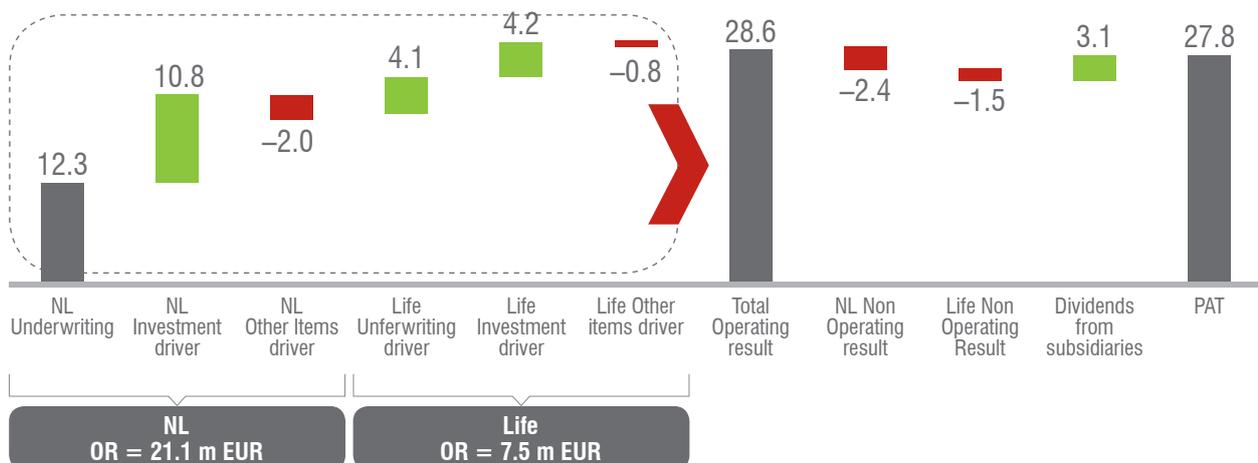
Gross written premiums - structure



The ratio of life to non-life insurance premiums has not changed significantly, thus life insurance accounts for a little over one third of the premium. In 2018, unlike the year before, the technical result contributed the most to the overall result.

This development is in line with the nature of insurance, as it contributes to the company's long-term goals such as sustainable business and a strong capital position, especially due to the downward trend in investment yields. Both business segments recorded a technical result increase, despite the large amounts of losses in the area of crop insurance.

Composition of net profit current year m EUR



In 2018, the highest claim in the history of our company was reported, the result of a fire, which led to equipment and facilities damage, as well as to financial losses incurred by interrupted production. However, the risk allocation was the first in the co-insurance business with a local company, divided 50%-50%, and then the excess of risk was ceded to reinsurance and abroad, first within the Generali group and ultimately globally, through retrocession.

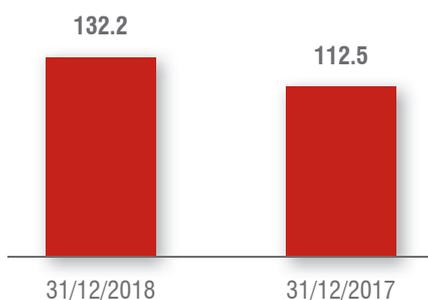
Therefore, the impact of this large claim on the result is primarily reflected in the lost commission, which is granted on the basis of the technical result in this business, and only to a smaller degree on the amount of loss that the company covers from its own funds (risk retained).

In life insurance, the trend of accelerated growth of insured events – endowment (in the case of savings and combined policies) continued, so the sums paid reached almost 2 billion dinars (+71.6%).

The total operating expenses, apart from commissions, remained the same as last year, with the same structure by type of cost. About half of all costs are salaries, followed by premises rental and associated costs.

Through an active investment policy, optimizing portfolio allocation and the securities maturity period, and seeking new opportunities in a given market context, the company continues to generate impressive investment results. Even though the majority of gross investment income is generated in life insurance, after the allocation of part of the results to the insured, as guaranteed under the insurance contract through the guaranteed rate of return, and after allocation of part of the profit through the option of participation in the positive result above guaranteed return, the net income from investing in life insurance, at the end of the year, is lower than the investment income from non-life insurance. The average rate of return on invested assets is 5.3% which, despite a decrease of 0.4 percentage points compared to 2017, is still a relatively high rate.

Equity



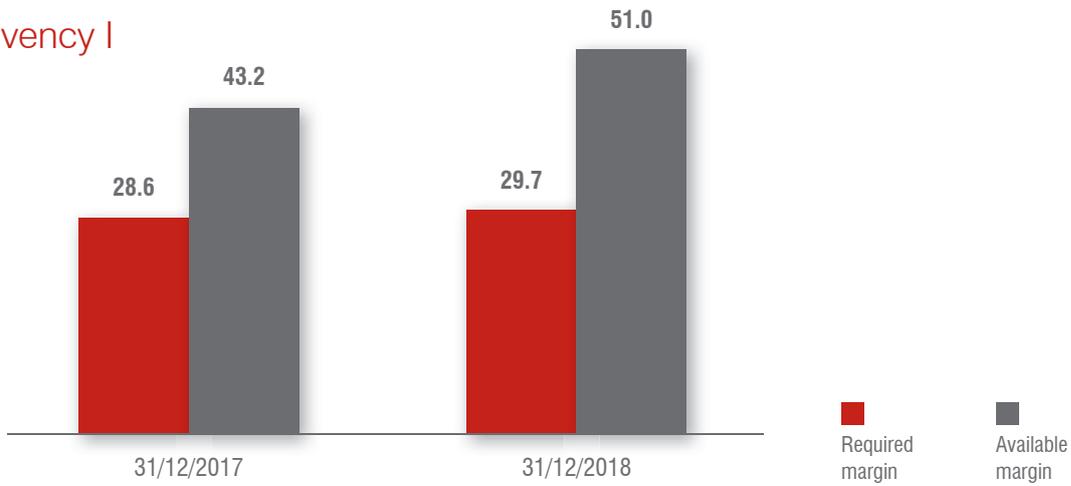
Total capital increased by +17.5%, thanks to the stable and sustainable dividend payment policy, strong profitability and growth of reserves from unrealized investment gains.

Since 2011 to the end of 2018, we have paid out close to 60 million euro of dividends. After 2018 financial statements adoption, we have foreseen dividend payment in 2019 to the shareholders.

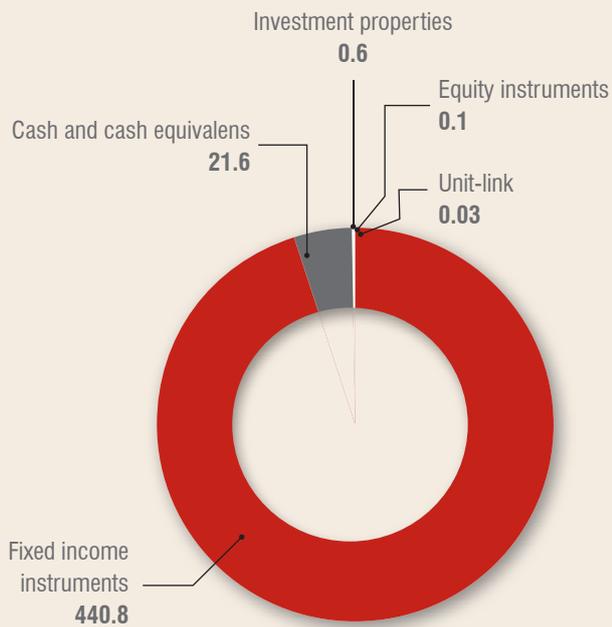
Rollforward of Shareholders' equity

(€ million)	31/12/2018	31/12/2017
Shareholders' equity at the end of the previous period	18.0	18.0
Reserves	63.9	53.9
Result of the period	27.8	24.4
Dividend distributed	-15.7	-14.6
Unrealized gains and losses	38.1	30.7
Shareholders' equity at the end of the period	132.2	112.5

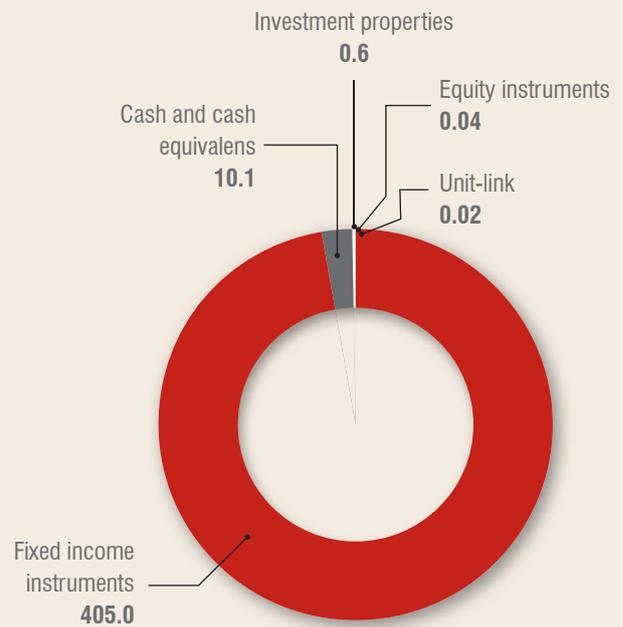
Solvency I



Assets under management at 31/12/2018



Assets under management at 31/12/2017



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

Liquidity

The decrease in net cash inflows from operating activities is primarily the result of an increase in the amount of claims paid and an increase in insurance acquisition costs.

Cash flows

(€ million)	31/12/2018	31/12/2017
Cash flows from operating activities	26.0	33.5
Cash flows from investment activities	1.1	-21.0
Cash flows from financial activities	-15.7	-14.6
Total cash flows	11.5	-2.1

Generali Osiguranje Srbija – Non life

Generali Osiguranje Srbija remains a firm number two on the Serbian market in non-life insurance, with a market share of 18.4% (-0.4 pp). The fall in market share is caused primarily by MTPL premium, but is also due to health and casco insurance in which we have given up part of the premium, in order to improve profitability in these lines of business.

The MTPL still dominates the market, since 44% of all non-life insurance premiums come from this line of business.

Health insurance is a rapidly growing line of business in Serbia (+21%), in which Generali is a long-time leader. In 2018, as well as in two consecutive years before, casco has recorded a double-digit growth (+14.5%), but in 2018 the premium exceeded the 2008 premium for the first time in ten years.

Unlike previous years when credit insurance premium recorded tremendous growth rates, in 2018, this insurance market growth has ceased.

In the case of property insurance, primarily fire and other property damage, the market's dynamic growth continued. Agricultural insurance increased by +13.5%, while household insurance recorded moderate growth at a rate of +4.4%. The highest growth in property insurance premiums was achieved in the corporate clients segment. According to official data, the highest growth was recorded in energy sector insurance – fire and machinery breakdown insurance.



Like many other participants in the insurance market, Generali Osiguranje Srbija earns most of its premiums from MTPL. However, at the end of the year new conditions were in place among the market participants, both insurance companies and agencies, points of sale and technical inspection stations, which are the most important distribution channel for this type of insurance. In these new circumstances, our company, in strict compliance with all regulations and recommendations, loses a part of the market share.

We are focused on all other non-MTPL lines of business, especially on retail. Impressive growth rates in credit insurance (CPI and PPI) of +18.8%, followed by household and small and medium-sized enterprises +35.2%, and agriculture +16.4%, confirm our focus. We also grew in the corporate clients sector: property insurance +14.6% and health insurance +9.2%.

More important than premium growth rates is the profitable growth which we want to maintain in the longer term.

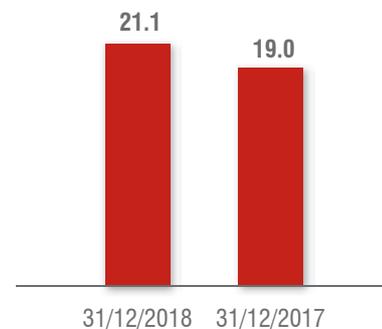
The company is committed to increasing the amount of premiums and improving profitability in all lines of business by providing better offers and creating new products, and raising the level of service to our customers in order to make them happy, to make them our promoters and to become their lifelong partner.

New technologies will help us make interaction with clients easier and faster.

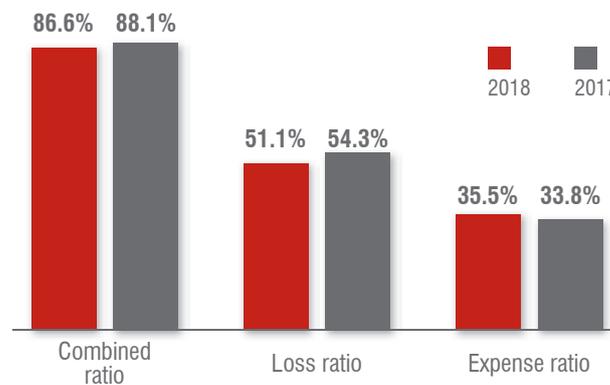
Gross written premiums



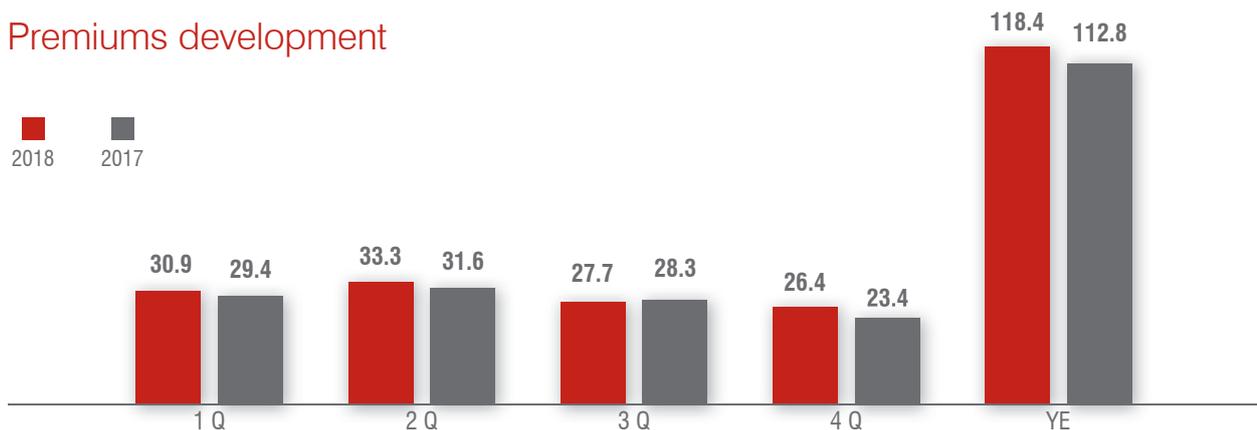
Operating Result



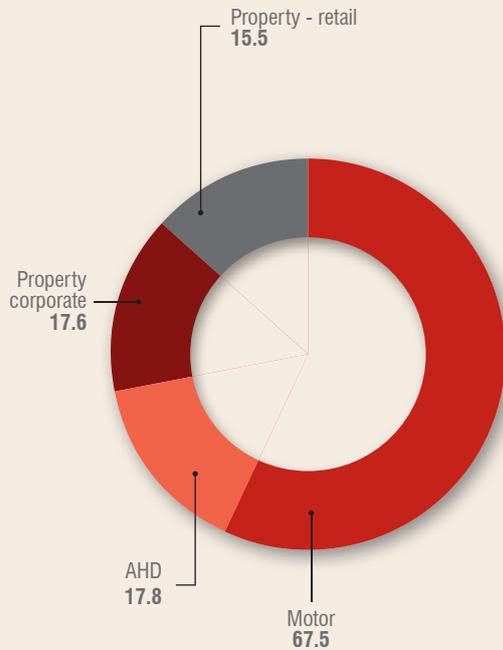
Combined ratio



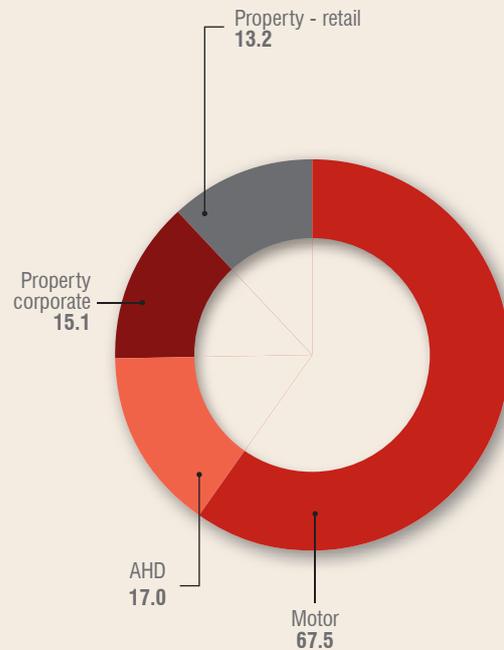
Premiums development



GWP by lines of business za 2018.



GWP by lines of business za 2017.



Technical result

Non life operating result: technical result

(€ million)	31/12/2018	31/12/2017
Technical result	12.3	10.8
Net earned premiums	98.5	96.8
Net insurance benefits and claims	(50.3)	(52.5)
Net acquisition and administration costs	(35.0)	(32.7)
Other net technical income	(0.9)	(0.8)

Non life net combined ratio

	31/12/2018	31/12/2017	Change
Loss ratio	51.1%	54.3%	-3.2%
Expense ratio	35.5%	33.8%	1.7%
Combined ratio	86.6%	88.1%	-1.4%

Generali Osiguranje Srbija – Life

After the premium drop in 2017, the life insurance market recovered in 2018 and continued to grow. Year-on-year growth is +4.1%. Generali Osiguranje Srbija retained its number one position in this segment.

It is important for our company to monitor the life insurance premium and new production in terms of whether it is a savings or protection insurance product and whether the premiums come from single payments or payments in installments.

Compared to 2017, the highest growth was recorded in single payment policies for savings products. This was achieved practically because in 2017 there was a realization issue when the terms and conditions for the Premium Profit product changed, but in 2018, sales were again restored according to the plan.

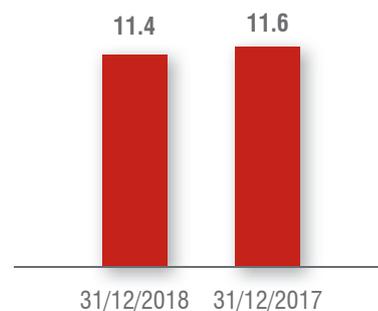
The focus of the company are primarily risk products or protection products. We strive, through our sales advisers, to offer our prospective clients the best solutions according to their needs and capabilities. In this segment of life insurance, the premium grew by +9.7%. Premium related to the sale of insurance products that cover life insurance additional risks (so-called "riders") increased by +15.3%, primarily thanks to additional health-related products. New production, i.e. the APE, reached the level of 11.4 million euros in 2018, which is a decrease of -1.7% from 2017. The year 2018 was very challenging in terms of new production, where we had several negative impacts. The first impact is reflected in the strengthening of the national currency, which has a negative effect on the contracted amounts, since most of the portfolio is linked to the euro. The second effect occurred due to termination of a contract with one large bank related to life insurance of credit beneficiaries. On the other hand, apart from the growth of new production in savings products with a single payment, there was a growth in group life insurance and in new products such as Life Concept where the emphasis is on the risk of death, critical illness insurance and preventive annual physical examinations.

The share of risk products is 17.7% in relation to the total life insurance premium, whereas their share in the overall new production in 2018 was 46.6%.

Gross written premiums



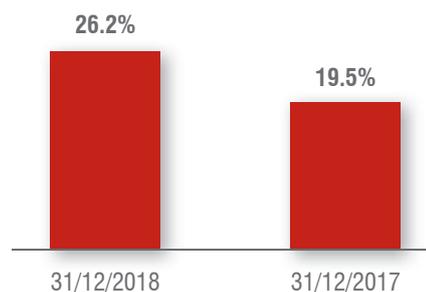
APE



Operating result



NBM

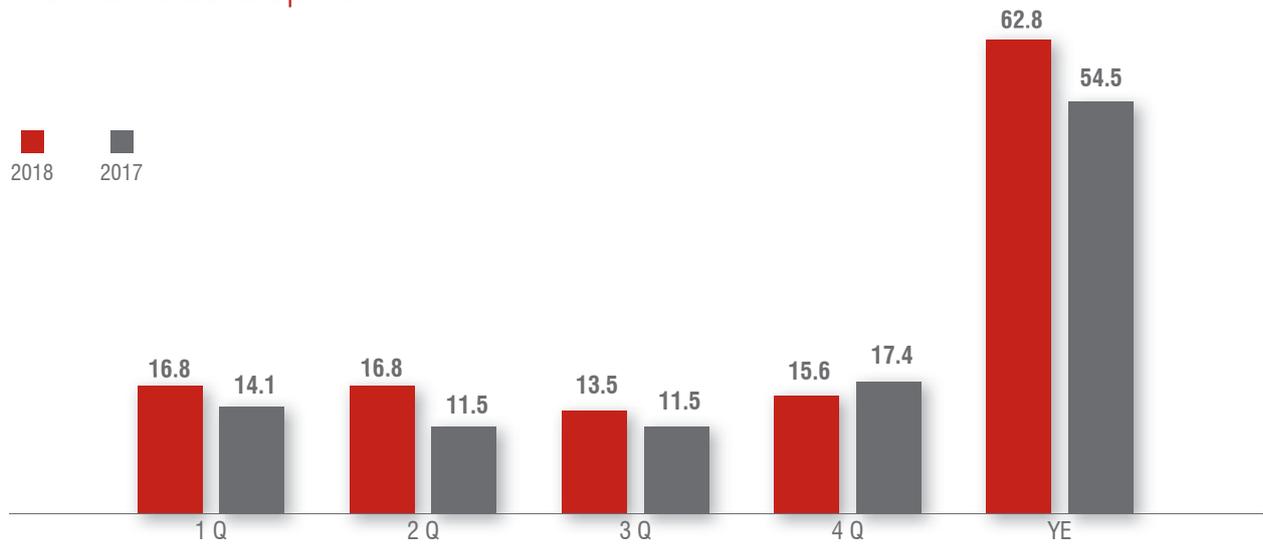


In 2019 the company will strive to provide a better offer in insurance related to investment units, as this part of our offer did not achieve significant results in 2018.

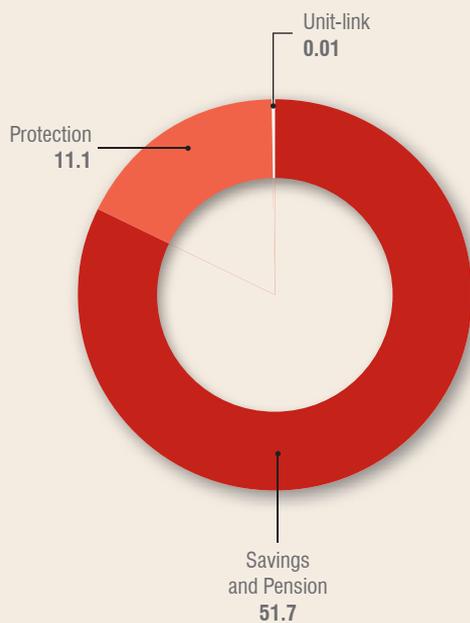
The net operating result of EUR 7.5m is an increase of +3.6% compared to the previous year and was achieved primarily due to the increase in premiums and lower acquisition costs.

Profitability of new business grew primarily due to better financial assumptions used in the calculation.

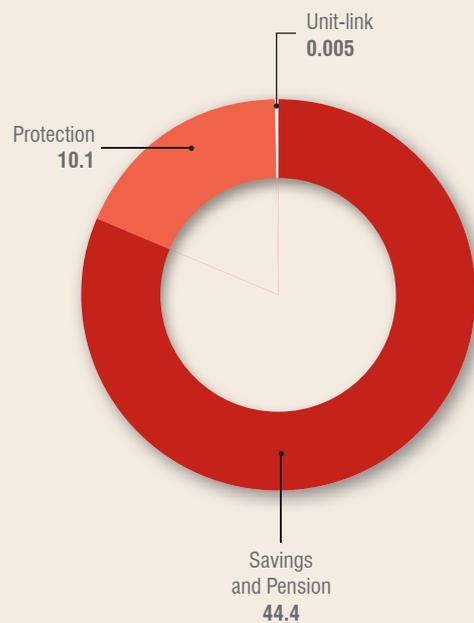
Premiums development

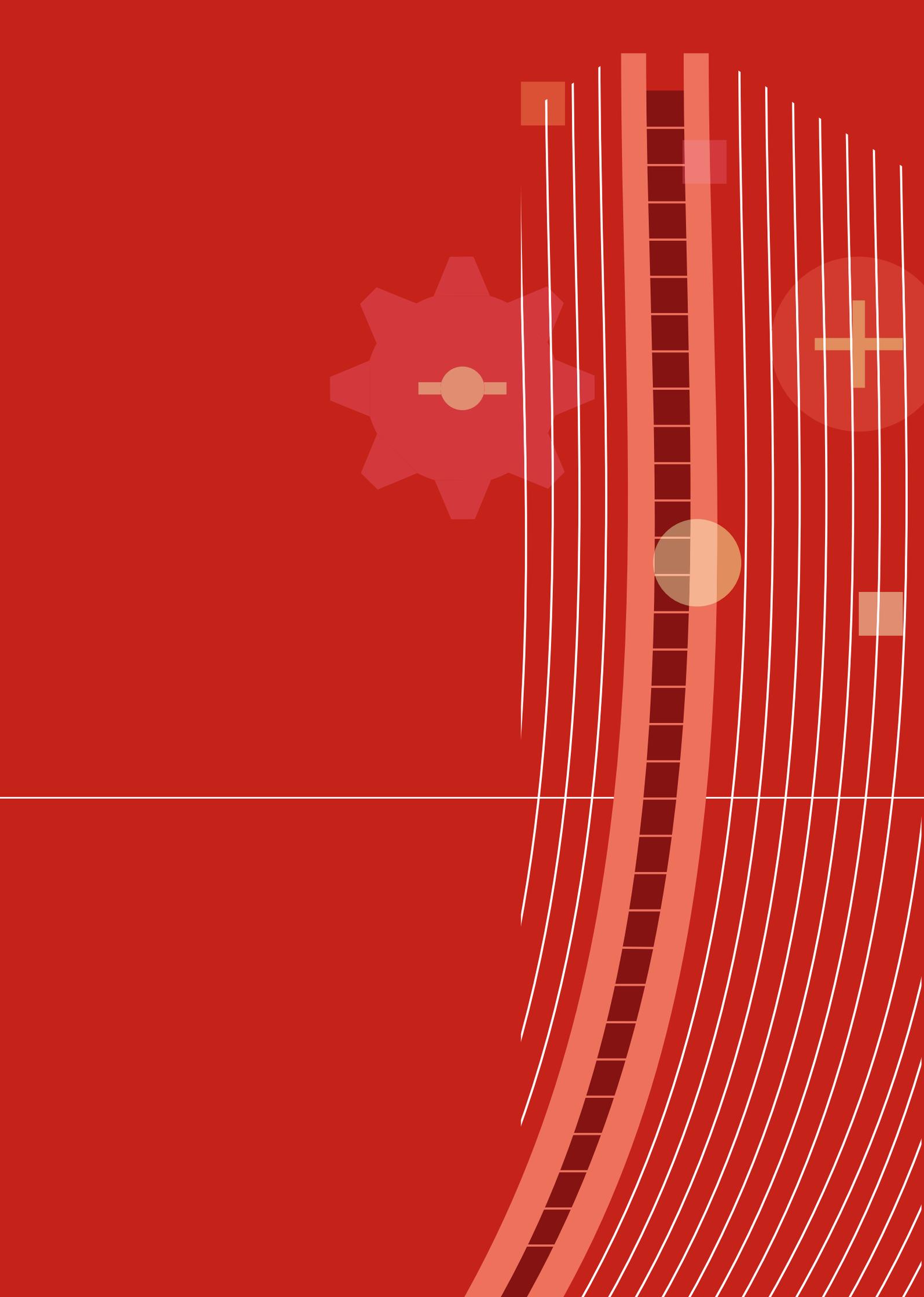


GWP by lines of business
a 31/12/2018



GWP by lines of business
31/12/2017







Outlook

Outlook

Serbia's GDP grew by +4.4% in 2018, backed by the improvement of the business climate, favourable financial conditions and positive labour market trends, as well as the accelerated implementation of infrastructure projects, according to the National Bank of Serbia report.

"This is an environment conducive to further growth in investment and competitiveness and, hence, a further rise in living standards on sustainable grounds," added Vice-Governor Željko Jović.

Over the past six years, Serbia has transformed to a low-inflation and stable growth economy, with a fiscal surplus, declining public debt, significantly reduced external imbalances and labour market recovery.

After fluctuating around an average level of 2.0% in 2018 and finishing the year at the same level, inflation has edged up in early 2019 (2.4% y/y) due to a low base effect in food prices. Throughout the forecast horizon, inflation is expected to move within the target tolerance band, more probably in its lower half. Expectations are anchored around the central target point (3%). The Government budget showed a surplus in 2017 and 2018 (1.1% and 0.6% of GDP, respectively). As a result, public debt fell by more than 14 percentage points of GDP (cumulative) in 2017-18, with an improved currency composition after repayment of two Eurobonds (USD 1.75 bn). The fiscal balance has remained in surplus in early 2019.

Macroeconomic stabilization and improvements to the business environment contributed to further FDI growth (EUR 3.2 bn net in 2018), focused on the tradable sectors. Exports of goods and services retained their growth momentum in 2018 (+10.0% y/y), with 21 of 23 manufacturing branches posting growth. Export growth continued in January 2019.

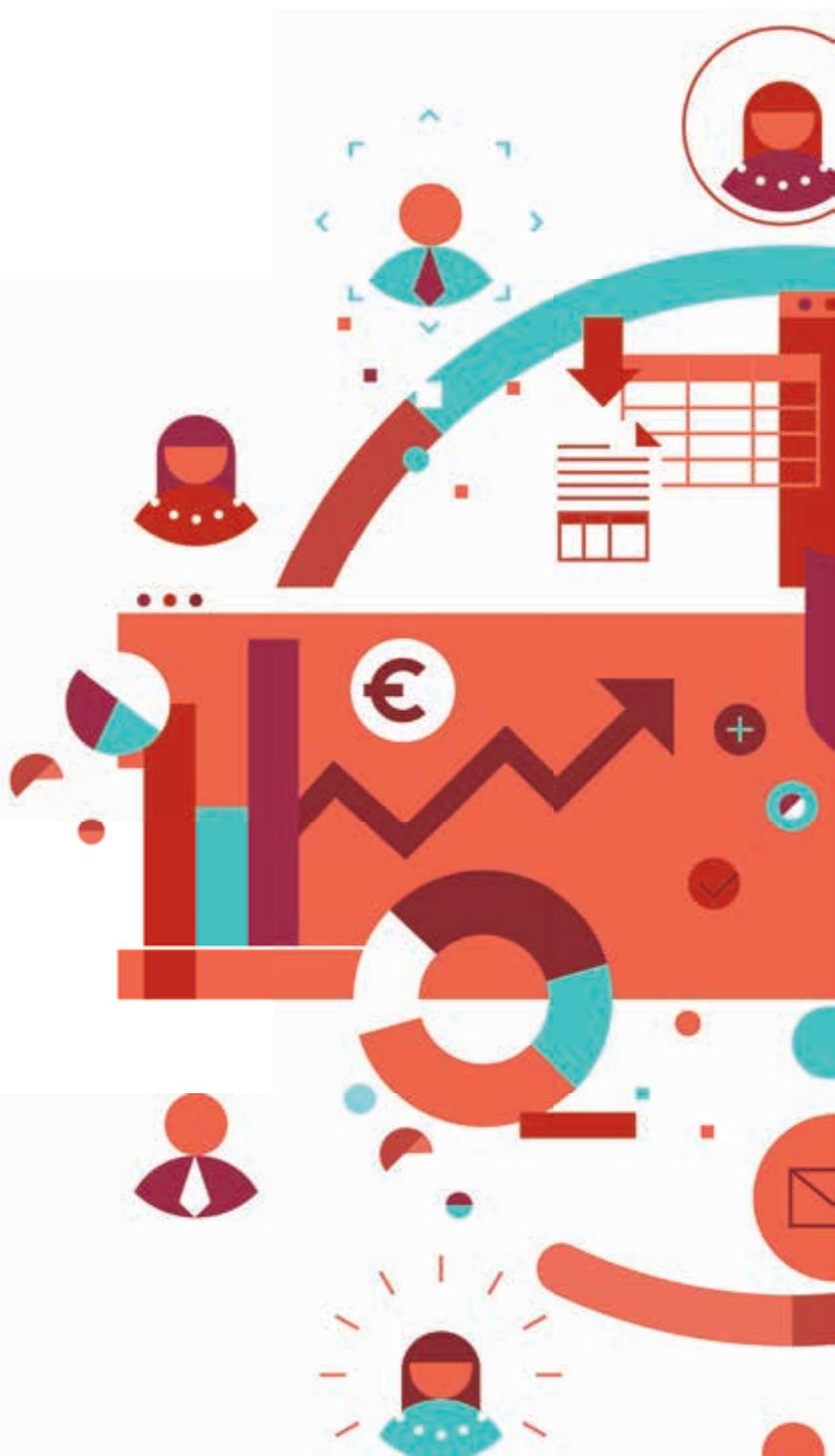
The results were acknowledged by improved credit ratings (S&P, Fitch and Moody's) during 2017 and an additionally improved outlook in 2018 (S&P), by successful completion of a precautionary SBA with the IMF, and a sharp decline in the country risk premium (to a historic low in January 2018).

Serbia's central bank expects the country's economy will grow by +3.5% in 2019, driven by domestic demand, the bank's vice-governor, Željko Jović, said in February 2019.

"In the following years, we expect growth to pick up further to around +4%, resting on sustainable grounds," Jović said in remarks at the presentation of the National

Bank of Serbia's (NBS) February inflation report published on the NBS' website.

The central bank expects net exports to provide a mildly negative contribution to GDP in 2019, due to the slower-than-expected growth in the euro area. On the other hand, a greater contribution to economic growth is expected from domestic factors, as indicated primarily by the significantly higher-than-expected net inflow of FDI and a faster rise in government capital investment which has already approached the level of 4% of GDP.



An International Monetary Fund (IMF) mission, led by James Roaf, visited Belgrade from January 29 to February 5, 2019 to assess the 2018 outturn, discuss progress in the implementation of commitments under the Policy Coordination Instrument (PCI) and agree on policy priorities for 2019. "Serbia's economic program continues to deliver strong results. At 4.4 per cent, growth in 2018 was the fastest for over a decade. Annual inflation, at 2 per cent in December, remains in the lower half of the target band. Fiscal performance has remained strong. The general government posted

a fiscal surplus of 0.6 per cent of GDP in 2018, consistent with PCI targets, and public debt declined to about 54 per cent of GDP. Continued improvements in labour market participation have been supported by robust employment growth and declining unemployment. "The mission supported the authorities' plan to move forward expeditiously with privatizations. We also stressed the importance of advancing preparations to ensure the implementation of the new public wage system in 2020 and moving to a more flexible public employment framework. We discussed options to strengthen fiscal rules, including the re-introduction of pension indexation in 2020. We also emphasized the importance of strengthening the governance of public and state-owned enterprises to improve efficiency and the quality of public services. We supported the authorities' ongoing efforts to improve the prioritization and appraisal of public investment."

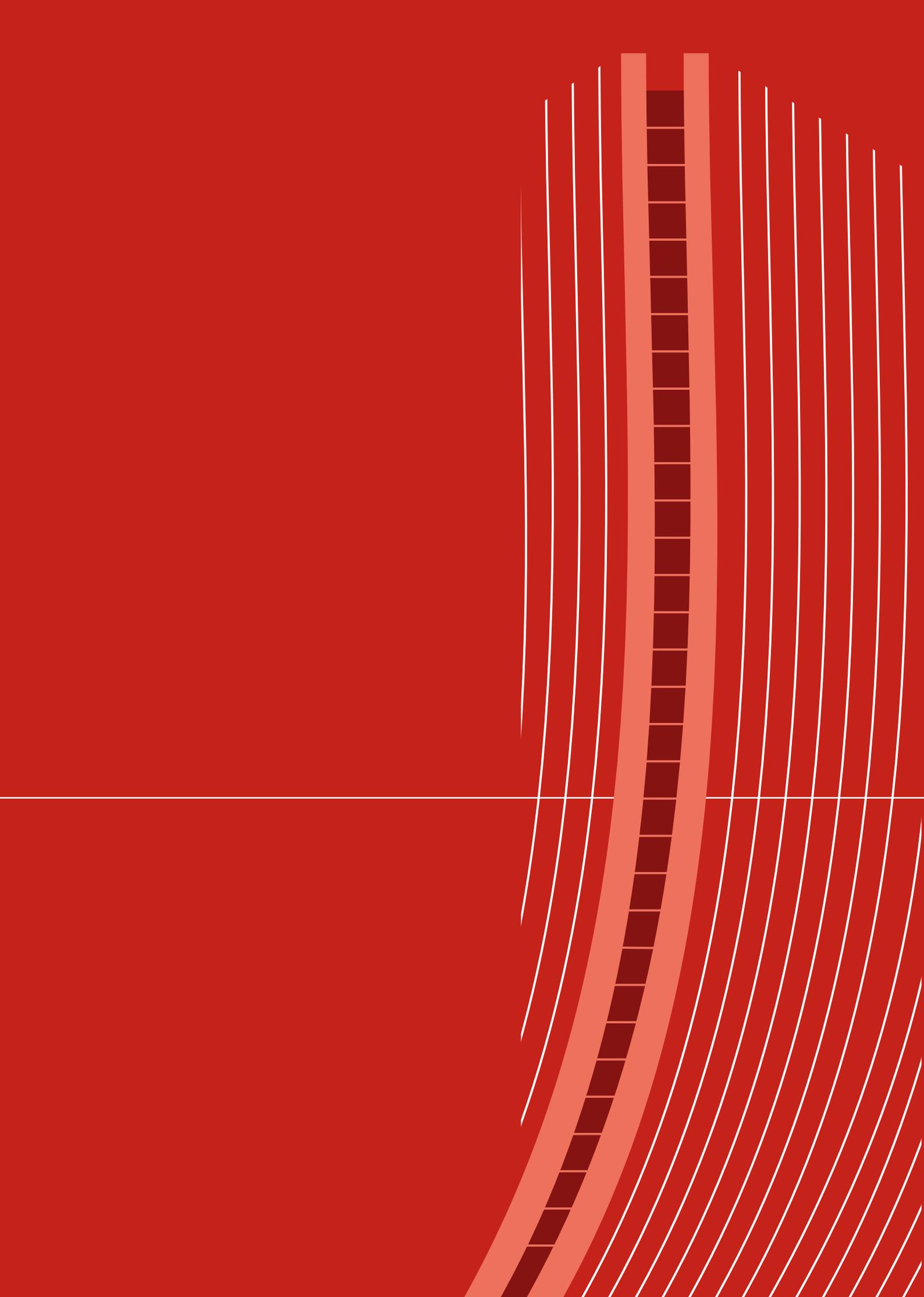
Similar positive conclusions and expectations were given by the World Bank's experts. In its January 2019 Global Economic Prospects, the World Bank affirmed its 2019 economic growth forecast for Serbia at +3.5%.

In 2018, the insurance sector grew by +6.6%, slightly faster in non-life segment than in life. The overall penetration of insurance remains very low, less than 2% of GDP, which is significantly lower than the rest of Europe.

After double-digit growth in 2016, when an extraordinary growth in life insurance premiums was noted, thanks to the development of savings products that were more competitive than savings in banks, we had a slowdown in 2017 as a result of the fall of technical interest rates across the whole insurance market. The life market in 2018 grew only +4.1%, again mostly in traditional and savings products, while unit-linked products are still not attractive to customers.

The insurance sector, like the entire financial sector, will grow over the coming years in line with the overall development of the economy. All insurance market players will need to be focused on the digitalization and modernization of business, developing new products and distribution channels to attract new customers and meet their expectations.







Risks and opportunities



Challenges and opportunities of the market context

The factors of the context in which we operate represent challenges and opportunities that we continuously assess in order to guarantee adequate monitoring of the risks that can arise from them.

Uncertain financial and macro-economic landscape

In 2018, global GDP is expected to increase to +3.6%. The global macro-economic and political landscape was affected by topics that aroused significant concern also on the markets during the year, such as the budget law in Italy, the escalation of trade friction (especially between the USA and China), the worsening of the crisis in the more fragile emerging markets and the protests of the Yellow Vests in France. Growth of real GDP of the Eurozone in 2018 is forecast to be +1.9%, down compared to 2017 (+2.5%).

The unemployment rate dropped to the minimum low of the last decade, with an acceleration of wages in spite of the inflation rate being low. The European Central Bank (ECB) ended the quantitative easing during the year, but will continue to reinvest bonds on maturity; the ECB's first increase in rates will be subordinate to the changes in inflation. The major important topics for the financial markets during 2018 within the Eurozone were Brexit and developments on the Italian political scene. As regards concern for the latter, the rating agencies Fitch and Moody's lowered their creditworthiness opinion. In the USA, the tax reform

kept up the confidence level; growth of real GDP in 2018 should settle at +2.9%, up by +2.2% over 2017, while the unemployment rate fell to the lowest level of the last 50 years.

With reference to the insurance sector, the Life business in Italy, France and Germany registered an upswing following a difficult period, thanks not only to the sale of unit-linked products, but also to recovery in traditional policies that increased to rates higher than those of the unit-linked ones. Income in the P&C market in the major Eurozone countries improved, with particularly good performance recorded in the health business.

Estimated real growth of gross domestic product in Serbia was +4.4% in 2018, in comparison to +2% in 2017. This growth was driven by growth in investments, and supported by consumption and exports. Forecasted GDP growth for 2019 was kept at +3.5%, while in the mid term it is expected to accelerate to around +4%. Based on data for the end of 2018, the total insurance premium on the market increased by +6.6%, compared to the same the period in the previous year, with the growth of non-life premium of +7.4% and life premium growth of + 4.1%.

Our response

Market expectations, the Group's profitability targets and the expectations of policyholders' returns are the main factors influencing the formulation of the **investment allocation strategy**, in line with the Solvency II principles. The regulatory system and the continued low interest in a global context of growing uncertainty render it essential to manage assets in a rigorous and careful manner that is consistent with liabilities.

Geographical diversification and selective focus on alternative investments (private equity and private debt) and real assets (real estate assets and/or infrastructural assets, both direct and indirect) are important factors in current investment activities which aim to contain portfolio risks and sustain current profitability. The creation of a

multi-boutique insurance asset manager platform is part of the strategy to enhance the investment capacity in these market sectors.

We are exposed to the **market risks** arising from the value fluctuations of the investments and to the credit risks linked to the risk of counterparties' non-fulfilment as well as to expansion of the credit spread. We are handling these risks by following principles of sound and prudent management, in line with the Prudent Person Principle and with the Group Investment Governance Policy and risk guidelines. We measure financial and credit risks using the Group's internal model and standard formula, which offers us a better representation of our risk profile. **For the purpose of the Group reporting, we are calculating capital requirement under Solvency II regime, even though Solvency II still has not been adopted in Serbia.**

Regulatory evolution

By the end of 2017, new Law on Anti money laundry and Terrorism financing was adopted. The law is applicable starting from April 1st 2018.

The new law introduced new obligations for the Company as a involved party, such as the obligation to check all functionaries (domestic, foreign and officials of international organizations) and more regulated way and the process of determining and verifying the identity of the client. The obligation to conduct the analysis against the risk of money laundering and terrorist financing at the Company level was also introduced, as well as other procedures and obligations.

The Law on Personal data protection entered into force on November 21, 2018, but its application postponed so that it is applied after the expiration of nine months from the date of entry into force, that is from 21 August 2019th year. This law has implemented the rules of the General Data Protection Regulation (Regulation (EU) 2016/679 European Parliament and Council - GDPR).

Our response

Harmonization with the provisions of the **Law on Anti money laundry and Terrorist financing** has been completed in time. The company's documentation and training of employees and the external sales force were changed.

The company has appointed a project team for the implementation of the **Law on Personal Data Protection**, which actively works on harmonization with the requirements of this regulation.

Technological evolution

We are facing a **profound change** caused by the interaction and the cumulative effects of various developments in technology: Internet of Things, cloud services, cognitive computing, advanced analytics, Robotic Process Automation (RPA), artificial intelligence and the development of mobile networks are elements that contribute to creating a renewed environment in which to operate in order to optimise efficiency, operations and proximity with our customers. The spread of public and context data, the progressive digitalisation of customers, the growing appetite for personalised products, the computing power available at low prices that doubles one year after the next allow insurance companies to transform their way of doing business and to step into the so-called world of

ecosystems, where the borderlines between businesses at one time different and distinct are becoming fainter and fainter in order to offer customers a service in addition to a product.

Technological evolution also involves exponential growth in **cyber** threats, such as attacks aimed at stealing information or blocking operational processes. Adequate management of this risk is therefore fundamental in order to limit potential effects of economic and operational nature but also to preserve, in particular, the confidence of customers in the processing of their data which are frequently sensitive. The issue is also increasingly relevant for regulators which have introduced specific safety measures as well as reporting processes in the case of violation of the personal data (**General Personal Data Protection Regulation**).

Our response

Data analysis is increasingly part of the DNA of the Group's production processes, from the systems for improving fraud identification to personalisation of the offer, from the automation of processes to anticipating customers' needs. The formulations and analyses necessary for this new era of customer relations are carried out - while guaranteeing anonymity - both by the single business units on their own and with the Group's support through an analytical platform. Consolidated in 2018, the platform now lets us leverage synergies coming from the RPA and the cognitive technologies, thus allowing increasingly complex processes to be automated which increases quality and efficiency.

Nevertheless, in the perspective of ongoing improvement we are continuing to scout platforms both based on traditional integration technologies (API) and the Blockchain/Distributed Ledger type that lead the way to new digital ecosystems.

We are in step with the new technologies and are protecting ourselves from the new threats. We are continuing to **enhance our ability to prevent, detect and respond to potential cyber attacks** while implementing the most innovative security solutions and constantly improving our response processes. More specifically, we have set up

a Security Operation Center (SOC) to monitor all events recorded by our security solutions 24/7, detect potential incidents and step in with containment and restoration actions. SOC's performance are monitored in a structured manner through specific indicators, that are not reported due to security reasons. In agreement with the **operational risk** management model, we have introduced an intervention assessment and prioritisation framework supported by an IT tool available to our countries. The Group governance model has also been reinforced by defining a **regulatory corpus concerning the security of the information**, in line with the major reference standards (NIST, ISO 27001, etc.) and with the sector's best practices. Lastly, we are busy consolidating the security ethos in the Group via many communication and training initiatives, such as the publication of practical advice for managing information security during one's work activity.

We are measuring **operational risk** following the regulatory standards and with qualitative and quantitative models that allow us to grasp our most important exposures and to define the adequacy of the existing controls.

Being a part of the Group, Generali Osiguranje Srbija accepts and implements all the technological and security trends, to be able to protect business from new threats. Investments in new equipment and tools are planned, in order to reach high level of IT security.

New customer needs

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

digitalization, which has introduced new selling options and more diverse insurance product management and

economic independence which has changed spending on savings the purchase of an insurance product.

Customers currently place greater focus on service quality while purchasing and don't rely on sales agents solely, but have more independent approach in process of decision-making. That includes visits to insurance companies' web pages and reading reviews.

Our response

Our ambition is to be a life-time partner to our customers by combining simplicity and innovation with empathy and care along the entire customer journey, at all touchpoints and channels. We strive to be proactive and focused on customer relationships and integrate protection, prevention and assistance, creating tailor-made products and services that meet our clients' needs.

We will therefore focus on 5 transformation actions:

1. we will digitally enable our advisory distribution network
2. we will offer the best in class proposition and service innovations with the benefit of digital and data analytics;

3. we will seamlessly connect Generali, our agents and customers together on mobile and web (Mobile and Web Hub);
4. we will continue to listen to our customers and to act based on their feedback in order to improve the service offered across all touchpoints;
5. we will strengthen our brand to become 1st choice in the Relationship Net Promoter Score among our European international peers by 2021.

Being part of the Group, in Serbia we continue to develop digital products and distribution channels, to improve processes and implement digitalization in administration and client service processes.



Environmental challenges

Climate changes, a consequence of the global warming caused by the anthropic emissions of greenhouse gases, will produce direct or indirect effects that will become increasingly evident as time goes by. This will lead to increased risks. On the one hand, it is a question of **physical risks** that involve not only increased volatility of the weather events, but also ecological consequences, which without adequate countermeasures might become irreversible and have incalculable economic and social effects. The insurance sector as well would be impacted, with increased claims in coverage tied to the phenomena

influenced by the climate and, as a result, costs for the related products. On the other hand, there will also be transition risks for coping with the change. They include new financial risks (e.g. creation of stranded assets), lower revenues if leaving the segments tied to fossil fuels were not to be offset by new flows, for example those arriving from the production of sustainable energy or carbon capture and storage.

The environmental challenges also pose **reputational risks** for those players that do not manage them in the best way possible.

Our response

Considering our social role as insurer and institutional investor and the underwriting risks to which we are exposed, climate change is one of the major trends under way for us, and is singled out as one of the emerging risks for the insurance sector. In order to cope with this situation, we constantly monitor the main perils and territories to which the Group is exposed, using **actuarial models** to estimate the damage that could result from natural phenomena and thereby optimize our underwriting strategy. We also adopt **sustainability criteria for selecting our investments** and for the underwriting of new insurance policies that are in line with the best and universally recognized standards, even through the use of specific third-party tools while analysing in detail and potentially excluding business opportunities that are not consistent with principles of environmental, social and governance sustainability. We then utilize internal and external **monitoring processes of greenhouse gas emissions** associated with the activities in our investment

portfolios and of the insurance exposure to high carbon intensity sectors.

We have published our **climate change strategy** that includes concrete actions on our core business and that explains our stance on coal and identifies 'green' opportunities in the investment and insurance activities. We also take part in multi-stakeholder initiatives and in technical round table discussions that facilitates the analysis of the climate change's impact in the insurance sector and that undertake to promote the transition to a low environmental impact society.

For the first time this year, there is an additional requirement for reporting on green products. In Serbia, still there are no completely green insurance products. There are additional risks within standard products, such as risk of general liability with additional coverage responsibility for environmental protection, as well as insurance against hail storms for crops, thunder storms and floods, etc.

MACRO-ECONOMIC
CONTEXT
FINANCIAL
REGULATORY MARKETS
DEVELOPMENTS TECHNOLOGY AND
DIGITALIZATION BIG DATA
CLIMATE CHANGE
DEMOGRAPHIC
CHANGE

Demographic and social change

Modern communities continue to be influenced by distinct demographic and social phenomena with a strong impact on their socio-economic balances.

In Europe, we are witnessing a continual process of **population aging**, driven by an **increase in life expectancy** and a **decrease in birth rates**. The international **migration phenomena** only partially counter-balance this trend, which is in any case otherwise influenced by socio-political initiatives adopted locally.

Outside of Europe, we are noticing similar phenomena, though of a lower scope compared to the European situation and in any case significant on a broader time horizon.

In the more mature economies, the younger age groups

are affected by a reduced and often discontinuous capacity to generate average income; this is strongly influenced by a flexible but precarious labour market that does not ensure reasonable certainty for financing the public welfare system.

The result is increasingly unbalanced communities where higher post-retirement pension and healthcare requirements are no longer properly financed and covered by the public system, in addition, the limited economic and financial resources produced by the younger categories of the population, or from private savings in general, have to be directed and valued more carefully.

In this context of profound changes, the matter of human rights grows in importance, especially in the less mature economies, where labour law is under development.

Our response

We actively engage in creating more stable communities while monitoring and tackling the effects of a changing society. This is why we develop and offer **flexible and modular pension and welfare solutions** for the coverage of healthcare costs and other potential current and future needs for individuals, families and communities. In particular, we are focusing on the senior customers segment with modular solutions that combine savings, protection and services in a welfare perspective. We also undertake to strengthen dialogue with individuals during their entire period of interaction with our companies through services accessible 24/7.

We provide customers with **complete and easily accessible information on products and services** while helping them to understand the primary factors that may affect their income capacity and aiding them in accurately assessing their capacity to save as well as identifying their current and future needs.

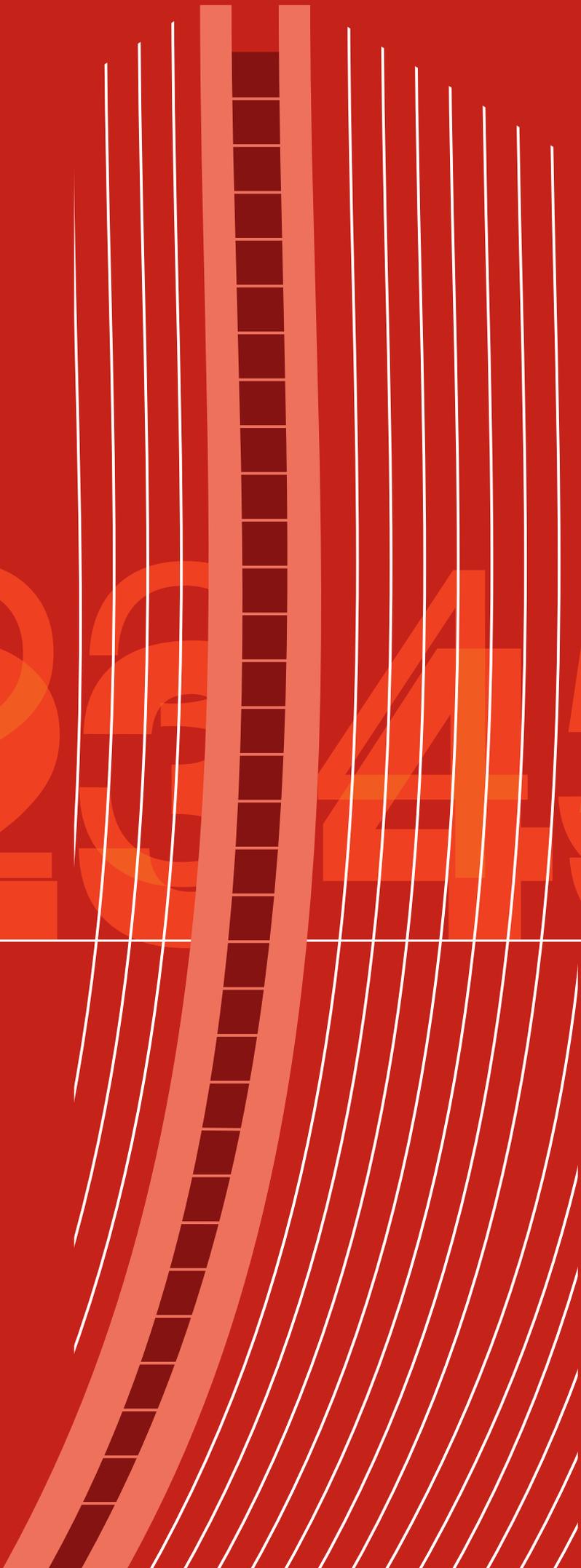
We believe that insurance coverage is the most appropriate tool to forecast and meet potential needs of both younger and older individuals with the required

advance notice; we therefore formulate and present offers even in the case of market contexts with little knowledge and low individual propensity for insurance solutions.

Life products, including pension and welfare products, imply Generali's acceptance of **biometric underwriting risks**, typically mortality, longevity and health. We therefore need to manage them through the underwriting processes that currently exist, which are based on an updated assessment of the socio-demographic conditions of the population whose purpose is to understand their relative trends. We also have **pricing and product approval processes** that offer a preliminary analysis of the cases regarding the biometric factors and a structured governance defined in the **Life underwriting policy**, which is applied at Group level. Lastly, we measure the mortality, longevity and health risks using the Group's internal risk model.

We also commit ourselves to and monitor the respect of human rights thanks to the Group's guidelines and policies, including the Code of Conduct, the Responsible Investment Guideline and the Responsible Underwriting Guideline.

012044





Financial Statements

Financial Statements

All numbers in tables are presented as millions of euros unless stated otherwise, using the average FX rate for 2018 of 1 EUR=118.24 RSD. Amounts are rounded to the first decimal, and therefore the rounded amounts may not always coincide with the rounded total.

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

BALANCE SHEET

(€ million)	31/12/2018	31/12/2017
ASSETS	597.6	465.6
INTANGIBLE ASSETS	0.3	0.1
Goodwill	0.0	0.0
Other intangible assets	0.3	0.1
TANGIBLE ASSETS	5.9	5.3
Land and buildings (self used)	3.1	2.8
Other tangible assets & inventories	2.8	2.5
INSURANCE PROVISIONS CEDED	86.8	8.2
INVESTMENTS	436.5	403.2
Land and buildings (investment properties)	0.6	0.6
Investments in subsidiaries, associated companies and JV	7.3	9.0
Loans and receivables	6.6	8.9
Held to maturity investments	0.0	0.0
Available for sale financial assets	422.0	384.6
Financial assets at fair value through profit or loss	0.0	0.0
RECEIVABLES	17.7	10.6
Receivables arising out of direct insurance operations	13.7	9.9
Receivables arising out of reinsurance operations	0.4	0.2
Other receivables	3.6	0.5
OTHER ASSETS	28.7	28.1
Deferred acquisition costs	13.8	12.5
Tax receivables	0.9	1.4
Deferred tax assets	0.5	0.4
Other assets	13.4	13.8
CASH AND CASH EQUIVALENTS	21.6	10.1

(€ million)	31/12/2018	31/12/2017
SHAREHOLDERS' EQUITY AND LIABILITIES	597.6	465.6
SHAREHOLDERS' EQUITY	132.2	112.5
Shareholders' equity attributable to the Group	132.2	112.5
Shareholders' equity attributable to minority interests	0.0	0.0
OTHER PROVISIONS	1.2	3.6
INSURANCE PROVISIONS	439.0	331.1
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	53.6	48.7
Provisions for unexpired risks	0.1	0.2
Provisions for outstanding claims	128.6	47.9
Other insurance provisions	7.7	7.7
Mathematical provisions	249.0	226.5
Provisions for policies where risk borne by the PH&PF	0.0	0.0
FINANCIAL LIABILITIES	0.0	0.0
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	0.0	0.0
PAYABLES	14.7	11.7
Payables arising out of direct insurance operations	1.5	1.4
Payables arising out of reinsurance operations	6.5	3.5
Other payables	6.7	6.8
OTHER LIABILITIES	10.4	6.7
Tax payables	2.5	1.0
Deferred tax liabilities	2.3	1.2
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	5.7	4.5

BALANCE SHEET NON-LIFE

(€ million)	31/12/2018	31/12/2017
ASSETS	295.0	202.7
INTANGIBLE ASSETS	0.2	0.1
Goodwill	0.0	0.0
Other intangible assets	0.2	0.1
TANGIBLE ASSETS	5.1	4.7
Land and buildings (self used)	3.1	2.8
Other tangible assets & inventories	2.0	1.9
INSURANCE PROVISIONS CEDED	86.0	7.9
INVESTMENTS	154.4	149.8
Land and buildings (investment properties)	0.4	0.4
Investments in subsidiaries, associated companies and JV	6.1	7.9
Loans and receivables	3.3	1.9
Held to maturity investments	0.0	0.0
Available for sale financial assets	144.6	139.7
Financial assets at fair value through profit or loss	0.0	0.0
RECEIVABLES	15.4	8.3
Receivables arising out of direct insurance operations	11.5	7.7
Receivables arising out of reinsurance operations	0.4	0.2
Other receivables	3.5	0.4
OTHER ASSETS	28.9	27.7
Deferred acquisition costs	13.8	12.5
Tax receivables	0.9	1.4
Deferred tax assets	0.4	0.3
Other assets	13.7	13.5
CASH AND CASH EQUIVALENTS	5.0	4.3

(€ million)	31/12/2018	31/12/2017
SHAREHOLDERS' EQUITY AND LIABILITIES	295.0	202.7
SHAREHOLDERS' EQUITY	89.9	85.2
Shareholders' equity attributable to the Group	89.9	85.2
Shareholders' equity attributable to minority interests	0.0	0.0
OTHER PROVISIONS	1.2	3.6
INSURANCE PROVISIONS	184.0	99.2
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	53.1	48.3
Provisions for unexpired risks	0.1	0.2
Provisions for outstanding claims	127.6	47.4
Other insurance provisions	3.2	3.2
Mathematical provisions	0.0	0.0
Provisions for policies where risk borne by the PH&PF	0.0	0.0
FINANCIAL LIABILITIES	0.0	0.0
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	0.0	0.0
PAYABLES	13.3	10.2
Payables arising out of direct insurance operations	1.5	1.4
Payables arising out of reinsurance operations	6.2	3.3
Other payables	5.5	5.5
OTHER LIABILITIES	6.7	4.5
Tax payables	2.5	1.0
Deferred tax liabilities	1.0	1.4
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	3.1	2.1

BALANCE SHEET LIFE

(€ million)	31/12/2018	31/12/2017
ASSETS	309.1	268.4
INTANGIBLE ASSETS	0.1	0.1
Goodwill	0.0	0.0
Other intangible assets	0.1	0.1
TANGIBLE ASSETS	0.9	0.7
Land and buildings (self used)	0.0	0.0
Other tangible assets & inventories	0.9	0.7
INSURANCE PROVISIONS CEDED	0.8	0.3
INVESTMENTS	282.0	253.4
Land and buildings (investment properties)	0.2	0.2
Investments in subsidiaries, associated companies and JV	1.1	1.1
Loans and receivables	3.3	7.1
Held to maturity investments	0.0	0.0
Available for sale financial assets	277.4	245.0
Financial assets at fair value through profit or loss	0.0	0.0
RECEIVABLES	2.3	2.3
Receivables arising out of direct insurance operations	2.2	2.2
Receivables arising out of reinsurance operations	0.0	0.0
Other receivables	0.1	0.1
OTHER ASSETS	6.3	5.9
Deferred acquisition costs	0.0	0.0
Tax receivables	0.0	0.0
Deferred tax assets	0.1	0.1
Other assets	6.2	5.8
CASH AND CASH EQUIVALENTS	16.6	5.8

(€ million)	31/12/2018	31/12/2017
SHAREHOLDERS' EQUITY AND LIABILITIES	309.1	268.4
SHAREHOLDERS' EQUITY	42.3	27.3
Shareholders' equity attributable to the Group	42.3	27.3
Shareholders' equity attributable to minority interests	0.0	0.0
OTHER PROVISIONS	0.0	0.0
INSURANCE PROVISIONS	255.1	231.9
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	0.5	0.4
Provisions for unexpired risks	0.0	0.0
Provisions for outstanding claims	1.0	0.5
Other insurance provisions	4.6	4.5
Mathematical provisions	249.0	226.5
Provisions for policies where risk borne by the PH&PF	0.0	0.0
FINANCIAL LIABILITIES	0.0	0.0
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	0.0	0.0
PAYABLES	1.4	1.5
Payables arising out of direct insurance operations	0.0	0.0
Payables arising out of reinsurance operations	0.2	0.3
Other payables	1.2	1.3
OTHER LIABILITIES	10.3	7.7
Tax payables	0.0	0.0
Deferred tax liabilities	1.2	-0.3
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	9.0	7.9

INCOME STATEMENT

(€ million)	2018	2017
TOTAL INCOME	194.5	192.5
NET EARNED PREMIUMS	159.9	150.2
Gross earned premiums	176.5	166.2
Earned premiums ceded	-16.7	-16.0
FEE AND COMMISSION INCOME	0.0	0.0
NET INCOME FROM FINANCIAL INSTRUMENTS AT FVTHPL	0.0	0.2
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.0	0.2
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VEN	3.1	1.8
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDIN	24.4	24.3
Interest income	22.9	22.6
Other income	0.2	0.1
Realized gains on financial instruments	0.7	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	0.6	1.6
OTHER INCOME	7.1	16.1
TOTAL EXPENSES	-165.2	-167.9
NET INSURANCE BENEFITS AND CLAIMS	-104.8	-98.7
Claims paid and change in the insurance provisions	-185.9	-101.9
Reinsurer's share	81.1	3.2
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)	-2.7	-3.5
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	-2.7	-3.4
ACQUISITION AND ADMINISTRATION COSTS	-45.8	-43.7
Net acquisition costs and other commissions	-38.5	-36.5
Investment management expenses	0.0	0.0
Other administration costs	-7.3	-7.1
OTHER EXPENSES	-11.8	-22.0
EARNINGS BEFORE TAXES	29.3	24.7
INCOME TAXES	-1.5	-0.3
RESULT OF DISCONTINUED OPERATIONS	0.0	0.0
RESULT OF THE PERIOD	27.8	24.4

INCOME STATEMENT NON-LIFE

(€ million)	2018	2017
TOTAL INCOME	116.3	114.3
NET EARNED PREMIUMS	98.5	96.8
Gross earned premiums	113.7	111.7
Earned premiums ceded	-15.3	-14.9
FEE AND COMMISSION INCOME	0.0	0.0
NET INCOME FROM FINANCIAL INSTRUMENTS AT FVTHPL	0.0	0.0
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.0	0.0
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VEN	2.1	0.8
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDIN	11.9	12.6
Interest income	10.7	10.9
Other income	0.1	0.1
Realized gains on financial instruments	0.4	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	0.6	1.6
OTHER INCOME	3.8	4.1
TOTAL EXPENSES	-94.0	-96.3
NET INSURANCE BENEFITS AND CLAIMS	-50.3	-52.5
Claims paid and change in the insurance provisions	-130.3	-55.5
Reinsurer's share	80.0	3.0
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)	-1.4	-1.9
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	-1.4	-1.8
ACQUISITION AND ADMINISTRATION COSTS	-35.0	-32.7
Net acquisition costs and other commissions	-29.8	-27.5
Investment management expenses	0.0	0.0
Other administration costs	-5.2	-5.2
OTHER EXPENSES	-7.3	-9.1
EARNINGS BEFORE TAXES	22.3	18.0
INCOME TAXES	-1.5	-0.6
RESULT OF DISCONTINUED OPERATIONS	0.0	0.0
RESULT OF THE PERIOD	20.8	17.5

INCOME STATEMENT LIFE

(€ million)	2018	2017
TOTAL INCOME	78.2	78.2
NET EARNED PREMIUMS	61.4	53.3
Gross earned premiums	62.8	54.5
Earned premiums ceded	-1.4	-1.1
FEE AND COMMISSION INCOME	0.0	0.0
NET INCOME FROM FINANCIAL INSTRUMENTS AT FVTHPL	0.0	0.2
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.0	0.2
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VEN	1.0	1.0
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDIN	12.5	11.7
Interest income	12.2	11.7
Other income	0.0	0.0
Realized gains on financial instruments	0.3	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	0.0	0.0
OTHER INCOME	3.3	12.0
TOTAL EXPENSES	-71.2	-71.6
NET INSURANCE BENEFITS AND CLAIMS	-54.5	-46.1
Claims paid and change in the insurance provisions	-55.6	-46.3
Reinsurer's share	1.1	0.2
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)	-1.3	-1.6
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	-1.3	-1.6
ACQUISITION AND ADMINISTRATION COSTS	-10.8	-11.0
Net acquisition costs and other commissions	-8.7	-9.0
Investment management expenses	0.0	0.0
Other administration costs	-2.1	-1.9
OTHER EXPENSES	-4.5	-12.9
EARNINGS BEFORE TAXES	7.0	6.6
INCOME TAXES	0.0	0.3
RESULT OF DISCONTINUED OPERATIONS	0.0	0.0
RESULT OF THE PERIOD	7.0	6.9

Notes to the Financial Statements

Average exchange rate

Currency	2018
EURO	118.24

Investments

(€ million)	31/12/2018		31/12/2017	
Equity instruments	0.1	0.0%	0.1	0.0%
Available for sale financial assets	0.1	0.0%	0.0	0.0%
Financial assets at their fair value through profit or loss	0.0	0.0%	0.0	0.0%
Fixed income instruments	440.8	93.7%	405.0	95.3%
Bonds	434.2	92.3%	396.1	93.2%
Other fixed income investment	6.6	1.4%	9.0	2.1%
Held to maturity investments	0.0	0.0%	0.0	0.0%
Loans	6.6	1.4%	9.0	2.1%
Available for sale financial assets	434.2	92.3%	396.1	93.2%
Financial assets at their fair value through profit or loss	0.0	0.0%	0.0	0.0%
Real estate investments	0.6	0.1%	0.6	0.1%
Other investments	7.3	1.5%	9.0	2.1%
Investment in subsidiaries, associated companies and joint ventures	7.3	1.5%	9.0	2.1%
Derivatives	0.0	0.0%	0.0	0.0%
Other investments	0.0	0.0%	0.0	0.0%
Cash and similar instruments¹	21.6	4.6%	10.1	2.4%
Total investments	470.4	100.0%	424.8	100.0%

Insurance provisions

Gross provisions

(€ million)	31/12/2018	31/12/2017
Non-life insurance provisions	184.0	99.2
Provision for unearned premiums and unexpired risk	53.2	48.6
Provision for outstanding claims	127.6	47.4
Other insurance provisions	3.2	3.2
Life insurance provisions	255.1	231.9
Provision for unearned premiums	0.5	0.4
Provision for outstanding claims	1.0	0.5
Mathematical provision	249.0	226.5
Provisions for policies where risk borne by the PH&PF	0.0	0.0
Other insurance provisions	4.6	4.5
of which provisions for liability adequacy test	2.4	2.4
Total	439.0	331.1

¹ Cash and similar instruments include cheques

Provisions for outstanding claims (€ million)	Gross provisions	
	31/12/2018	31/12/2017
Motor	41.0	37.0
Non-motor	86.6	10.4
Accident/Health	3.2	3.9
Other Non-motor	83.4	6.5
Total	127.6	47.4

Shareholders' equity (€ million)	31/12/2018	31/12/2017
Share capital	18.0	18.0
Capital reserves	0.0	0.0
Revenue reserves and other reserves	48.2	39.3
Own shares	0.0	0.0
Reserve for unrealised gains and losses on available for sale financial assets	38.1	30.7
Reserve for unrealised gains and losses through equity	0.0	0.0
Result of the period	27.8	24.4
Shareholders' equity	132.2	112.5

Employees	31/12/2018	31/12/2017
Managers	17	19
Middle Managers	195	205
Employees	350	327
Others	2	2
Sales attendant	900	996
Total	1,464	1,549

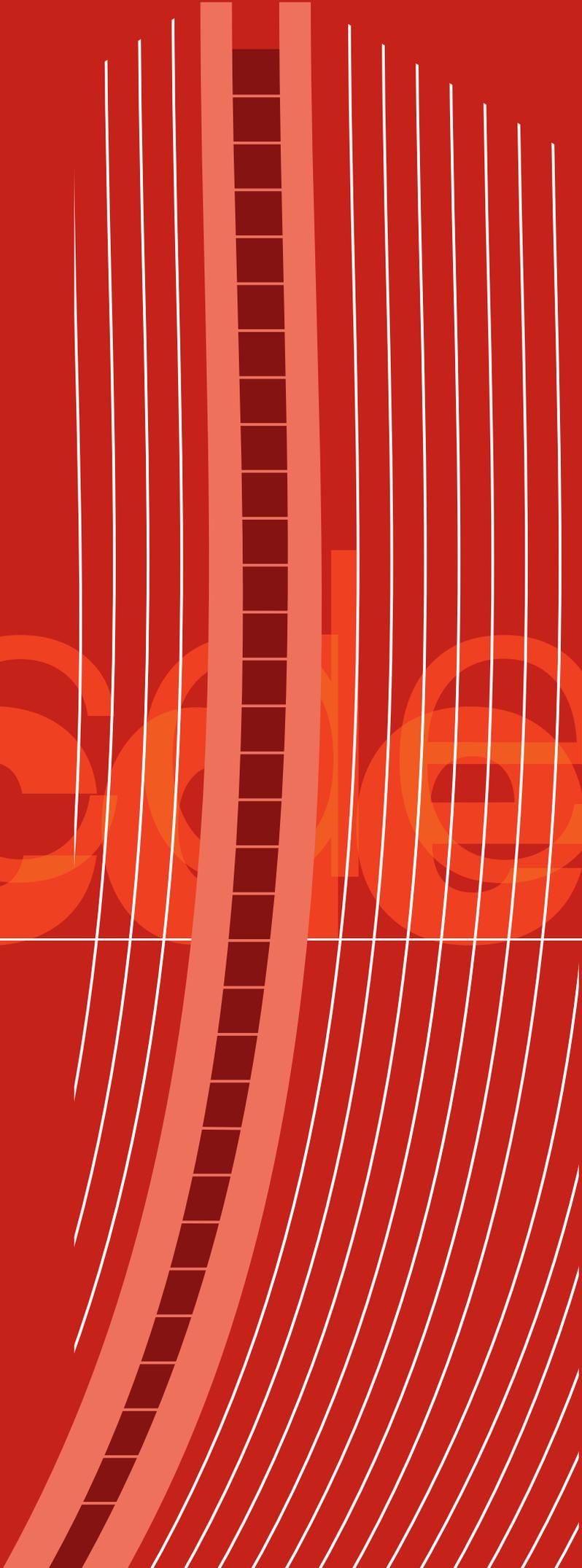
Properties

	31/12/2018	31/12/2017
Land and buildings (investment properties)	0.6	0.6
Land and buildings (self used)	3.1	2.8
Total	3.7	3.4

Investment in subsidiaries, associated companies and joint venture

(€ million)	31/12/2018	31/12/2017
Subsidiaries included in line by line consolidation	7.3	9.0
Investments in non-consolidated subsidiaries	0.0	0.0
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
Total	7.3	9.0

abccde



Glossary

Glossary

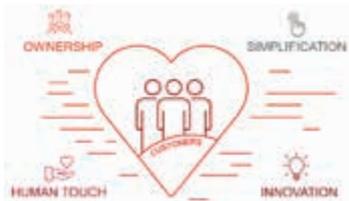
General definitions

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

ACEER – region comprising Austria, Central and Eastern Europe (CEE) and Russia.

Customer – either a physical person or a legal entity that holds at least one active insurance policy and pays a premium to Generali accordingly.



NPS (Net Promoter System)
– NPS approach to get a systematic feedback from customers after specific transactions (purchase, claims handling, etc.) selected locally. A survey is sent via email to customers to assess their propensity to recommend – or not – Generali to their closest persons (family members, friends and colleagues) using a scale from 0 to 10. Thanks

to this feedback, the company is able to identify detractors (rating from 0 to 6), passives (rating of 7 or 8) and promoters (rating of 9 or 10). Each detractor is called back by a member of Generali to understand the problem faced and solve it.

Sales channel – a channel used to distribute product to customers.

Diversity, inclusion and equal opportunities – enhancing diversity, promoting inclusion and contrasting any kind of discrimination allow us to create the best possible conditions in our relationships with stakeholders and to promote targeted behavior to prevent inequalities.

Employee engagement and promotion of a common culture – Strengthening the motivation and commitment of employees to meeting our goals is important for maintaining a single, shared company vision. Dialogue and listening activities and the sharing of information are key aspects for the involvement of employees.

Environmental products and social products – so called green and social products. Green products are designed to promote sustainable transport with reduced environmental impact, including policies that reward responsible driving,

products that support the energy efficiency of buildings, products for covering the risks connected with the production of renewable energies, products specifically designed to cover catastrophe risks or specific environmental damage and antipollution products. Social products are products that respond to the needs of specific categories of customers or particularly unfortunate events in life, including products dedicated to the young, to the elderly, to the unemployed and to coverage for professional disabilities and also products with particular attention on small and medium-sized enterprises necessary for sustainable development. These products promote responsible and healthy lifestyles.

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 reinsurance.

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

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

Contacts

Generali Osiguranje Srbija a.d.o.

Vladimira Popovića 8,
11000 Beograd, Srbija
Tel: +381 11 222 0 555
www.generali.rs

Generali Osiguranje Srbija Integrated Reporting Team

Gorana Rašić
Dragan Vukmirović
integratedreporting@generali.rs

Print

Grafeks plus doo
Drage Mihajlovića 27,
11273 Batajnica
Tel. +381 11 848 0 633
Mob. +381 63 246 877
e-mail: filmovanje@mts.rs
grafeksplus@gmail.com



www.generali.rs

