

# Annual **Integrated** **Report** 2017

**Generali Osiguranje Srbija**



186<sup>th</sup> year | [general.rs](http://general.rs)



# Annual **Integrated** **Report** 2017

Generali Osiguranje Srbija



Success is the result of  
perfection, hard work,  
learning from failure,  
loyalty and persistence.

Colin Powell

# Corporate bodies

## as at 31.12.2017.

### Supervisory Board

**Gregor Pilgram** (Chairman)

**Stefano Culos** (Member)

**Toplica Spasojević** (Independent member)

### Executive Board

**Dragan Filipović** (Chairman)

**Gorana Rašić** (Member)

**Veselin Danilovac** (Member)

**Nataša Marjanović** (Member)

**Branko Pavlović** (Member)

### Audit Committee

**Petra Jankovská** (Chairman)

**Renáta Šmejkalová** (Member)

**Rada Radović** (Member)

Parent company established in Trieste in 1831

Share capital € 1.561.808.262 fully paid-up

Registered office in Trieste, piazza Duca degli Abruzzi, 2

Tax code and Company Register no. 00079760328

Company entered on the Register of Italian insurance and reinsurance companies under no. 1.00003

Parent Company of the Generali Group, entered on the Register of insurance groups under no. 026

Certified email (Pec): assicurazionigenerali@pec.generaligroup.com

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



**Contacts available at the end of the document**

# What's inside

04	About the Report		
06	Letter from the CEO		
<b>8</b>	<b>We, Generali</b>	<b>52</b>	<b>Outlook</b>
10	Our history – Group	54	Outlook
12	Our history – Serbia	<b>56</b>	<b>Risks and Opportunities</b>
<b>14</b>	<b>Generali Osiguranje Srbija</b>	58	Risks and opportunities
16	Generali Osiguranje Srbija in numbers	<b>62</b>	<b>Financial Statements</b>
18	Key facts 2017	64	Financial statements
20	Significant events for 2018	73	Notes to the financial statements
22	Our Governance	<b>76</b>	<b>Glossary</b>
26	Vision, Mission, Values	78	Glossary
28	Values in Action – Serbia		
30	Value Creation Process		
32	Our strategy		
<b>40</b>	<b>Our performance</b>		
47	Generali Osiguranje Srbija – Non Life		
50	Generali Osiguranje Srbija – Life		



## About the Report

For the third consecutive year we are again presenting our results in an innovative and integrated way. In one report which gives a consolidated view of Generali Osiguranje Srbija, financial and non-financial indicators are incorporated in a narrative of how Generali values are created.

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 one year.

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.

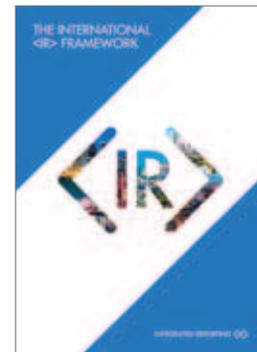
Lastly, through the Integrated Report, the management of the company wishes to complete the picture of our total business in Serbia, using the previously cited reports as well as a much broader set of financial and non-financial indicators which are necessary for both our shareholders and our clients 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 2017 has been applied (1 EUR = 121.35 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.



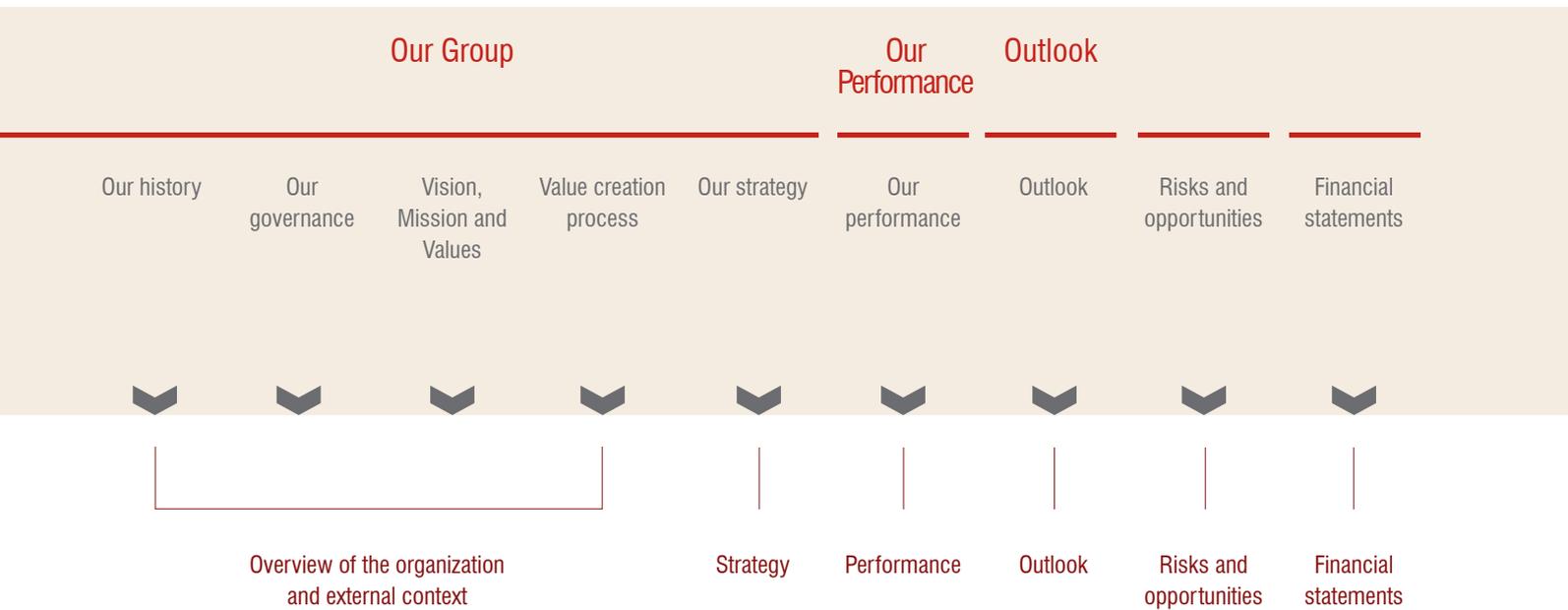
Sections of Annual Integrated Report



Elements of the content of the <IR> Framework



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



## Responsibility for the integrated annual report

The financial director 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](mailto: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 is the largest insurance company in Serbia in total assets and at the end of 2017 confirmed the second position in total premium income. The results achieved confirm that we are an efficient, stable and innovative company which is dealing successfully with the various global and local changes characteristic of the insurance industry, and which are more and more directly linked to changes in society.

The socio-political situation, an uncertain economic environment, climate change, and ever more pervasive and sophisticated technology are just some of the elements affecting the surroundings in which Generali Osiguranje Srbija operates. On the other hand, we have the needs of clients who are able to choose various increasingly personalised solutions, and these open the door to new business opportunities for us.

Our operating result shows significant growth over the previous year: we have confirmed our position as market leader in life and health insurance and capped 2017 off with record profit and dividend payments, thus achieving the strategic goal of profitable business.

During 2017, we undertook a number of ambitious projects. In Belgrade we introduced a modern system of appointments for motor vehicle claim assessments, which has not previously been seen in our market. This was a significant improvement in the service we provide to our clients. We upgraded our app for purchasing insurance by mobile telephone and digitalised more than two hundred of our sales agents, uploading their details onto the company's website to make them even more accessible to clients. We have significantly invested in on-line communication in an effort to be available to our clients everywhere and at all times, and set up profiles on social networks. In addition, we conducted Generali Global Engagement Survey, with the response of 99% of our people. The number of participants in the survey confirms that our people are ready to actively participate in our transformation. Based on the survey results and opinions of our employees in the future we will implement a range of activities to ensure that Generali becomes even more favorite place to work.

Last year we also launched the Human Safety Net, one of the Generali Group's most ambitious projects. This is a global initiative which aims, with the help of Generali employees, to connect and mobilise millions of people across the world to engage in projects which could have a huge impact on selected local communities. In Serbia we will assist families, providing unique opportunities for children living in poverty to achieve their full potential in life. Parents and caregivers play a key role in the development of their children, and our program will provide training, workshops and consultation to help them acquire the knowledge which will enable them to support the development of their children during the first six years of their life. We have always helped the community in which we live; we have serious experience in socially responsible operations and this has always been part of Generali Srbija's DNA. Now we have an opportunity to become part of something larger, something which will have much greater impact. Together with our clients we can established shared values, connecting people and creating a real network of people who help people.

Generali Osiguranje Srbija is a modern, client-centric company, which successfully brings experience and technology together in order to provide clients with innovative solutions which meet their needs. We also stand out on the market thanks to our people, not only our employees, but our partners and associates as well. Without all of them it would not be possible to achieve the kind of results we have achieved in the past year. Because of this, we owe them special thanks again this year.

Dragan Filipović,  
President of Executive Board and CEO



We, **Generali**





**10 Our history – Group**

**12 Our history – Serbia**

## Our history – 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 60 countries through more than 400 companies and over 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](http://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.

## 2011-2016

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 and confirm the achievement of the already announced targets by 2018.



## Our **history** – **Serbia**

### 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, Generali Društvo za upravljanje dobrovoljnim penzijskim fondovima (Generali Voluntary Pension Funds Management Company) – the first company of this kind in Serbia, and Generali Osiguranje Montenegro – a company for non-life insurance in Montenegro. We are a part of the Generali Group, one of the largest global insurers.

### 2006

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

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



## 2007-2013

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

## 2014-2017

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**. In 2016, the company confirmed its ability to increase profit, paying particular attention to the payment of dividends and economical spending, while maintaining the

position of the most profitable insurance association on the Serbian market. In keeping 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**.

In 2016, the first phase of digitalisation was notable for the introduction of the first mobile applications for sales and claims as well as drones for underwriting and loss adjustment, which was an incentive for us to

**continue courageously in 2017**. After our first successes in the sale of travel insurance, **we introduced the sale of household insurance and many other features for clients** both in the application and on the site. Thanks to enhancements in support services, we offer a fast and efficient service to clients. Thus in 2017, **in Belgrade**, we introduced a modern and organised **system of claims adjustment scheduling without waiting, such as had not existed in our market**. Nor did we neglect the shareholders, and so we topped 2017 off with a **record profit and dividend payment** having achieved the strategic goal of profitable business.



# **Generali Osiguranje Srbija**





<b>16</b>	<b>Generali Osiguranje Srbija in numbers</b>
<b>18</b>	<b>Key facts in 2017.</b>
<b>20</b>	<b>2018 Calendar</b>
<b>22</b>	<b>Our Governance</b>
<b>26</b>	<b>Vision, Mission, Values</b>
<b>28</b>	<b>Values in action – Serbia</b>
<b>32</b>	<b>Our strategy</b>

## Generali Osiguranje Srbija in Numbers

### Gross Written Premiums

-0.3%

€ 163.0 million

67.4%

Non life

32.6%

Life

### Our Employess

1 549

34%

Men

66%

Women

### Operating Result

+21.9%

€ 25.6 million

### Net Profit

+21.9%

€ 23.8 million

### Solvency I Ratio

151.1%



## Non Life

## Life

## Gross Written Premiums

## Gross Written Premiums

+3.7%

-7.6%

€ 109.9 million

€ 53.1 million

59.8% motor

19.3% single

40.2% Other Non Life

80.7% regular

## Combined Ratio

## APE

-0.8 pps

-3.4%

88.1%

€ 11.3 million

## Operating result

## Operating result

€ 18.5 million

€ 7.0 million

## Market position

## Market position

2

1

## Solvency I Ratio

## Solvency I Ratio

152.9%

148.3%

## 2017 key facts



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

### January

Taking into account the needs of insurance beneficiaries, the company is investing in the modernization of office space and improving the process of reporting claims in Belgrade, introducing a system of scheduling claim reporting which has not existed on the Serbian market to date.

### March

Recertification of ISO 14001, ISO 18001 and ISO 10002 standards.

### April

Approval of annual financial statements for 2016 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 more than three hundred children who visited their parents' workplace.** This event also marked the launch of the first campaign on Generali Osiguranje Srbija's new Instagram page.

### May

**Integrated Annual Report for 2016 published.**

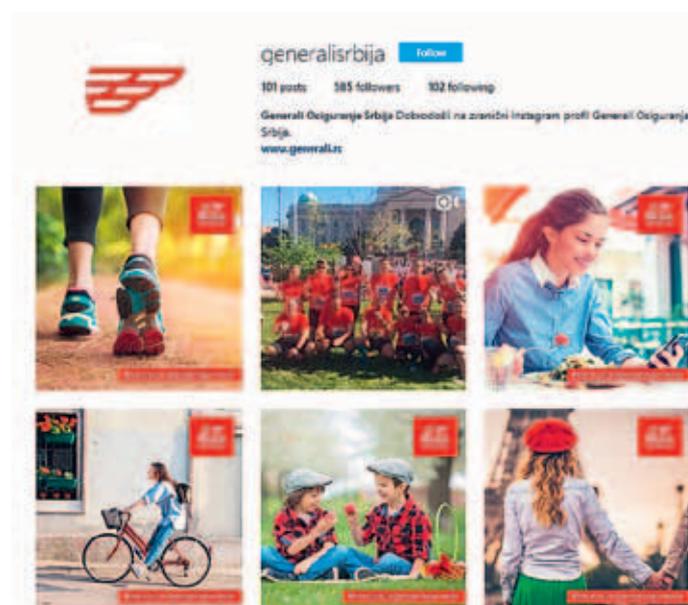
The company hosted CFOs of Generali companies from the Southeast Europe region.

## Significant events after 31 December 2017

During first quarter of 2018 the Company has received decision from Ministry of finance, tax administration, which orders payment of calculated tax liabilities from the previous years, along with the corresponding legal default interest.

In previous accounting periods, concluding at 31.12.2016 the company has made reservation in its books on behalf of potential tax liabilities, which was in the perimeter of calculated tax liability, thus this event has no significant adjusting impact on financial result, which the Company has reported on 31.12.2017.

There were no other adjusting events after the balance sheet which may affect the financial position and the result of the Company as at 31 December 2017 and for the year then ended.



## June

The second employee engagement survey was conducted, in which employees had the opportunity to express their opinions and suggestions to help us become the favourite place of work for all employees.

## October

The company received the new ISO 22301 - Business Continuity Management System.

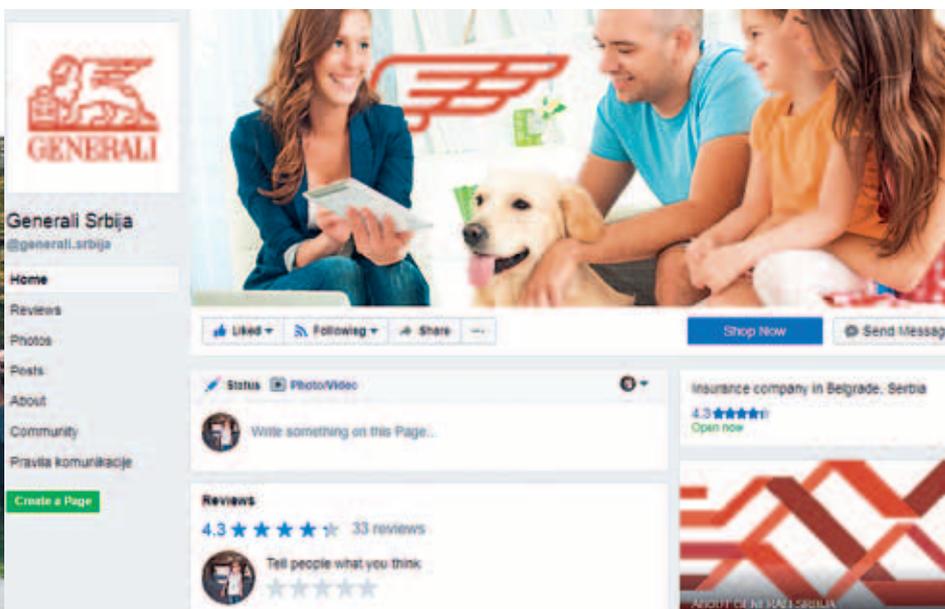
In October, we were successfully recertified for the existing standards ISO 9001 and ISO 27001

### Human safety net

Dragan Filipović, President of the Executive Board of Generali Osiguranja Srbija, raised *The Human Safety Net* flag in front of the company headquarters and symbolically marked joining this global movement which is aimed at protecting and improving the lives of people outside day-to-day business.

## December

The company opened a YouTube channel and uploaded its first tutorial. It then opened a Facebook page, to improve communication with current and future customers. At the end of the year, more than two hundred sales agents were becoming digital agents and available to customers through the Generali site.



## Corporate calendar for 2018

### February

The Net Promoter Program of Generali was recognized as the world's best by Medallia during the Experience Europe 2017 event held in London. Generali Osiguranje Srbija introduced NPS program in 2015, among the first companies in Generali group.

### March

Managerial acceleration program (MAP) journey started in March. MAP is global initiative of Generali group, with the purpose to empower and increase engagement of employees through strengthening leadership skills of all Generali managers.

"Smart working" concept trial period began in March.

### April

**20.04.2018.**

Supervisory board – Approval of financial reporting as at December 31, 2017 and profit distribution.

**20.04.2018.**

Annual General Meeting and Q1 results reporting.

### May

The seventh consecutive year Generali Osiguranje Srbija is main sponsor for International Agriculture Fair in Novi Sad, the biggest regional fair of that kind. Generali Osiguranje Srbija presented innovation in Serbian market – application for loss adjustment for crops and fruits. It is a huge step in the field of digital transformation in agro insurance.



## June

Generali Osiguranje Srbija will host Generali CFO community in Belgrade.

## July

Supervisory Board – half-year results.

## September

Submission of three year period plans to ACCER ExCo.

## October

Nine-month results reporting.

## November

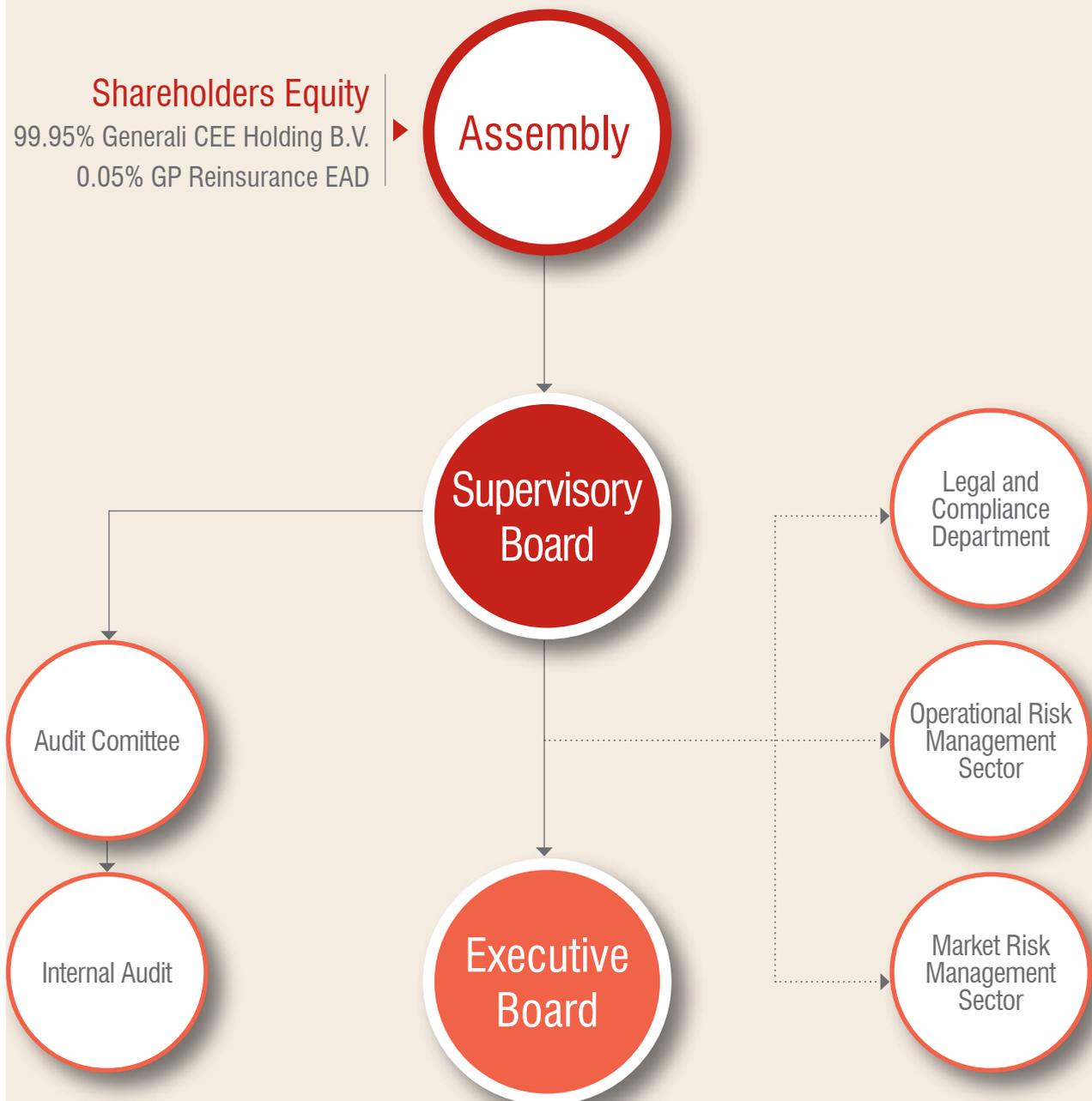
**21. November 2018.**

Investor day: presentation of the new three year strategy of Generali group.



## Our governance

In the course of 2016, the Company established a two-tier governance system after alignment with the provisions of the new Insurance Law, which entered into force on June 27, 2015. The Company bodies are: the Shareholders Assembly, the Supervisory Board and the Executive Board. The Company's shareholders have the right to vote in the Assembly, in proportion to their share in the Company's capital.





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

## 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. Gregor Pilgram is also Chairman of the Supervisory Board of the Croatian Generali company and BoD member in 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. Stefano Culos is today Consolidation and Accounting director at Generali CEE holding. He is also Member of the board of directors of Generali Montenegro.



### Toplica Spasojević

Independent member

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

## Executive Board

The Executive Board has five members appointed for a period of four years with the prior consent of the National Bank of Serbia. The Executive Board manages the Company's operations and supervises the day-to-day activities of the Company's employees. The Executive Board has the authority provided under the Insurance Law and the Company's Articles of Association. Each member of the Executive Board, as a Company representative, represents the Company together with the Chairman of the Executive Board or another member of the Executive Board (limitation of representation by countersignature). The members of the Executive Board are:



### Dragan Filipović

CEO

Chairman of the Executive Board and CEO of Generali 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 (CFO) 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 and underwriting (Chief Insurance Officer, CInsO).



### 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.



### Branko Pavlović

COO

Member of the Executive Board of Generali Osiguranje Srbija responsible for IT, logistics and procurement and actuarial matters.

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.



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



The **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.



**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.



**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.



**The Commission for Insider Information** was established in accordance with the Group's policy on market abuses. The role of this Commission is advisory in that it offers advice and suggestions on the classification of insider information. The Commission for Insider Information advises appropriate persons, at their request, to clarify whether particular information should be classified as insider or not.



## Vision, Mission, Values

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

### Actively

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

### Protect

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

### Enhance

Generali is also committed to creating value.

### People

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

### Lives

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

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

### First choice

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

### Delivering

We ensure achievement striving for the highest performance.

### Relevant

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

### Accessible

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

### Insurance solutions

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



## Our Values

### Deliver on the promise

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

### Value our people

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

### Live the community

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

### Be open

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



We support the most vulnerable people through **The Human Safety Net (THSN)**, the new Group flagship initiative for the community. The Human Safety Net's programmes target three key social and demographic issues affecting communities where we live and work:

#### – creating equal life opportunities for children from disadvantaged backgrounds

Generali wants to promote equal life chances for children from disadvantaged backgrounds, by helping parents to boost their children's cognitive, motor and social development through play, reading, nutrition and providing a safe and stimulating social environment.

THSN aims to support 30,000 parents during the first six years of their child's life, which has been scientifically proven as the most formative period in children's development.

#### – supporting refugee to set up their start-ups

Generali wants to empower refugees to realize their entrepreneurial potential and build livelihoods in their new 'home' countries.

THSN will support those who have the experience and skills to create their own businesses and to become self-sufficient, thus setting up 500 new businesses and opportunities for work.

#### – saving newborns from the debilitating and potentially fatal consequences of asphyxia

In Europe and Asia, THSN is investing in innovative technologies and better care to help tackle asphyxia, that can result in severe and permanent injuries to the baby's brain, with the aim to train and equip professionals to help save 1,000 lives from this potentially fatal condition.

THSN will operate through partnerships with NGOs and social enterprises that will be selected through due diligence and monitored using a new reporting system, based on the London Benchmarking Group framework i.e. the global standard to measure investments in the communities.

Based on a 3-year strategy supported by a new set of Group guidelines, this initiative has already been launched in Germany, France, Argentina, Indonesia and Spain and aims to be active in the majority of the business units by 2020.

As part of its long-term commitment, Generali is creating a home for THSN in its most prized properties: the Procuratie Vecchie in St. Mark's Square in Venice, a UNESCO World Heritage Site where Generali is committed to an important renewal project that will be extended to other spaces around the square and the adjacent Royal Gardens.

## Values in Action – Serbia

Generali values are promoted through activities which the Embassy has encouraged for years. We are proud to underline that some activities have also been noticed and welcomed by the wider community.

### Embassy Of Values: **Our employees live by Generali values**



Recognition for contribution to and affirmation of “Čep za hendikep” (Bottle Tops for the Disabled) campaign

We collected almost 1.5 tons of bottle tops, placing the company among the campaign’s largest partners.



Recognition by the Institute for Blood Transfusion in the category of the most successful institutions, companies, associations and societies.

Two hundred company members took part in four campaigns for voluntary blood donors.

**We continued the tradition of collecting assistance for Čuvarkućica, NURDOR and the Be Human - Aleksandar Šapić Foundation.**

**For the first time we collected assistance for the Bežanijska Kosa Home for the Seniors.**



## Generali Day - teamwork day

Company members from all over Serbia gathered together for the third Generali Day. About 600 employees took part in sporting, educational and leisure activities.



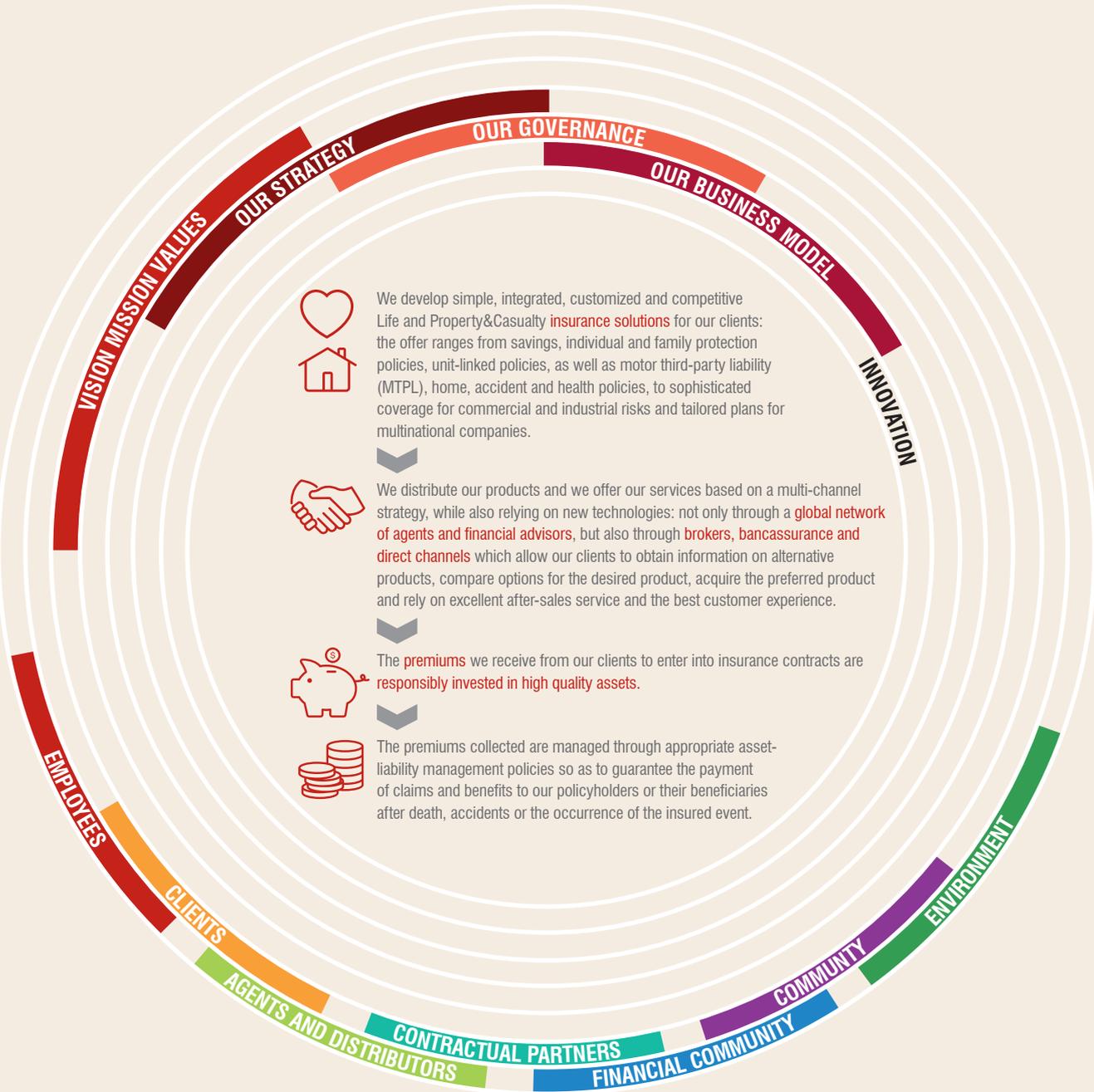
## The best sports team

The Generali Sports Team (70 colleagues, 10 disciplines) won 14 medals and took first place overall in the Fifth Sporting Games of Serbian insurers.

# How we create **sustainable value**: our **business model**

## External Context

Capital





Glossary available at the end of this document

**Financial capital**  
Solvency I ratio 151.1%



Our performance, p. 44

**Human capital**

We are committed to valuing and developing our people in order to be ready to more effectively meet future challenges.

We listen to them as to understand how we can improve and meet their needs.

**Generali Osiguranje Srbija Engagement Survey 2017**

**99% response rate** (+0 pps vs 2015)

**88% engagement rate** (+2 pps vs 2015)

**Natural capital**

We are committed to contributing to the transition towards a more sustainable economy and society, even by managing our direct impact.

Output

Impact

**Social and relationship capital**

We continue to implement our Net Promoter System Program - recently awarded by Medallia as one of the most successful global programs - and listen to our customers and distributors while responding to their feedback and allowing ourselves to improve their satisfaction and loyalty.

We support the most vulnerable people through The Human Safety Net (THSN), a global initiative which tackles three important socio-demographic issues.

**Intellectual capital**

We have strong technical know-how which allows us to offer insurance solutions that are high in quality as well as innovative and digital so as to meet the needs of our clients and simplify our processes.



# Our strategy

2015  
SIMPLER AND SMARTER

Increasingly challenging  
external context

## Accelerate to excellence



### Improve operating performance

#### Optimise international footprint

The Generali Group anticipates that its withdrawal from certain markets will bring cash revenue of at least one billion euros. These markets do not include Serbia and Montenegro, which have been profitable for years, with a steady policy of paying dividends.

#### Rationalisation of operating procedures

We are committed to continuous improvement of our business with the goal of increasing the Group's potential. We shall achieve this by simplifying product portfolios, streamlining workflows and integrating IT platforms. At the same time, we shall invest in improving the capacity of those activities which have higher value.

We are continuing the rationalisation of procedures in the company. Through the Lean Six Sigma project we reduced the number of written procedures by more than 22% in the first year.



**Our people always...**

## 2016-2018 SIMPLER, SMARTER. FASTER

We are reducing not only paperwork, but overall costs as well. The share of general expenses in premiums fell last year to 16.2% from 18.9% in 2015. Adhering to the strategic goals of F2L (Fit to Lead), we are devoting more attention to the efficiency of internal procedures in order to reduce the need for new employees.

Focusing on paperless business, digital signing of claim approvals in accident cases, and modernisation of the department for claims pay-outs, together with the scheduling of client appointments is further confirmation of the implementation of the Generali Group's strategy in Serbia.

### Increasing technical capacity

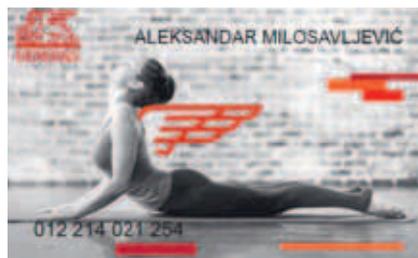
We already have strong technical capabilities but to become the best player we will continue with price sophistication, risk selection and claims management in the P&C business while with the continuous improvement in the quality of our products and the capital return optimization in the Life business.

Drones are definitely the future of our business in the area of risk underwriting and loss adjustment. We introduced these successfully in 2016 and in 2017 we continued to provide training and change procedures in order to make more frequent use of them.

In 2017 we introduced a smart card for the holders of private health insurance, thus raising the level of service for our clients, as well as improving records and claims payments.

We are also constantly improving our solutions for sophisticated price setting, risk selection and claims management, with continued improvement of product quality.

Last year we formed the Digitalisation Sector, which is responsible for the development of digital products and distribution channels, improvement of the process and the introduction of digitalisation in client support and service.



# Accelerate to excellence

## Creating long-term value

### Introducing a new insurance portfolio

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

We aim through the new Asset Management strategy to enhance investment capabilities and offer bespoke investment solutions to European companies and individual savings products.

By early 2016, once the legal conditions were in place, Generali Osiguranje Srbija presented the first product which involves investment in investment funds on the domestic insurance

market (unit-linked product). The volume of sales was satisfactory given the development of investment funds in Serbia. A growth in sales of unit-linked products is anticipated as soon as the overall market conditions improve for the development of these funds. In the meantime we are preparing new product to enhance our range.

While we await conditions for greater expansion of the sales of unit-linked products, we have continued to enhance traditional life insurance products. In 2017 we presented a new product, Life Concept, to the market. We believe this will meet the expectations of our clients as well as our strategic commitments.

### Client-drive innovation and distribution

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

Generali Osiguranje Srbija was among the first companies in the Group to join the global NPS program. In 2017 this was proclaimed by Medallia as the best client communication system in the world.

Last year we sent clients more than 65,000 questionnaires. We received a large number of responses, which means that they want their voice heard and



**Our people always...**



## Strengthen the brand

that they are interested in the future of Generali.

We called more than 12,000 clients, and less than 15% of these would not automatically recommend us. Feedback indicates to us what our clients like and what may be further improved, and we reward clients' trust by finding the best solutions to improve procedures. Last year we also began additional activity through NPS, donating 100 dinars for each survey response to the humanitarian organisation Be Human - Aleksandar Šapić, which was supported by our clients.



We aim to become the first choice for consumers.

As to strengthen our brand we are focusing on consumer preference and client retention. Actions to improve such aspects are mainly taken in three macro-areas, i.e. the new look & feel of the brand, the shift to digital marketing channels and the content marketing based on advice to live healthier, safer life.

Customers' ability to recognize a brand is crucial for making a decision on the purchase.

Generali Osiguranje Srbija is recognized by **93%** of customers (*brand awareness*) and in that respect the company

is number two in the domestic insurance market. When it comes to being first choice (*brand preference*), as much as **18%** of people choose Generali Osiguranje Srbija.

Source: Generali Global Brand Research 2017

We are carrying out numerous activities which directly affect brand strengthening and achieving better results – from the company's greater media presence to creating added value for clients.

We are also focused on retaining current clients and achieving higher insurance renewal rate.



"Our Brand is the sum of every experience our customers have with us..."

Generali Group  
© 2017 Generali Osiguranje Srbija



## Generali - our favourite place to work

Being empowered means sharing power, knowledge and skills at all levels so that each of us is able to make choices based on information and show our own style of management. It gives us the opportunity to take the initiative, solve problems and completely utilise our skills.

Being engaged shows our passion and energy for work. When we are engaged we give ourselves fully and contribute to the success of the company. Empowered and engaged, we create the future and build a successful, inclusive and open environment.

**The insurance industry is constantly changing and demands a new kind of leadership.**

Our management model supports people for whom the client is the first priority and who achieve great results through simple and smart solutions.

We encourage leaders with an enterprising spirit who are able to engage members of their teams and shape the industry by working locally while thinking globally.

From young graduates to senior management, we want to attract the best and to prepare them for the next step in their careers.

**We are questioning present status and invest in the development of new knowledge and skills.**

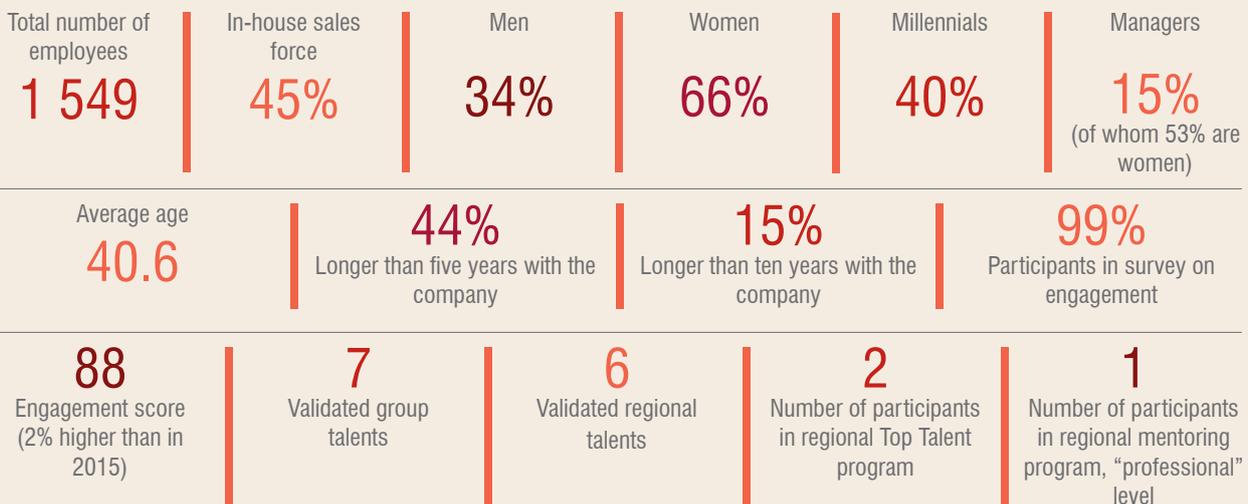
By simplifying procedures and investing in state-of-the-art HR systems we create an agile organisation and achieve greater efficiency.

By making connections and being flexible we can achieve more with less.

**“We are facing a revolution in client behaviour.**

Our clients, dissatisfied with one-size-fits-all solutions, are looking for customised products. They expect clear information, flexibility and human access.

Because of this we must put the client at the centre of everything we do. Our procedures - from employment, through training, to performance management - are based on the principle of client orientation. The result is a simple and smart way of doing business which secures a better result for clients.”





## Second global Engagement survey

Last year a second General Survey on employee engagement was taken. The results showed that we had achieved a major shift and improved in those areas which we had identified in 2015 as needing improvement. We improved performance management, establishing a better balance between personal and business life and worked on empowering employees and improving working efficiency.

In last year's survey we defined the areas in which we are strong, taking into account the company's goals and our contribution to achieving them, belief in the leadership and the company strategy and the focus on clients and the service we provide. On

**“Through the engagement project the company is enhancing the satisfaction of all employee who express their opinion this way and make a contribution to processes within the company. This well-implemented process provides a feeling of identifying and spreading the company culture among employees. Engagement is a higher level of teamwork in which words translate into deeds.”**

Bora Djurić, Regional Manager, Department for External Sales and Bancassurance

the other hand, we made a commitment to paying more attention to compensation, benefits and performance management, empowering employees and improving work efficiency and working conditions. We drafted an action plan for 2018-2019 which will assist us in making Generali an even better place to work.



## Performance management

During 2017, all employees were involved in the performance management process, which is another major step towards objective assessment of their performance and potential. A key part of this process is a feedback meeting in which employees talk to managers about their performance during the previous year, their strengths and weaknesses. An important phase of this meeting is discussion on the professional ambitions of the employee and the creation of a development plan based on this. Setting targets for each employee for the year ahead is an indispensable part of this.



**“Feedback is a powerful tool which enables us to work on the personal and professional development of employees. Although this is a formal procedure, I can say that my feedback meeting is a spontaneous discussion, an exchange of views which concludes with an agreement on projects I should work on during the period ahead.”**

Ivana Topalović, Head Underwriting Unit, Property Insurance Division



## Identifying and developing talent on the local level

Talent development continued in February. The new generation comprises ten talents at the professional level. The focus was on spreading information about the way the company functions as a whole and acquiring new business knowledge. The greatest challenge was work on four important projects: Generali Brand Shop, Unmatched Payments, Generali Kindergarten and Casco Portal, which will be implemented in 2018. During 2018, talents will also be able to work more on developing personal skills, with an emphasis on the development of management potential.



**“I see entrance into the Talent program as a privilege It opened my eyes. I acquired knowledge about the functioning of the company and certain parts of it which until then had been unknown to me. It allowed me to find my place among a team of people who were different, but in some way similar - successful, educated, dedicated and ambitious people. It set me challenges in areas I had not previously had the chance to try out.”**

Jelena Marković, Senior Claims Liquidator

## Generali advice on sales principles

After many years of research, we have defined the best sales practice and shared it with the sales force. We have established sales principles which will allow us to provide clients with the best experience. We have also identified individual characteristics of consultants, assessed their potential and competences and prepared a plan for their further development.



## Mentoring Program for better internal experience exchange

Last August, the company introduced its first mentoring program. Fifty-five pairs of employees and mentors took part in a one-year program to exchange experience and knowledge. We achieved:

- an increase in knowledge and skills and improved employee performance;
- accelerated career development through learning from the experience of colleagues;
- a higher level of employee dedication.

**“For me personally, this was a good opportunity to acquire new experience, to strengthen leadership and mentoring skills, while on the other hand exchanging experiences and perceptions of situations I encounter every day in business.**

**Mentoring is a two-way street, where both sides take an active part.”**

Đorđe Burmazević, Director of the Procurement Sector

**“Used in the right way, mentoring can be of great assistance in personal and professional development.”**

Sandra Metlić, Senior Underwriter for Casco insurance



## Jubilee Celebration

Last year a whole 118 colleagues completed ten or fifteen years of creating shared values and success. A festive celebration was organised to honour them. It was hosted by mr. Dragan Filipović, CEO.

## Award for the best sales representatives in 2017

The best sales representatives in life and non-life insurance were awarded for top results, great commitment to clients and dedication to work.



## Gold Club - sales tournament

The traditional sales tournament continued. Sixty sales representatives attended a three-day program packed with many workshops and sporting activities. The best ones won prizes.

## Our VIP Club representatives

This year our company again had its representatives at the gathering of the VIP Sales Club for the region of Central and Eastern Europe.



## Award for Client Heroes

Client heroes were named for the second year running. These were winners of a campaign which recognizes those who are willing to go a step further to assist clients.

Our  
**performance**





**47 Generali Osiguranje  
Srbija – Non Life**

**50 Generali Osiguranje  
Srbija – Life**

# Our Performance

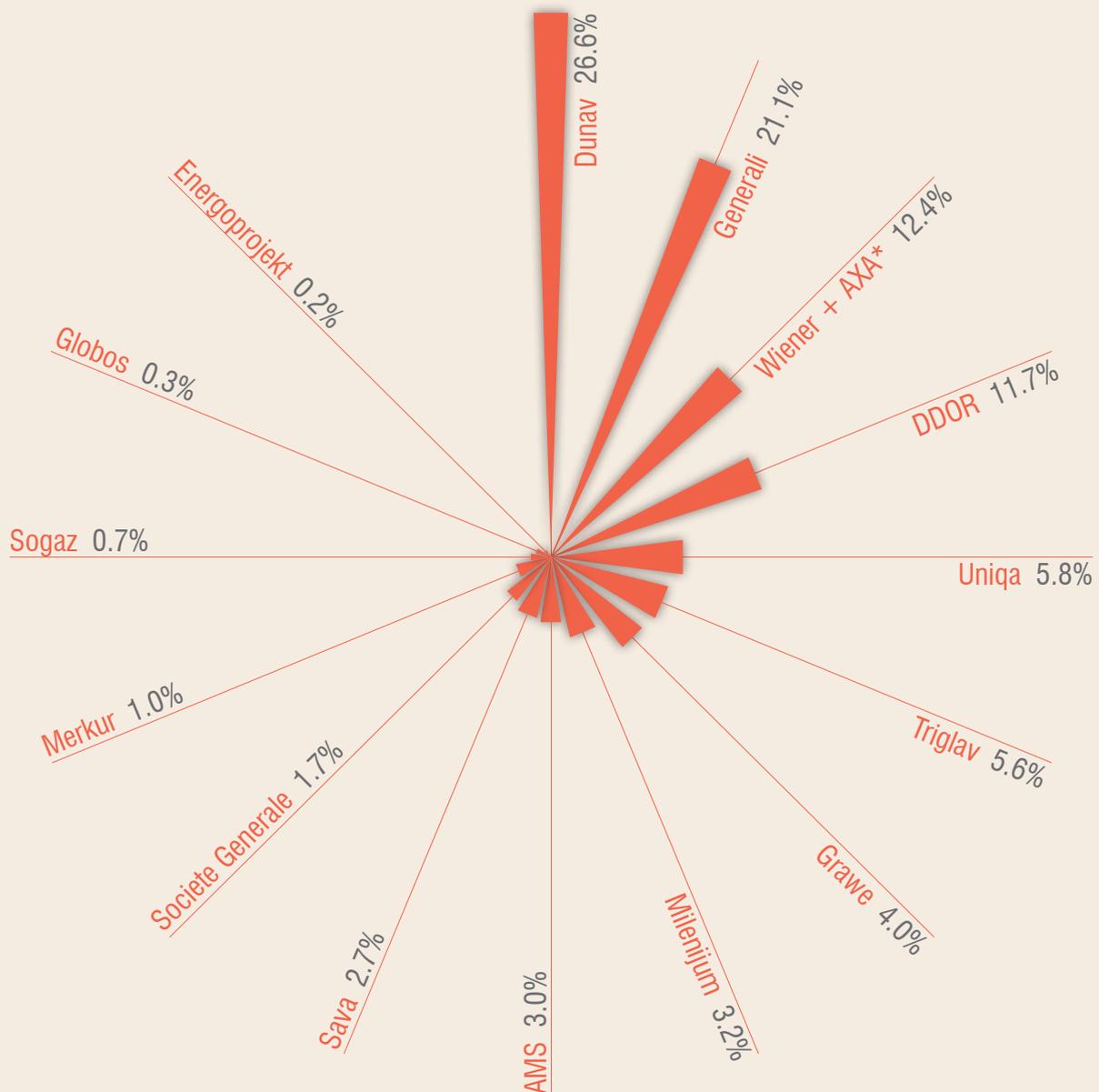
## Insurance market at glance

18.8% Market share  
Generali non-life > 2<sup>nd</sup>

28.2% Market share  
Generali life > 1<sup>st</sup>

€ 773 million

Total market gross written premium



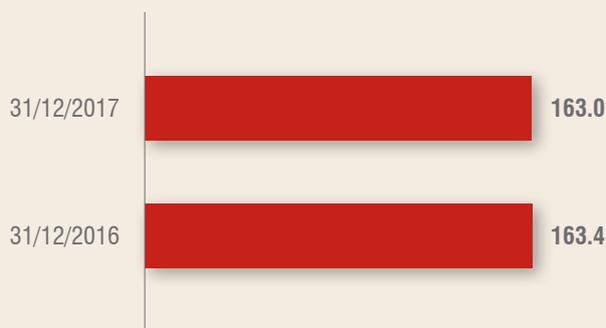
\* Wiener acquired AXA during second quarter 2017

## Company highlights

All numbers in tables are presented as millions of euros unless stated otherwise, using the average FX rate for 2017 of 1 EUR=121.35 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 amounted to €163 million, which is slightly less than in 2016 (-0.3%). Non-life premium grew by +3.7%, mainly driven by a growth in health<sup>1</sup> business (+22.6%). In Life, growth (+8.5%) in regular premium compared to 2016, was achieved mainly thanks to protection products (+29.3%). Life single premium declined by -43.0% (related solely to “Premium profit” product), with a determining impact on the Company’s overall premium volume. Lowering guarantees, i.e. the technical interest rate in life saving products for new business from 01.03.2017 had an adverse effect on demand for saving products. The Company responded by reshaping products and, by the end of 2017, sales recovered, leaving a gap in achieved/planned volume in the mid-year.
- The Bank channel continued to grow in non-life distribution, rising by +31.5%. In life business, this channel decreased due to lower sales of “Premium profit” product. Despite this, banks were the second most important sales channel in life, bringing 18.4% of all life premiums.
- The broker channel had shown significant growth in past years, but rose a modest +1.4% in 2017. Brokers performed best in health business with a €2.1 m (+66.5%) increase in 2017.

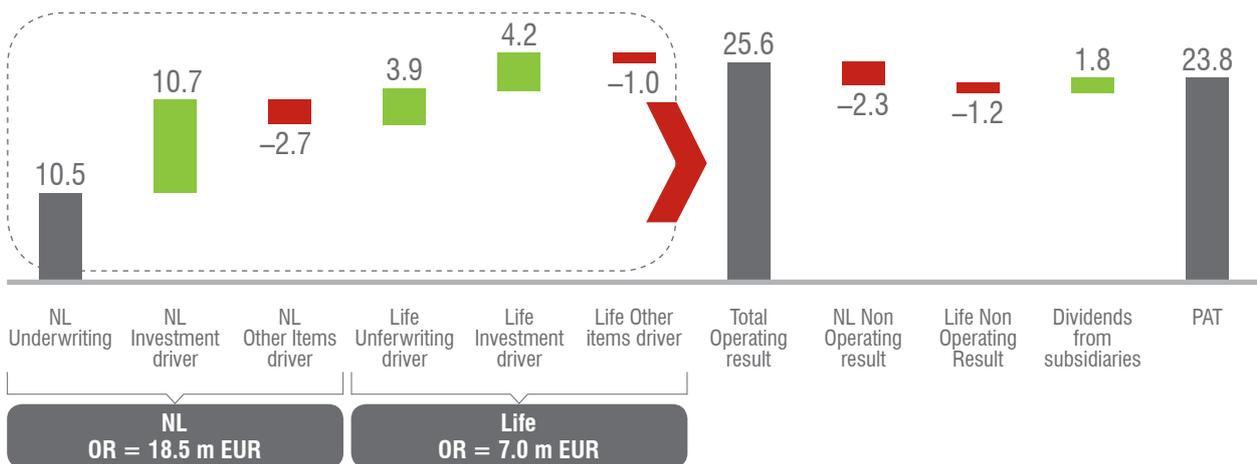
<sup>1</sup> Health here represents: medical expenses, critical illness and surgical interventions and health insurance while traveling abroad (travel assistance)

- 2017 was a record high year with an operating result of €25.6 million. Both the non-life and life segments showed an increase (+11.6% and +61.1%, respectively) and in both segments the main driver behind this growth was the technical result. A stronger investment result in 2017, most of it as income from government bonds, also contributed to the operating result.
- The net result of almost €24 million is the highest ever, with the investment result being the major contributor.
- The Solvency I position remains very strong, with a ratio above 150%



- The Non-life segment continued the previous year’s growth trend, amounting to almost € 110 million (+3.7%).
- The Life segment had a decrease in volume amounting to just over €53 million (-7.6%). Premium dropped due to the life single products (saving)

Composition of net profit current year m EUR



- The investment result is the largest contributor to the overall operating result, thanks to yields from government coupon bonds. The average yield on the bond portfolio was 5.7%.
- The underwriting result in non-life was reinforced by further improvement in the net combined ratio, which ended up at 88.1% (-0.8pps). Most of the improvement of NCoR is related to the lower expense ratio and reduced claim ratio in casco business.
- The life underwriting result increased in 2017, thanks to lower expenses, driven by lower commissions paid.

## Equity

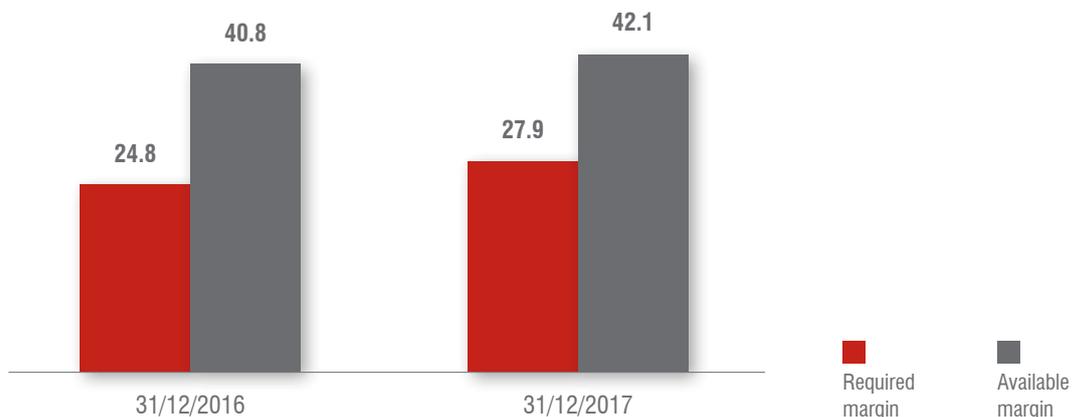


- Total equity increased by +7.4%.
- Profit allocated to revenue reserves, after decision on dividend distribution, had crucial impact on equity increase.
- Share capital remained at the same level €17.6 million.
- Since 2011, the company has had a stable dividend pay-out policy. In 2017, dividend payment continued, with €14.2 million in dividends paid. In addition, in 2018, €15.3 million in dividends will be paid to the shareholders.
- Starting from 2011, the Company has paid (including approved dividends in 2018) a total of €59.2 million in dividends.

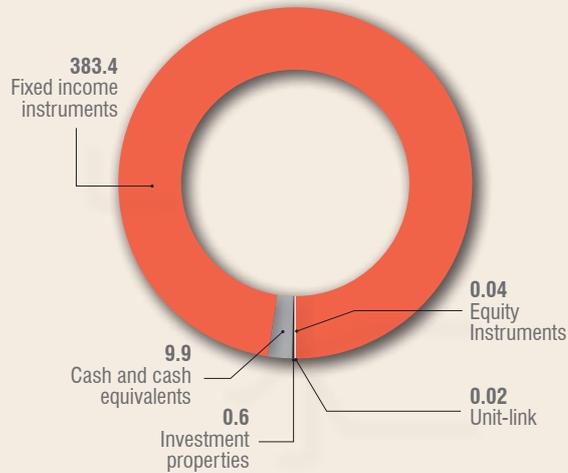
### Rollforward of Shareholders' equity

(€ million)	31/12/2017	31/12/2016
Shareholders' equity at the end of the previous period	17.6	17.6
Reserves	52.5	39.0
Result of the period	23.8	19.5
Dividend distributed	-14.2	-6.2
Unrealized gains and losses	30.0	32.2
<b>Shareholders' equity at the end of the period</b>	<b>109.6</b>	<b>102.1</b>

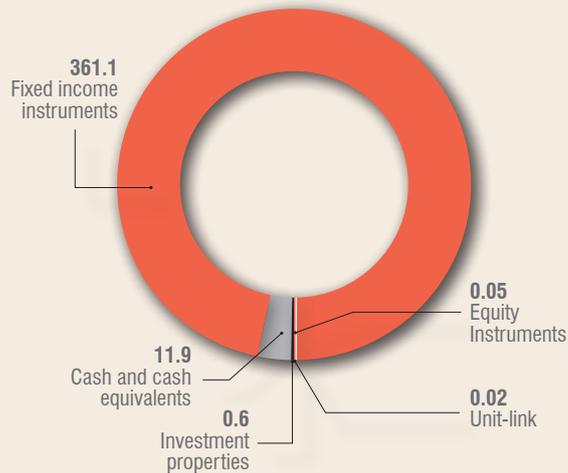
## Solvency I



## Investments at 31/12/2017



## Investments at 31/12/2016



- 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

### Cash flows

(€ million)	31/12/2017	31/12/2016
Cash flows from operating activities	32.7	41.2
Cash flows from investment activities	-20.5	-39.0
Cash flows from financial activities	-14.2	-9.8
<b>Total cash flows</b>	<b>-2.0</b>	<b>1.2</b>

- The significant decrease in net cash flow from operating activities relates mostly to lower inflow from life single premium.
- The cash flow from operating activities remains high, despite an increase in Life maturities.
- Cash-out from financial activities increased significantly in 2017 due to the payment of dividends.

## Generali Osiguranje Srbija – Non life

Generali Osiguranje Srbija remains firmly in the second position in the non-life insurance market in Serbia. With a market share of 18.8%, (-0.7 pps) we are 14.1 pps behind the market leader, and 5.3 pps ahead of the following insurer.

The market remains dominated by MTPL, with 45% of all non-life premium. However, the fastest growing segment in Serbia is health insurance (+28.5%), where Generali is the perennial market leader. Although a relatively small insurance segment, CPI has shown remarkable growth in two consecutive years (+57.5% in 2017). This is related to increased bank credit activity. Casco business, in 2017 as in the previous year, grew in double digits (+13.4%), although the premium level is still below the record year of 2008.

Like most of the market, Generali Osiguranje Srbija derives most of its premiums from MTPL insurance.

Being aware of the exposure of such a portfolio mix, the company wants to retain the present level of MTPL business which is still highly profitable, but also to strongly increase other insurance lines, mainly in the retail segment. Results in 2017 confirm the Company's orientation toward Non-motor retail business with a growth rate exceeding +12%, primarily in health and CPI. The retail segment (including both motor and non-motor) has proved to be more stable in premium income but, even more importantly, more stable in claim frequency and overall is more desirable for an insurance company in spreading risk and reducing exposure to large accounts.

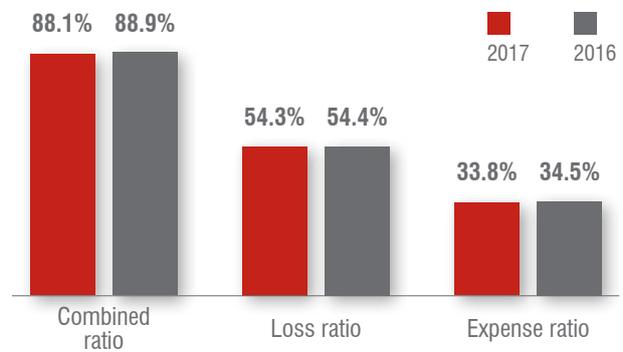
The company is committed to increasing premium volumes and improving profitability in all lines of business by enhancing the existing range and creating new products, with an emphasis on digital transformation and portfolio clean-up.



## Operating Result - Non Life



## Combined ratio



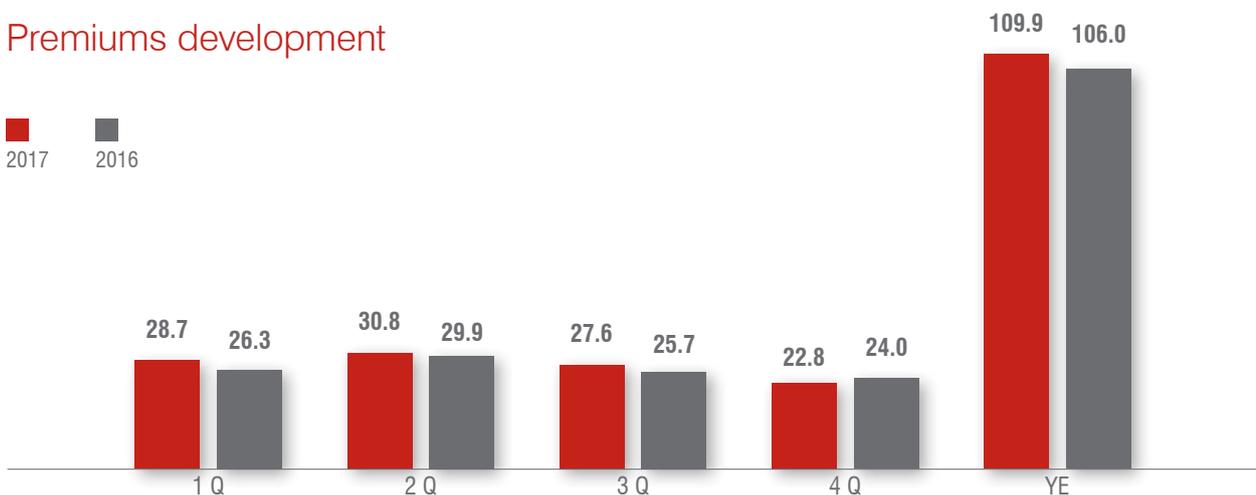
## Gross written premiums



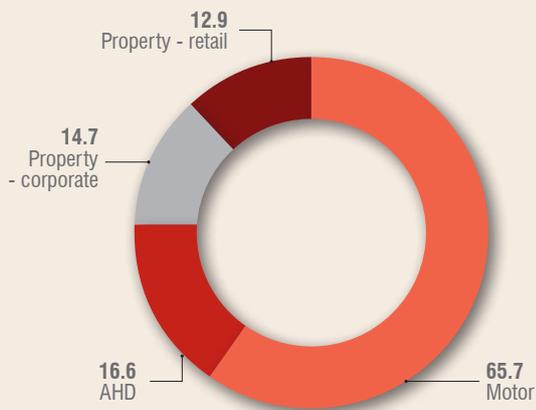
In 2017 the Company invested, and will continue to invest, in developing the retail segment such as household insurance, travel and agriculture by taking advantage of digitalization and new technologies. The pruning of the casco portfolio continued for the second consecutive year, giving its first visible result in the form of improved profitability by the end of 2017. However casco premium declined in 2017. Health insurance (private health) grew remarkably in 2017 as in 2016. Demand is strong as more and more companies offer this kind of the benefit to their employees.

Most of the operating result in non-life is the result of investment and MTPL technical profitability, driven by low MTPL claim frequency. The improvement in the operating result is the effect of the better, but still negative profitability of casco business (in 2017 compared to 2016). The investment result improved when compared to the last year, thanks to the increase in assets invested primarily in Government bonds.

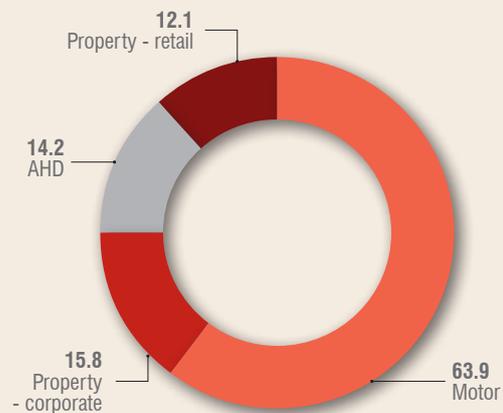
## Premiums development



## GWP by lines of business 2017



## GWP by lines of business 2016



- Health and accident becoming more prominent part of the portfolio.
- Corporate portfolio decreased primarily due to two accounts (international program) in fire, and lower premium in BBB business line (the policy duration is 18 months, so renewal will occur in 2018).
- Retail property increases thanks to good results in CPI and household.

### Technical result

#### Property and Casualty operating result: technical result

(€ million)	31/12/2017	31/12/2016
<b>Technical result</b>	<b>10.5</b>	<b>9.0</b>
Net earned premiums	94.3	87.0
Net insurance benefits and claims	(51.2)	(47.3)
Net acquisition and administration costs	(31.9)	(30.0)
Other net technical income	(0.8)	(0.7)

- The net technical result grew by €+1.5 million, casco being the major contributor. Many activities were undertaken in casco in 2017 to improve results, the most important was portfolio pruning, i.e. identifying clients with high claim frequency. Some of these clients were not renewed.

#### Property and Casualty net combined ratio

	31/12/2017	31/12/2016	Change
Loss ratio	54.3%	54.4%	-0.2 pps
Expense ratio	33.8%	34.5%	-0.7 pps
<b>Combined ratio</b>	<b>88.1%</b>	<b>88.9%</b>	<b>-0.8 pps</b>

## Generali Osiguranje Srbija – Life

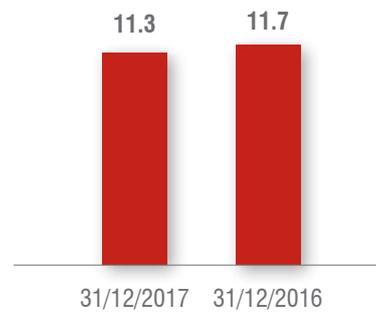
The life insurance market decreased by -1.2%, the first decrease since the National Bank of Serbia began publishing official data on its web page. Generali Osiguranje Srbija is the perennial market leader with a share of 28.2% in 2017 (-1.9 pps). The slight decrease in market share was due to a fall in single premium.



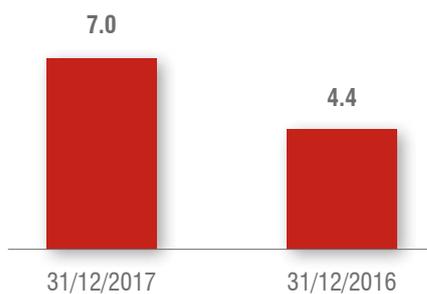
### Gross written premiums



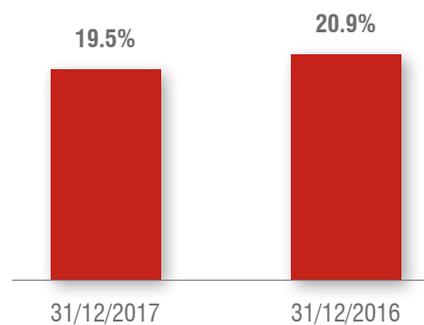
### APE



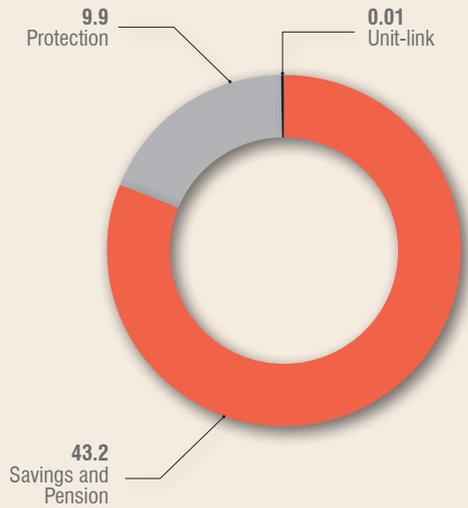
### Life operating result



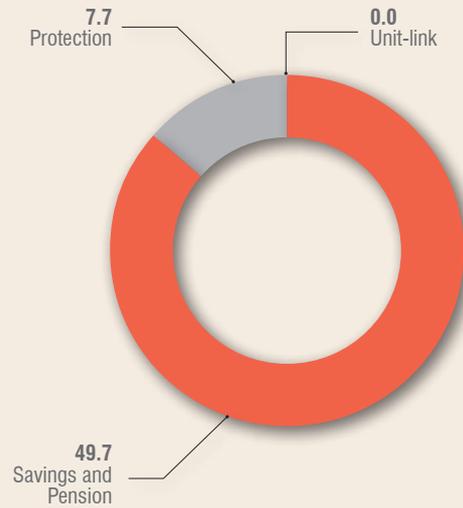
### NBM



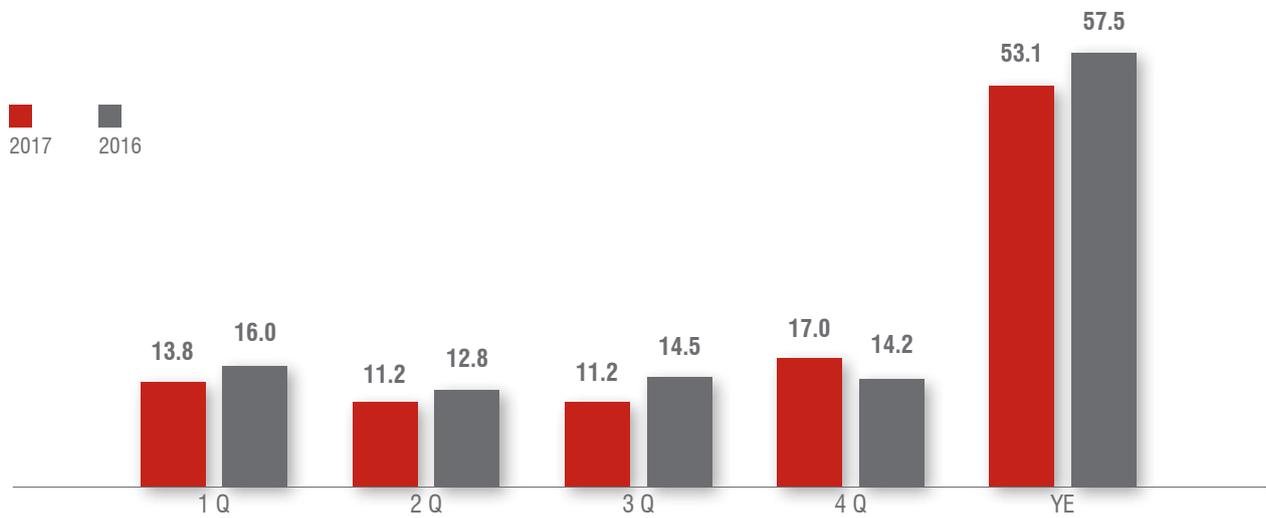
### GWP by lines of business 31/12/2017



### GWP by lines of business 31/12/2016



### Premiums development



- Life regular premium increased by +8.5%, thanks to good new production
- APE for regular premium amounted to € 10.3 million
- The share of protection products in the portfolio increased to 18.6%
- Saving life has decreased due to the “Premium profit” product. This is a single payment product with a high return to the clients (profit sharing). A lower technical interest rate was the key factor in the smaller sales volume

# Outlook





## Outlook

**Overall**, the economy in Serbia grew 1.9% over the last year, a little down from 2016 (2.8%). Despite this, for the first time in a number of years, the Serbian Government last year reported a fiscal surplus, which was largely the result of fiscal consolidation and reform efforts. Thus the Government this year has more fiscal room to increase salaries, pensions and investment in infrastructure, which should have an expansion effect on the economy. Apart from this, the economy should benefit from continued adjustment of monetary policy. However, despite short-term efforts, there is a long-term prospect of high public debt and continued emigration of young and qualified workers.

**The National Bank of Serbia expects** that the economy will grow by 3.5% in 2018 and 2019. Panellists of the Focus Economics Consensus predict lower growth of 3.1% for 2018, which is 0.1 percentage point lower than their previous projection. For 2019, the

panel predicts growth in the gross domestic product (GDP) of 3.1%.

**The World Bank expects** that Serbia's GDP will grow by 3.5% in 2019 and 4.0% in 2020 (Global Economic Prospects, January, 2018). As for the global economy, in April this year, the World Bank predicted growth of 3.1%, the highest in the last seven years. This is 0.3% higher than the World Bank's forecast from June last year.

**"These goals will be reached primarily** through fiscal consolidation measures and the acceleration of structural reforms in order to clear existing bottlenecks hindering economic growth, including reform of state-owned companies, which will establish a basis for faster growth and job creation in the private sector in the medium term," according to a report published by the World Bank in April, 2018. At the Monetary Policy Meeting on March 14, 2018, the Executive Board of the National Bank of



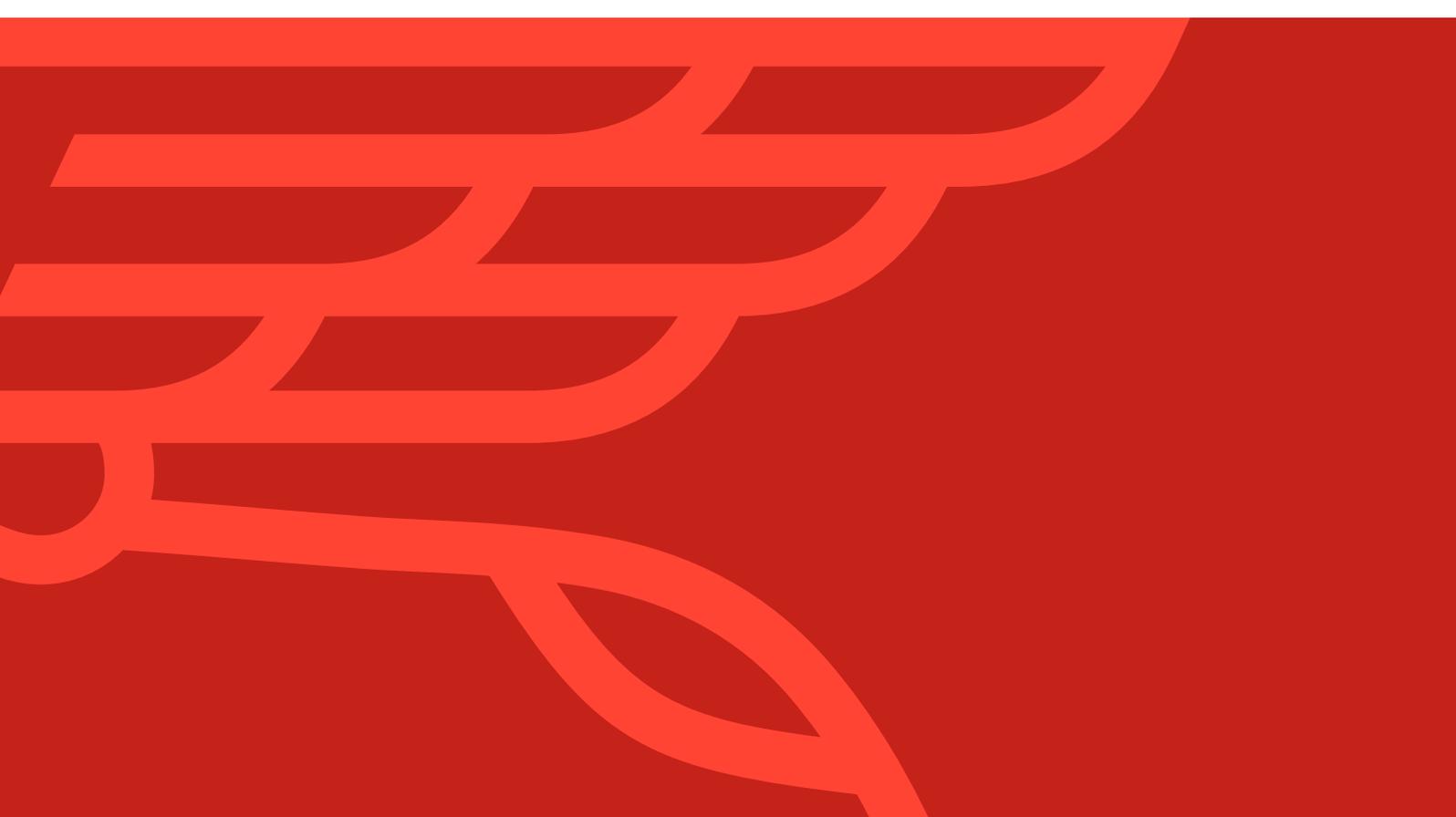
Serbia (NBS) reduced the reference interest rate by 25 basis points to 3.25%. This move surprised the majority of market analysts. The drop in the interest rate occurred during the strengthening of the dinar and weaker inflationary pressures over the previous few months. To a great extent because of the high base effect, inflation fell from 1.9% in January to 1.5% in February this year. As a result of this, it is now at the bottom end of the NBS target range of 3.0% plus or minus 1.5 percentage points. The National Bank of Serbia expects that inflation will continue to slow during the months ahead and gradually approach the medium-term goal in 2019.

**A sound economic and investment risk profile** - thanks to the robust inflow of direct foreign investments, the increased appetite of investors for property priced in dinars, and improved fiscal bases - have also led to continued currency appreciation over the past few weeks. However, it remains to be seen whether the strengthening of the currency will be temporary

or whether there will be unanticipated inflationary pressure.

In 2017, the insurance sector grew by 5.3%. 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, last year saw the fall of technical interest rates across the whole insurance market. Thus the National Bank of Serbia limited these to a maximum of 2.25%, which slowed the demand of previous years. The overall level of insurance remains very low, less than 2% of GDP, which is significantly lower than the rest of Europe.

**The insurance sector**, like the entire financial sector, will grow over the coming years in line with the overall development of the economy. It will have to work on modernisation and orientation towards clients from part of the population to a much greater extent than previously.



# Risks and **opportunities**

The background of the page is a complex, abstract geometric pattern. It consists of numerous overlapping, interlocking chevron shapes that create a sense of depth and movement. The color palette is primarily warm, featuring various shades of red, from deep maroon and burgundy to bright, vibrant reds. Interspersed among these are shades of purple, ranging from a soft lavender to a rich, dark violet. The overall effect is a dynamic and textured visual field that frames the central text.



## Risks and opportunities of the external context

The capacity of the Company to create value can be significantly influenced by certain factors in the short, medium and long term which then determine risks and opportunities.

### Uncertain financial and macro-economic landscape

During the course of 2017, the global economy grew at a rate that was greater than expected due to the dynamic nature of domestic demand in developed economies. Within Eastern European countries, the positive economic trend continued, driven by consumption and a growing labor market, including salary increases which sustained inflation.

Within Europe, significant events include the victory of Macron within the French presidential elections, the advance elections in the UK as well as the advance elections in Catalonia. On the global level the year was characterized by significant political uncertainties which influenced the confidence levels of operators within financial markets. Within the USA, GDP growth compared to the previous year was 2.2% and the labor market continued to gain strength. Inflation remained low despite increases in both the USA and Europe. Growth in Asia, in particular China, continued at significant levels.

With regard to the insurance sector in Italy, Germany, France and Spain, the Life business was characterized by the sale of unit-linked policies, which however failed to offset the decrease in traditional products. P&C business continued to grow throughout Europe: in Italy the slight increase in the P&C business was mainly attributable to the health insurance business; in France, Germany and Spain the result was also positively affected by the motor business.

In 2017 the Serbian economy continued to grow at a smaller rate of 1.9% compared to 2.8% in 2016. Most analysts predict an average 3.5 - 4% growth in 2018-2020, with strong influence from direct foreign investment activities and further privatization. The insurance sector in Serbia grew 5.3% in 2017, after double-digit growth in 2016, caused by significant growth in life insurance premiums as a result of savings products, which were more profitable than bank savings. Following a decrease in guarantees in 2017, the life insurance market could not continue to grow and this affected total market development.

### Regulatory evolution

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

- European directive Solvency II,
- Common Framework of the International Association of Insurance Supervisors (IAIS) on the development of standard qualitative and quantitative capital requirements based on risk for insurance groups operating globally,
- IFRS 9 (financial instruments) and IFRS 17 (insurance contracts),
- European directive on insurance distribution and regulations on investment product disclosure and transparency,
- European regulations relative to personal data protection,
- European directive on non-financial information.

In Serbia, the most relevant regulatory developments in 2017 were:

- Updated local strategy for implementation of Solvency II in the Republic of Serbia, including the announcement of the first QIS study, during 2018,
- Anti-Money Laundering and Terrorism Financing Law, introducing stricter requirements, and aligning local legislation with that of the European Union.

### Technological evolution

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

The unprecedented availability of customer data, combined with the **technological capabilities** of processing data quickly and efficiently in terms of costs, allows the insurance business to create customized prices and identify potential fraud (such as the development of programs for the prevention of losses) as well as develop new products and re-design operational processes. On the other hand, it creates potential challenges deriving from the management of personal data and the automation of decisive processes in addition to new challenges within the traditional risk management insurance model.

At the same time, elevated technological growth implies an exponential evolution in **cyber** threats, both in terms of volume as well as typology (i.e. targeted attacks which aim to steal information or block operational processes). Adequate management of cyber 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. This issue is also increasingly relevant for regulators which are requesting the introduction of specific safety measures as well as reporting processes in the case of violation of the data (Regulation on personal data protection).

Finally, technology as an enabling element of the processes may also impair business continuity, representing a potential threat (malfunction of equipment and systems, etc.) if appropriate measures are not applied.

Identified risk

Our response to risk

**Financial risk**  
**Credit risk**  
**Strategic risk**



The constraints imposed by the calculation of the capital requirement according to the Solvency II regulations, 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**. The regulatory system and the continued low interest environment - despite overall positive global growth - 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 and real assets (real estate assets and/or infrastructural assets, both direct and indirect) are important factors in investment activities which aim to contain portfolio risks and sustain current profitability.

Identified risk

Our response to risk

**Strategic risk**  
**Operational risk**



We run our business in compliance with the law, internal regulations and codes and professional ethics, and we closely monitor the evolution of the regulatory environment, dialoguing with legislators and institutions. We regularly evaluate our exposure to the risk of non-compliance and assume prompt measures to adequately manage it.

We are making investments which aim towards the methodological and operational implementation of the new international standards IFRS 9 and IFRS 17 for the **evaluation of financial instruments and insurance contracts**. We are working to be ready to apply the **new regulatory requirements on insurance distribution and personal data processing**.

Finally, we monitor regulatory developments pertaining to **non-financial information**; the first reporting on this topic was implemented within this document.

Identified risk

Our response to risk

**Strategic risk**  
**Operational risk**



In order to protect ourselves from 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 continuously improving our response processes. In particular, we acquire and analyze threat intelligence from multiple external and internal sources so as to increase our prevention capacity while adopting the best market solutions to detect and prevent potential attacks. We have also strengthened the Company's security governance model, defined a policy and implemented effective awareness campaigns for our employees in relation to the management of security risks.

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

**Being a part of the Group, Serbia accepts and implements all the technological and security trends, to be able to protect our business from new threats.**

## New customer needs

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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
- **economic uncertainty**, which has changed spending on savings and other insurance products.

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

## Environmental challenges

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Global warming caused by the emission of greenhouse gases has resulted in an increase in the volatility of climate events, particularly extreme conditions such as hurricanes, floods, heat waves and droughts.

In addition to an increase in physical risks, there is also growing awareness at the political level, even international, in relation to these issues. This has strategic and regulatory repercussions on activities affected by climate risk, particularly in Europe. For example, there is the emergence of new financial risks (creation of stranded assets) as well as risks connected to the transition to a low-carbon economy due to unknown factors generated by the use of new technologies and business models with reduced emissions.

These factors are increasingly affecting the economic and social system, including the insurance sector, which is thus facing new risks and opportunities. Opportunities arise from a new or increased demand for coverage which needs to be met with innovative products. For this to be sustainable, however, appropriate countermeasures must be prepared at the same time. These are necessary in order to avoid increased damages and greater volatility which would negatively affect the price dynamics of the policies, also due to the greater absorption of capital deriving from underwritten business. If they are not present, access to insurance would be excessively costly or, in extreme cases, the offer would not be feasible.

## Demographic and social change

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Modern communities are affected by distinct demographic and social phenomena with a strong impact on their socio-economic balances.

In Europe, the continual process of **population aging**, driven by an increase in life expectancy and a decrease in birth rates, is only partially counterbalanced by **international immigration**.

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.

Identified risk

Our response to risk

**Strategic risk**  
**Insurance risk**



We aim to become the top choice of clients and distributors. We aim to offer insurance solutions and services that are simple, tailored and even more innovative to meet their needs, also digital ones, and to improve their customer experience. Our aim, in fact, is for the interaction with customers to be increasingly based on a consulting approach, i.e. based on an understanding of the needs of individual customers and on the offer of a personalized solution.

Last year, we formed a Digitalization sector in Serbia, which is responsible for the development of digital products and distribution channels, improvement of processes and implementation of digitalization in administration and client service processes.

Identified risk

Our response to risk

**Underwriting risk**  
**Emerging risks**  
**Operational risk**



We constantly monitor the main perils and territories where we are exposed, using actuarial models to estimate the damage that could result from natural phenomena and thereby optimizing our underwriting strategy. **Re-insurance** plays a fundamental role: we manage our protections on a centralized basis in order to take advantage of economies of scale and pricing thanks to the size of the Group, with the aim of leveraging on business diversification. We develop and distribute increasingly innovative products along with a high level of services in order to meet the potential request for more and improved protection against catastrophes, in addition to products that reward virtuous and environmentally sustainable decisions and behaviour. We adopt **sustainability criteria for the underwriting of new insurance policies** that are in line with the best and universally recognized sustainability 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.

Identified risk

Our response to risk

**Underwriting risk**  
**Emerging risks**



We actively engage in creating more stable communities while monitoring and tackling the effects of a changing society. We develop and offer **flexible and modular solutions with elevated social security and welfare content** for the coverage of healthcare costs and other potential current and future needs for individuals, families and communities. We undertake to strengthen dialogue with individuals during their entire period of interaction with our companies.

We provide customers with complete and easily accessible information on products and services while helping them to understand the primary risks 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.

# Financial **statements**

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# Financial Statements

All numbers in tables are presented as millions of euros unless stated otherwise, using the average FX rate for 2017 of 1 EUR=121.35 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)	31/12/2017	31/12/2016
<b>ASSETS</b>	<b>453.7</b>	<b>429.2</b>
<b>INTANGIBLE ASSETS</b>	<b>0.1</b>	<b>0.1</b>
Goodwill	0.0	0.0
Other intangible assets	0.1	0.1
<b>TANGIBLE ASSETS</b>	<b>5.2</b>	<b>6.0</b>
Land and buildings (self used)	2.8	3.0
Other tangible assets & inventories	2.4	2.9
<b>INSURANCE PROVISIONS CEDED</b>	<b>8.0</b>	<b>9.8</b>
<b>INVESTMENTS</b>	<b>392.9</b>	<b>371.8</b>
Land and buildings (investment properties)	0.6	0.6
Investments in subsidiaries, associated companies and JV	8.8	10.0
Loans and receivables	8.7	5.7
Held to maturity investments	0.0	0.0
Available for sale financial assets	374.8	355.5
Financial assets at fair value through profit or loss	0.0	0.0
<b>RECEIVABLES</b>	<b>10.3</b>	<b>13.7</b>
Receivables arising out of direct insurance operations	9.6	11.4
Receivables arising out of reinsurance operations	0.2	0.1
Other receivables	0.5	2.1
<b>OTHER ASSETS</b>	<b>27.3</b>	<b>15.9</b>
Deferred acquisition costs	12.2	11.4
Tax receivables	1.3	1.3
Deferred tax assets	0.4	0.3
Other assets	13.4	2.8
<b>CASH AND CASH EQUIVALENTS</b>	<b>9.9</b>	<b>11.9</b>

<b>(€ million)</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>453.7</b>	<b>429.2</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>109.6</b>	<b>102.1</b>
Shareholders' equity attributable to the Group	109.6	102.1
Shareholders' equity attributable to minority interests	0.0	0.0
<b>OTHER PROVISIONS</b>	<b>3.5</b>	<b>2.7</b>
<b>INSURANCE PROVISIONS</b>	<b>322.6</b>	<b>305.7</b>
Insurance provisions	0.0	0.0
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	47.3	46.2
Provisions for outstanding claims	46.7	46.7
Other insurance provisions	7.5	7.0
Mathematical provisions	221.1	205.8
Provisions for policies where risk borne by the PH&PF	0.0	0.0
<b>FINANCIAL LIABILITIES</b>	<b>0.0</b>	<b>0.0</b>
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at fair value through profit or loss	0.0	0.0
<b>PAYABLES</b>	<b>11.4</b>	<b>11.6</b>
Payables arising out of direct insurance operations	1.4	1.2
Payables arising out of reinsurance operations	3.5	3.7
Other payables	6.6	6.7
<b>OTHER LIABILITIES</b>	<b>6.6</b>	<b>7.1</b>
Tax payables	1.0	1.6
Deferred tax liabilities	1.1	0.6
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	4.4	4.8

**BALANCE SHEET NON-LIFE**

<b>(€ million)</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>	<b>197.5</b>	<b>194.1</b>
<b>INTANGIBLE ASSETS</b>	<b>0.1</b>	<b>0.1</b>
Goodwill	0.0	0.0
Other intangible assets	0.1	0.1
<b>TANGIBLE ASSETS</b>	<b>4.5</b>	<b>4.9</b>
Land and buildings (self used)	2.7	2.8
Other tangible assets & inventories	1.8	2.1
<b>INSURANCE PROVISIONS CEDED</b>	<b>7.7</b>	<b>9.7</b>
<b>INVESTMENTS</b>	<b>146.0</b>	<b>143.1</b>
Land and buildings (investment properties)	0.4	0.4
Investments in subsidiaries, associated companies and JV	7.7	8.9
Loans and receivables	1.8	3.1
Held to maturity investments	0.0	0.0
Available for sale financial assets	136.1	130.8
Financial assets at fair value through profit or loss	0.0	0.0
<b>RECEIVABLES</b>	<b>8.1</b>	<b>11.3</b>
Receivables arising out of direct insurance operations	7.5	9.1
Receivables arising out of reinsurance operations	0.2	0.1
Other receivables	0.3	2.1
<b>OTHER ASSETS</b>	<b>27.8</b>	<b>20.8</b>
Deferred acquisition costs	12.2	11.4
Tax receivables	1.3	1.3
Deferred tax assets	0.3	0.2
Other assets	13.1	7.2
<b>CASH AND CASH EQUIVALENTS</b>	<b>4.2</b>	<b>4.8</b>

<b>(€ million)</b>	<b>2017</b>	<b>2016</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>197.5</b>	<b>194.1</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>83.0</b>	<b>82.0</b>
Shareholders' equity attributable to the Group	83.0	82.0
Shareholders' equity attributable to minority interests	0.0	0.0
<b>OTHER PROVISIONS</b>	<b>3.5</b>	<b>2.7</b>
<b>INSURANCE PROVISIONS</b>	<b>96.7</b>	<b>95.2</b>
Insurance provisions	0.0	0.0
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	47.3	46.2
Provisions for outstanding claims	46.2	46.3
Other insurance provisions	3.2	2.7
Mathematical provisions	0.0	0.0
Provisions for policies where risk borne by the PH&PF	0.0	0.0
<b>FINANCIAL LIABILITIES</b>	<b>0.0</b>	<b>0.0</b>
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	0.0	0.0
<b>PAYABLES</b>	<b>9.9</b>	<b>10.0</b>
Payables arising out of direct insurance operations	1.4	1.2
Payables arising out of reinsurance operations	3.2	3.4
Other payables	5.3	5.4
<b>OTHER LIABILITIES</b>	<b>4.4</b>	<b>4.2</b>
Tax payables	1.0	1.6
Deferred tax liabilities	1.4	0.9
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	2.0	1.7

**BALANCE SHEET LIFE**

<b>(€ million)</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>	<b>261.5</b>	<b>236.6</b>
<b>INTANGIBLE ASSETS</b>	<b>0.1</b>	<b>0.1</b>
Goodwill	0.0	0.0
Other intangible assets	0.1	0.1
<b>TANGIBLE ASSETS</b>	<b>0.7</b>	<b>1.0</b>
Land and buildings (self used)	0.0	0.3
Other tangible assets & inventories	0.6	0.8
<b>INSURANCE PROVISIONS CEDED</b>	<b>0.3</b>	<b>0.2</b>
<b>INVESTMENTS</b>	<b>246.9</b>	<b>225.3</b>
Land and buildings (investment properties)	0.2	0.2
Investments in subsidiaries, associated companies and JV	1.1	1.1
Loans and receivables	6.9	2.6
Held to maturity investments	0.0	0.0
Available for sale financial assets	238.7	221.5
Financial assets at fair value through profit or loss	0.0	0.0
<b>RECEIVABLES</b>	<b>2.3</b>	<b>2.3</b>
Receivables arising out of direct insurance operations	2.1	2.3
Receivables arising out of reinsurance operations	0.0	0.0
Other receivables	0.1	0.0
<b>OTHER ASSETS</b>	<b>5.7</b>	<b>0.7</b>
Deferred acquisition costs	0.0	0.0
Tax receivables	0.0	0.0
Deferred tax assets	0.1	0.4
Other assets	5.6	0.3
<b>CASH AND CASH EQUIVALENTS</b>	<b>5.7</b>	<b>7.0</b>

<b>(€ million)</b>	<b>2017</b>	<b>2016</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>261.5</b>	<b>236.6</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>26.6</b>	<b>19.8</b>
Shareholders' equity attributable to the Group	26.6	19.8
Shareholders' equity attributable to minority interests	0.0	0.0
<b>OTHER PROVISIONS</b>	<b>0.0</b>	<b>0.0</b>
<b>INSURANCE PROVISIONS</b>	<b>225.9</b>	<b>207.4</b>
Insurance provisions	0.0	0.0
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	0.0	0.0
Provisions for outstanding claims	0.5	0.3
Other insurance provisions	4.4	4.2
Mathematical provisions	221.1	202.9
Provisions for policies where risk borne by the PH&PF	0.0	0.0
<b>FINANCIAL LIABILITIES</b>	<b>0.0</b>	<b>0.0</b>
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	0.0	0.0
<b>PAYABLES</b>	<b>1.5</b>	<b>1.6</b>
Payables arising out of direct insurance operations	0.0	0.0
Payables arising out of reinsurance operations	0.3	0.3
Other payables	1.2	1.3
<b>OTHER LIABILITIES</b>	<b>7.5</b>	<b>7.8</b>
Tax payables	0.0	0.0
Deferred tax liabilities	-0.3	0.0
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	7.7	7.7

**INCOME STATEMENT**

<b>(€ million)</b>	<b>2017</b>	<b>2016</b>
<b>TOTAL INCOME</b>	<b>187.6</b>	<b>175.5</b>
NET EARNED PREMIUMS	146.3	143.6
Gross earned premiums	161.9	158.4
Earned premiums ceded	-15.6	-14.8
FEE AND COMMISSION INCOME	0.0	0.0
NET INCOME FROM FINANCIAL INSTRUMENTS AT FVTHPL	0.2	0.7
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.2	0.7
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE	1.8	1.2
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDING	23.7	21.4
Interest income	22.0	20.0
Other income	0.1	0.1
Realized gains on financial instruments	0.0	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	1.6	1.3
OTHER INCOME	15.7	8.6
<b>TOTAL EXPENSES</b>	<b>-163.6</b>	<b>-155.9</b>
NET INSURANCE BENEFITS AND CLAIMS	-96.1	-97.7
Claims paid and change in the insurance provisions	-99.2	-105.3
Reinsurer's share	3.1	7.6
FEE AND COMMISSION EXPENSES	0.0	0.0
EXPENSES FROM SUBSIDIARIES, ASSOCIATED COMPANIES&JV	0.0	-0.2
EXPENSES FROM OTHER FIN. INSTRUMENTS&LAND AND BUILDINGS (IP)	-3.4	-3.0
Interest expenses	0.0	-0.1
Other expenses	0.0	0.0
Realized losses	0.0	0.0
Unrealized losses	0.0	0.0
Impairment losses	-4.1	-3.8
ACQUISITION AND ADMINISTRATION COSTS	-42.6	-41.2
Net acquisition costs and other commissions	-35.6	-34.4
Investment management expenses	0.0	0.0
Other administration costs	-7.0	-6.8
OTHER EXPENSES	-21.5	-13.8
<b>EARNINGS BEFORE TAXES</b>	<b>24.0</b>	<b>19.6</b>
INCOME TAXES	-0.2	-0.1
<b>RESULT OF DISCONTINUED OPERATIONS</b>	<b>0.0</b>	<b>0.0</b>
<b>RESULT OF THE PERIOD</b>	<b>23.8</b>	<b>19.5</b>

## INCOME STATEMENT NON-LIFE

(€ million)	2017	2016
<b>TOTAL INCOME</b>	<b>111.4</b>	<b>100.4</b>
NET EARNED PREMIUMS	94.3	85.7
Gross earned premiums	108.8	99.5
Earned premiums ceded	-14.5	-13.8
FEE AND COMMISSION INCOME	0.0	0.0
Net income from financial instruments at FVthPL	0.0	0.1
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.0	0.1
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE	0.8	0.6
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDING	12.3	10.7
Interest income	10.6	9.8
Other income	0.1	0.1
Realized gains on financial instruments	0.0	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	1.6	0.8
OTHER INCOME	4.0	3.3
<b>TOTAL EXPENSES</b>	<b>-93.8</b>	<b>-84.5</b>
NET INSURANCE BENEFITS AND CLAIMS	-51.2	-46.7
Claims paid and change in the insurance provisions	-54.1	-54.0
Reinsurer's share	2.9	7.3
FEE AND COMMISSION EXPENSES	0.0	0.0
EXPENSES FROM SUBSIDIARIES, ASSOCIATED COMPANIES&JV	0.0	-0.2
EXPENSES FROM OTHER FIN. INSTRUMENTS&LAND AND BUILDINGS (IP)	-1.8	-1.0
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	-2.6	-1.7
ACQUISITION AND ADMINISTRATION COSTS	-31.9	-29.6
Net acquisition costs and other commissions	-26.8	-24.7
Investment management expenses	0.0	0.0
Other administration costs	-5.1	-4.9
OTHER EXPENSES	-8.9	-7.1
<b>EARNINGS BEFORE TAXES</b>	<b>17.6</b>	<b>15.9</b>
INCOME TAXES	-0.6	-0.5
<b>RESULT OF DISCONTINUED OPERATIONS</b>	<b>0.0</b>	<b>0.0</b>
<b>RESULT OF THE PERIOD</b>	<b>17.0</b>	<b>15.4</b>

**INCOME STATEMENT LIFE**

<b>(€ million)</b>	<b>2017</b>	<b>2016</b>
<b>TOTAL INCOME</b>	<b>76.2</b>	<b>72.6</b>
NET EARNED PREMIUMS	52.0	55.8
Gross earned premiums	53.1	56.6
Earned premiums ceded	-1.1	-0.8
FEE AND COMMISSION INCOME	0.0	0.0
Net income from financial instruments at FVthPL	0.2	0.6
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.2	0.6
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE	0.9	0.6
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDING	11.4	10.4
Interest income	11.4	9.9
Other income	0.0	0.0
Realized gains on financial instruments	0.0	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	0.0	0.5
OTHER INCOME	11.7	5.2
<b>TOTAL EXPENSES</b>	<b>-69.7</b>	<b>-69.2</b>
NET INSURANCE BENEFITS AND CLAIMS	-45.0	-49.7
Claims paid and change in the insurance provisions	-45.1	-49.8
Reinsurer's share	0.2	0.1
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)	-1.5	-2.0
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	-1.5	-2.0
ACQUISITION AND ADMINISTRATION COSTS	-10.7	-11.1
Net acquisition costs and other commissions	-8.8	-9.3
Investment management expenses	0.0	0.0
Other administration costs	-1.9	-1.8
OTHER EXPENSES	-12.6	-6.5
<b>EARNINGS BEFORE TAXES</b>	<b>6.5</b>	<b>3.4</b>
INCOME TAXES	0.3	0.4
<b>RESULT OF DISCONTINUED OPERATIONS</b>	<b>0.0</b>	<b>0.0</b>
<b>RESULT OF THE PERIOD</b>	<b>6.8</b>	<b>3.8</b>

# Notes to the Financial Statements

## Average exchange rate

Currency	2017
EURO	121.35

## Investments

(€ million)	31/12/2017		31/12/2016	
<b>Equity instruments</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.0</b>	<b>0.0%</b>
Available for sale financial assets	0.0	0.0%	0.0	0.0%
Available for sale financial assets	0.0	0.0%	0.0	0.0%
<b>Fixed income instruments</b>	<b>383.4</b>	<b>95.2%</b>	<b>361.1</b>	<b>94.1%</b>
Bonds	374.8	93.0%	355.5	92.6%
Other fixed income investment	8.7	2.2%	5.7	1.5%
Held to maturity investments	0.0	0.0%	0.0	0.0%
Loans	8.7	2.2%	5.7	1.5%
Available for sale financial assets	374.8	93.0%	355.5	92.6%
Financial assets at their fair value through profit or loss	0.0	0.0%	0.0	0.0%
<b>Real estate investments</b>	<b>0.6</b>	<b>0.1%</b>	<b>0.6</b>	<b>0.2%</b>
<b>Other investments</b>	<b>8.8</b>	<b>2.2%</b>	<b>10.0</b>	<b>2.6%</b>
Investment in subsidiaries, associated companies and joint ventures	8.8	2.2%	10.0	2.6%
Derivatives	0.0	0.0%	0.0	0.0%
Other investments	0.0	0.0%	0.0	0.0%
<b>Cash and similar instruments<sup>1</sup></b>	<b>9.9</b>	<b>2.5%</b>	<b>11.9</b>	<b>3.1%</b>
<b>Total investments</b>	<b>402.7</b>	<b>100.0%</b>	<b>383.7</b>	<b>100.0%</b>

## Insurance provisions

(€ million)	Gross provisions	
	31/12/2017	31/12/2016
<b>Non-life insurance provisions</b>	<b>96.7</b>	<b>95.2</b>
Provision for unearned premiums	47.3	46.2
Provision for outstanding claims	46.2	46.3
Other insurance provisions	3.2	2.7
<b>Life insurance provisions</b>	<b>225.9</b>	<b>210.4</b>
Provision for unearned premiums	0.4	0.4
Provision for outstanding claims	0.5	0.3
Mathematical provision	220.7	205.4
Provisions for policies where risk borne by the PH&PF	0.0	0.0
Other insurance provisions	4.4	4.3
of which provisions for liability adequacy test	2.3	2.0
<b>Total</b>	<b>322.6</b>	<b>305.7</b>

<sup>1</sup> Cash and similar instruments include cheques

<b>Provisions for outstanding claims</b> <b>(€ million)</b>	Gross provisions	
	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>Motor</b>	<b>36.1</b>	<b>35.8</b>
<b>Non-motor</b>	<b>10.1</b>	<b>10.5</b>
Accident/Health	3.8	3.8
Other Non-motor	6.4	6.7
<b>Total</b>	<b>46.2</b>	<b>46.3</b>

<b>Shareholders' equity</b> <b>(€ million)</b>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Share capital	17.6	17.6
Capital reserves	0.0	0.0
Revenue reserves and other reserves	38.3	32.8
Own shares	0.0	0.0
Currency translation differences	0.0	0.0
Reserve for unrealised gains and losses on available for sale financial assets	29.9	32.2
Reserve for unrealised gains and losses through equity	0.0	0.0
Result of the period	23.8	19.5
<b>Shareholders' equity</b>	<b>109.6</b>	<b>102.1</b>

<b>Employees</b>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Managers	19	19
Middle Managers	205	217
Employees	327	324
Others	2	2
Sales attendant	996	1 085
<b>Total</b>	<b>1 549</b>	<b>1 647</b>

### Properties

<b>(€ million)</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Land and buildings (investment properties)	0.6	0.6
Land and buildings (self used)	2.8	3.0
<b>Total</b>	<b>3.3</b>	<b>3.6</b>

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

<b>(€ million)</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>Subsidiaries included in line by line consolidation</b>	<b>8.8</b>	<b>8.8</b>
Investments in non-consolidated subsidiaries	0.0	1.2
Investments in associated companies valued at equity	0.0	0.0
<b>Investments in joint ventures</b>	<b>0.0</b>	<b>0.0</b>
Investments in other associated companies	0.0	0.0
<b>Total</b>	<b>8.8</b>	<b>10.0</b>

# Glossary

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afghanistan

# Glossary

## General definitions

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

**GOS** stands for Generali Osiguranje Srbija

**CEE** region is Central Eastern Europe

## Technical components

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

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

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

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

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

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

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

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

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

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

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

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

- earned premiums net of reinsurance

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

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

- earned premiums net of reinsurance

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

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

## Alternative performance measures

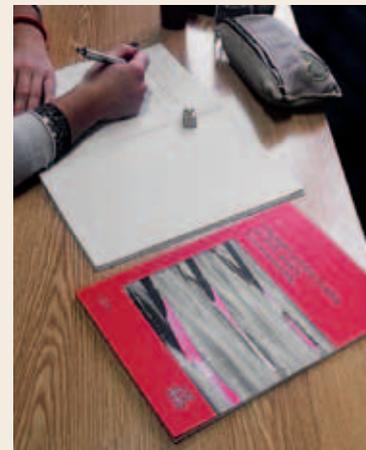
**The operating result:** was obtained by reclassifying the components making up earnings before tax in each line of business on the basis of the specific characteristics of each segment, and taking account of recurring expense of the holding. In the life segment, the following are also considered as non-operating items: realised gains

and losses on investments not considered in determining profits attributed to policyholders and net measurement losses that do not contribute to the formation of local technical reserves but exclusively in determining the deferred liability to policyholders for amounts not relating to policyholders and those on free assets. In the P&C segment, the

following are considered as non-operating items: all realized and measurement gains and losses, including exchange-rate gains and losses.

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

**Our Integrated Report 2016** was presented to the students of Faculty of Economics in Subotica and Novi Sad as an example of modern corporate reporting practice.



# Contacts

## Generali Osiguranje Srbija a.d.o.

Vladimira Popovića 8,  
11000 Beograd, Srbija  
Tel: +381 11 222 0 555  
[www.generali.rs](http://www.generali.rs)

### **Generali Osiguranje Srbija Integrated Reporting Team**

Gorana Rašić  
Dragan Vukmirović  
[\*\*integratedreporting@generali.rs\*\*](mailto: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](mailto:filmovanje@mts.rs)  
[grafeksplus@gmail.com](mailto:grafeksplus@gmail.com)





