



Annual **Integrated** Report Serbia 2015



Annual Integrated Report Serbia 2015

“ Doing our best
is more important than
being the best

Corporate Bodies and Management as of June, 2016

Supervisory Board

Gregor Pilgram / Chairman
Stefano Culos / member
Toplica Spasojević / independent member

Executive Board

Dragan Filipović / Chairman
Nataša Marjanović / member
Gorana Rašić / member
Branko Pavlović / member

Audit Committee

Ondřej Láška / Chairman
Rada Radović / member
Renáta Šmejkalová / member

Corporate Bodies and Management as at the day of reporting, December 31, 2015

Board of Directors

Andrea Simoncelli / Chairman
Gregor Pilgram / member
Stefano Culos / member

Executive Committee

Andrea Simoncelli / Chairman
Dragan Filipović / member
Gorana Rašić / member
Branko Pavlović / member
Nataša Marjanović / member
Mladen Ostojić / member

Auxiliary body of Board of Directors

Audit Committee

Ondřej Láška / Chairman
Rada Radović / member
Renáta Šmejkalová / member

Parent company

Assicurazioni Generali S.P.A

Company established in Trieste in 1831. Share Capital € 1,556,873,283.00 fully paid-up.

ISIN: IT0000062072

Reuters: GASLMI

Bloomberg: G:IM

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

About the report

Integrated report aims to improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital; To promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time; To enhance accountability and stewardship for a broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies; To support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

Consistently with the Generali Group approach to corporate reporting adopted in 2013, and Group Annual Integrated Report, Generali Osiguranje Srbija decided to be the pilot country to prepare the 2015 Annual Integrated Report. As of the last quarter of 2015 we are part of the Insurance Network which is set up with the aim of developing, sharing and spreading best practices for drawing up of an integrated report in the insurance sector.

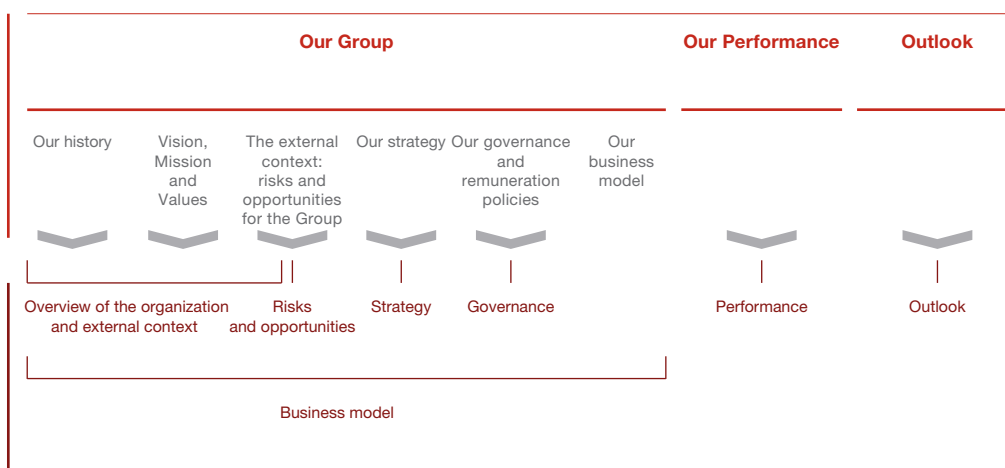
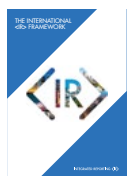
Our integrated report meets both the International <IR> Framework issued by the International Integrated Reporting Council (IIRC), and the existing compliance requirements, taking into consideration the different information needs of final users.

The structure of the Management Report was enriched considering the Content Elements prescribed by the Framework.

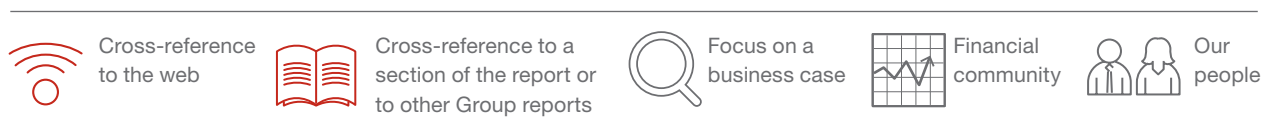
Sections of Annual Integrated Report



Elements of the content of the <IR> Framework



The connectivity of the IR elements and connectivity with the other reports of the Group is also guaranteed by icons which highlight these links:



For acronyms – specific terminology please refer to the **Glossary** at the end of the report.

Please note that, except where clearly specified, the terms “Generali Serbia”, “GOS”, “we”, “us” and “our” in this document always refer to the Generali Osiguranje Srbija a.d.o. and its subsidiaries in the country, while the terms “Generali Group” or “Generali” refer to the Generali Group and its subsidiaries worldwide.

Responsibility for the Annual Integrated Report

Local CFO is responsible for the preparation of the report and data presented in the report.

The reporting process was conducted applying the Guiding Principles and Content Elements envisaged by the international <IR> Framework.

Please send to integratedreporting@generali.rs your comments and opinion on the report.



АСИКУРАЦИОНИ БЕНЕРАЛИ

ASSICURAZIONI GENE

Fashion QUEEN

GaiBan

PAVI

What's inside



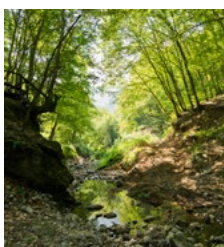
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Glossary

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Letter from Andrea Simoncelli, CEO in period 2011-2015



In 2015, Generali Osiguranje Srbija remained on its successful path of growth in line with the Generali Group strategy of increasing cash generation and dividend payment.

This was a very rewarding and innovating year for us, our customers and shareholders. As in 2014, Generali CEE Holding acquired minority of shares from local partner, year 2015 witnessed the beginning of a new cycle for Generali Osiguranje Srbija in accordance with the Generali Group strategy.

One of its main pillars - customer centricity – has started being implemented during 2015 through the launch of a number of projects and initiatives. These projects and initiatives, such as the new NPS program, digitalization, reorganization of the distribution network and simplification of product terms and conditions,

are focused on customer satisfaction and retention, simplification and acceleration of our internal processes, making them simple and smarter, and improving network efficiency.

We set an ambitious goal: to become the leading retail insurer in the market. By launching these new initiatives and projects, we want to improve the relationship with our customer and sale network, recognizing how important customer care and network agreement are for business success.

The ability to be innovative became key elements in responding to the new trends in the insurance market. In this regard, we are exploring new tariff methodology, introducing vitality suggestions for health products together with new commission scheme to start long-lasting partnerships with our customers and external partners. Telematics will be a new frontier which will allow reducing of time to market and new connectivity among all relevant people involved in insurance business.

In terms of results, 2015 was also an important year for Generali Osiguranje Serbia, laying the foundation for further progress of the Company. Growing faster than the market, the Company was key driver of market development, both in P&C and Life segments and strengthened its market leading position. We closed 2015 with gross written premium of € 154.4 million. Operating result recorded € 22.3 million, the highest since Company foundation while Net result significantly increased up to € 18.8 million (+54.7%), bringing Generali Osiguranje Srbija among the top performers of CEE Region.

We are aware that we could not have achieved these results without the commitment and dedication of our employees, salesmen and our partners. That is why we would like to express them our most sincere gratitude. We confirm our willingness to introduce all the suggestions which resulted from the Engagement Survey in order to make all our employees become prominent actors of this success story further more.

Andrea Simoncelli

A handwritten signature in black ink that reads "Andrea Simoncelli". The signature is written in a cursive, flowing style.

Letter from Dragan Filipović, CEO

With the results achieved in 2015, we proved to have been successful not just in accomplishing the set up tasks, but also in being able to have a very dynamic growth of our key business lines at a rate faster than the market average. The strategy aimed at client centricity, simple and smart approach to the way we are doing business, and to sustainable growth proved to be successful and brought expected results.

In the challenging economic and market environment during 2015, Generali Osiguranje Srbija showed the strength and ability to improve its performance and bring new value to its customer and the market.

But, other than the financial results, this report also illustrates progress made in other areas of our business. We are aware that our activities, by their nature, impact and benefit not just our clients, our people, and our partners and sales force, but also the community in which we operate. That is why we are even more committed to explore our potential in this area in the future.

We look in the future with great confidence. We work to build the Generali Osiguranje Srbija of tomorrow, with continuing connections with present and future needs of our clients, more efficient business model and even stronger brand, with constant attention to the opportunities offered by technological development. We are and we will continue to be the pioneers in the Serbian market when it comes to introducing new products and technology, always giving the added value to the relationship that we build up with our clients and partners with a great care.

Generali Osiguranje Srbija is the first company in the Serbian market to present an integrated report expressing the new corporate culture, which will help us to better communicate what we are doing in order to open up a different dialogue with all the stakeholders.



Dragan Filipović

A handwritten signature in black ink, appearing to read 'D Filipovic'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Our history

We have built a global insurance group in almost 200 years of history that operates in over 60 countries through more than 430 companies and more than 76 thousand employees.

Our greatest strength is our international presence, we are the market leaders in Italy, we have a strong presence in Europe and we aim to increase our presence in Asia and South America.



1831

The Group was established as "Assicurazioni Generali Austro - Italiche" in Trieste. Trieste was the ideal choice at the time as a commercial 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 enabled Generali to grow and thrive: it was listed on the stock exchange in 1857 and became a "Group" in 1881. As a consequence, subsidiaries were founded in Italy and abroad, starting with Erste Allgemeine, established in Vienna in 1882.

1915–1918

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

1919–1945

Once the war ended, Generali returned to the growth that had been temporarily interrupted. 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 the World War II, the Group lost contact with its branches located in "enemy" countries and one of the most complex periods of its bicentenary history began.

1946–2010

The Group resumed its expansion during the "Italian economic boom" years. An agreement was signed with the US-based insurance company Aetna in 1966; Genagricola was founded in 1974 (which heads all agricultural activities of the Group) and Genertel, the first insurance company by phone in Italy, it 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 (INA and Toro) and various joint ventures (Central and Eastern Europe and Asia) which means that Generali now has a presence in over 60 countries worldwide.

2011–2014

There have been great changes in Generali over the past few years. The appointment of Gabriele Galateri di Genola as Chairman (2011) and Mario Greco as Group CEO (2012) have heralded a new phase of development. In addition to the corporate reorganization which led to being established (comprising three brands: Generali for the retail market and SMEs, Alleanza for the family sector and Genertel sector for alternative channels), the acquisition of the minority interests in Generali Deutschland Holding and Generali PFF Holding have been completed. The Group also disposed of certain non-core activities, as Banca della Svizzera Italiana (BSI). Finally, the Group has initiated the European partnership with Discovery to launch Vitality.



For more information please refer to <http://www.generali.com/it/who-we-are/history.html>

Generali Osiguranje Srbija – History

Generali Osiguranje Srbija is the second largest insurance company in Serbian insurance market, operating both in Life and Non Life segment. Since its establishment, the company has recorded a fast and stable development, and today it is a market leader in Life insurance segment and in voluntary health insurance segment.

Generali Osiguranje Srbija is the founder of Generali Društvo za upravljanje dobrovoljnim penzijskim fondom – the first Pension fund management company in Serbia, Generali Reosiguranje Srbija and Generali Osiguranje Montenegro in Montenegro. Since 2011 Generali Osiguranje Srbija has expanded its business to other service activities, to include the company Blutek Auto that provides services in the field of technical inspection of vehicles.



1998–2006

The Company was established as Delta Osiguranje a.d.o., privately owned local company, with the primary focus on 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 biggest company in the market already in 2004. The situation in 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 to meet a new legal requirement.

2006

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

2007–2013

By establishing new organization and bringing new standards and products, the Company opened a new era and started the long road of modernization, innovation and overall efficiency in customer service with the highest standards in the market. With the 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, a strong leadership and control enhanced profitability in all segments of the business due to which the Company was awarded with the title of most profitable company in the market in the last 5 years. Regular dividend payments to shareholders did not decrease capital adequacy and solvency position that was in focus and the top priority of the management.

2014–2015

After the finalization of agreement and with the purchase of remaining shares, Generali became the 100% owner and changed the name of the company to Generali Osiguranje Srbija a.d.o. in September 2014. The new name and a continuous focus on clients and innovations was recognized in the market resulting in a new modern image to the company. 2015 was record year in growth, premium and profitability, following the Group's strategy with the focus on cash generation and dividend policy. It has been a significant year also because of the opening of the new Generali Srbija headquarters. During the year the headquarters was moved to the new address, allowing Generali to improve customer service, management and back office activities which previously was scattered in three different sites. The new building is depicted in the forefront of the report. This investment was made to foster efficiency and it is a tangible proof of the trust that Generali Group has in its Serbian branch.



Generali Osiguranje Srbija

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Generali Osiguranje Srbija – Highlights

Gross written premiums
(+24,0%)

€154,4 mln



Business mix



P&C segment premiums

64,6%

Life segment premiums

35,4%

Our people

over 16 hundred

Male



37,8%

Female

62,2%

Solvency I

153,9%



Solvency I

160%



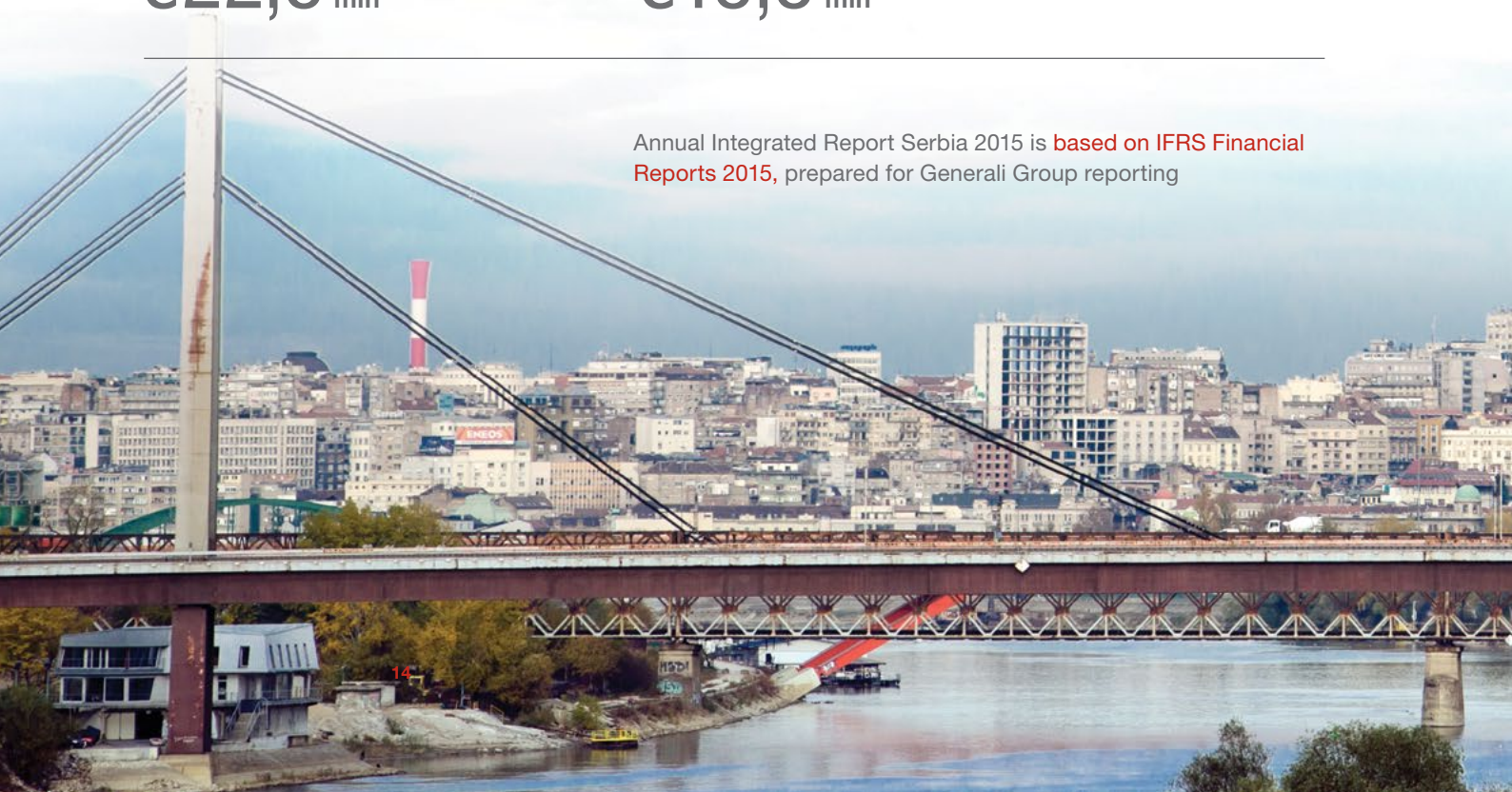
Operating result
(+46,6%)

€22,3 mln

PAT
(+54,7%)

€18,8 mln

Annual Integrated Report Serbia 2015 is based on IFRS Financial Reports 2015, prepared for Generali Group reporting





Non-life

Gross written premiums

€99,7 mln

(+17,2%)

COR

85,5%

(-5,6 p.p.)

Operating result

€17,3 mln

(+74,2%)

Market position

2

(Y/Y +2,0%)

Solvency I Non-life

160,3%

Life

Gross written premiums

€54,7 mln

(+38,7%)

APE

€10,3 mln

(+15,6%)

Operating result

€4,9 mln

(-6,1%)

Market position

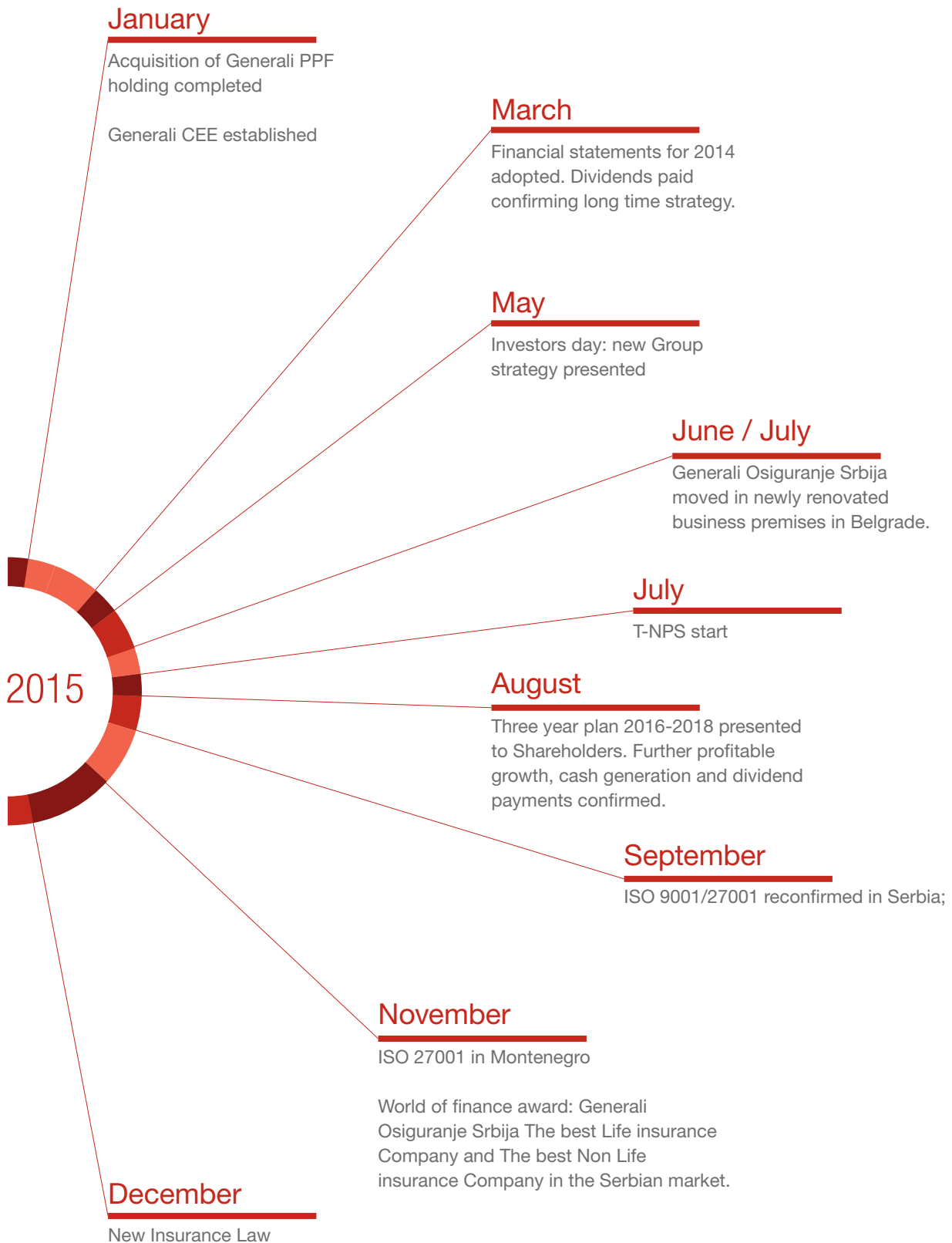
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(Y/Y +4,0%)

Solvency I Life

142,6%

2015 key facts



Key facts - Highlights



July – T NPS Start

Transactional Net Promoter System provides a focused and systematic method to listen to and act on customer and distributor feedback.

As part of the Group's strategy, implemented in several countries, in March 2015 we started the implementation of T-NPS system in Serbia.

In July, after Go Live event, T-NPS program became a part of our corporate culture which made strategic advantage over the competition and distinguished our company on the market.

November - World of finance award:

Generali Osiguranje Srbija The best Life insurance Company and The best Non Life insurance Company in Serbian market.

December - New Insurance Law

The year 2015 was significant for insurance companies, since the new Insurance Law was adopted and its application started.

The main novelties of the new Insurance Law were:

1. Separation of life and non-life insurance
2. Introducing of the two – tier corporate governance system for insurance companies
3. Defining the concept of management system functions



For further information on the new Serbian insurers law please see page 26 at the „Increasing regulatory constraints“ section



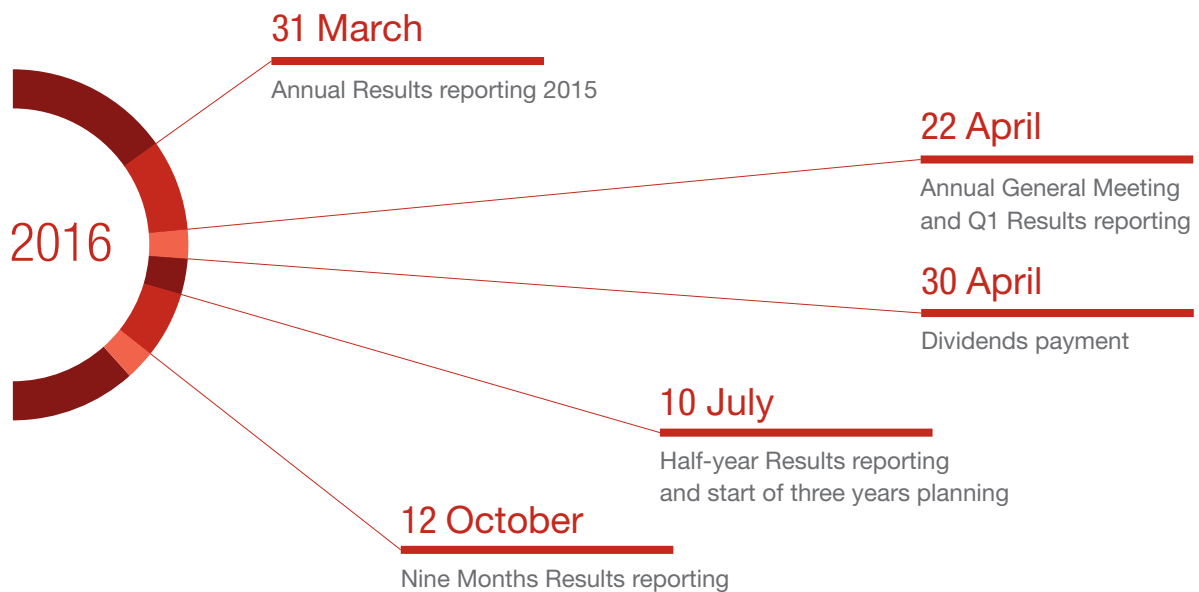
Significant events after 31 December 2015

January 2016 brought changes in corporate bodies and management, caused by legal requirements but also new Group ambitions and needs in the rest of the region.

After almost 5 years of successful management of the Generali Osiguranje Srbija, Mr. Andrea Simocelli, CEO accepted new Group challenge and moved to Generali Poland, after resignation in Serbia.

Mr. Dragan Filipovic was appointed as new Chairman of the Executive Board and CEO.

New Insurance Law required different governance and corporate bodies, that were appointed in May 2016 after the approval of the National Bank of Serbia.





External context: risks and opportunities

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

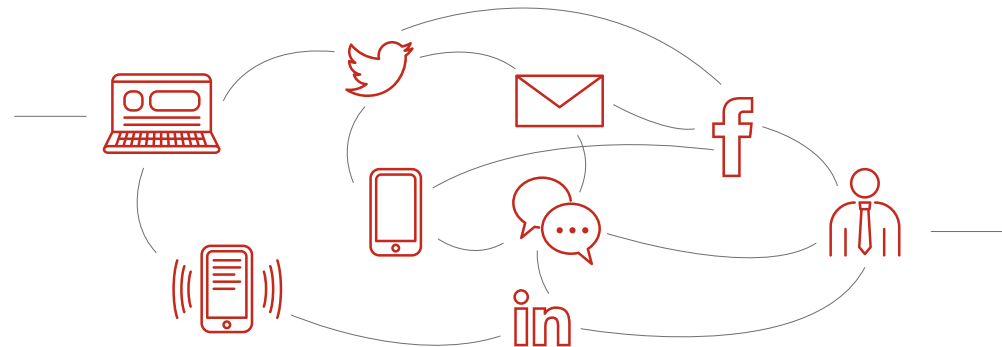
New customer needs

In an economic environment characterized by uncertainty, consumer attitudes toward insurance products and services are changing. These changes have their roots in two global trends: **digitalization**, which introduced new options for selling and using insurance solutions, and **economic uncertainty**, which has impacted spending on certain forms of retirement savings and insurance. Today's clients are increasingly attentive to quality of service and more independent in their decision-making thanks to a multitude of information sources available via internet. They are no longer satisfied with simply consulting an agent and purchasing insurance products, they expect the same kinds of tailored services they find in other industries, as well as solutions that respond to their real life needs.

Traditionally, the customer journey was a direct path from phonebook to agent



Today the customer journey is nonlinear, characterized by multiple touchpoints



Strategic risk Insurance risk

Generali believes that technological development is crucial for providing effective and appealing insurance solutions: Generali is designing and implementing a digital transformation in our Group entities to provide clients with insurance solutions

and assistance whenever and wherever they want, via both traditional channels and mobile channels. Generali aim is to become a leading European retail insurer by taking advantage of this digital transformation and by changing the company mind-set to a customer-centric one where insurance solutions and assistance services are provided across web, mobile and traditional channels.



Demographic and social change

The Republic of Serbia with average population age of 42y is one of the demographically oldest countries in the World. It is expected that in future, the number of old, chronically ill and functionally dependent persons will increase. The implicit risk of these phenomena is to create more and more unbalanced societies, where the increasing post-retirement needs of the more aged strains of the population are not covered anymore by the public system and where the economic and financial resources produced by the youngest categories of the population or more broadly speaking the resources deriving from the private savings have to be addressed and valued more carefully than ever before. Life insurance plays a fundamental role in monitoring and managing the effects of a changing society.



Underwriting risk Emerging risk



We are aware of the growing need for solutions with high social security content and the increased need to ensure coverage for the higher health care expenses as people age. We are also aware of the lack of knowledge and the reluctance to look for insurance solutions to adequately meet these needs, due to a lack of comprehensive and easily accessible information on products or insufficient awareness of possible future individual or family needs. We are therefore committed to strengthening dialogue with working age people, helping them to accurately assess

their capacity for saving and the financial gap between the pension that has accrued by the age of retirement and the projected income and to therefore ensure that future income will be enough to cover the future requirements. It is also important to focus on covering possible immediate requirements, addressing the main risks that could affect the earning capacity of young families and describing adequate risk products. Improved dialogue allows people to be more aware of their needs and allows us to take appropriate actions.



Environmental challenges

The **climate** is changing, becoming increasingly **extreme and unpredictable**. This is clearly reflected in the factors that can be used to estimate risk, especially for insurance protection against events that depend on weather such as floods, drought and storms. The rise in claims on ground of weather-related **catastrophic events** is characterized by higher expected losses and increased volatility, resulting in greater uncertainty in pricing the policies, also due to higher capital absorption resulting from the events being underwritten. If these changes are not reduced, the prices required from customers to get insurance may get too high, or the risks may even become uninsurable in extreme cases.

In the scenario in which the community has to face and deal properly with climate change, P&C insurance products can play a primary role in strengthening the financial solidity of the social and economic system as a whole.



Underwriting risk Emerging risks

We are actively working towards identifying, following and quantifying environmental risks and are therefore committed to investing in research and studies in this area. We constantly monitor the main dangers and territories where we are exposed, using actuarial models to estimate the damage that could result from natural phenomena. We can therefore optimize our underwriting strategies, and link them to targeted reduction of the related risks in order to optimize price policies and guarantee the long-term sustainability of our products.

One of the key ways we have to achieve the aforementioned targets is reinsurance: we manage our protections on a centralized basis in order to take advantage of economies of

scale and pricing due to the size of the Group, therefore taking advantage of the business diversification and making the most of our “purchasing power” on the international reinsurance markets.

Our answer to the challenges arising from catastrophic events, included those related to climate change, is to develop innovative products, along with a high level of services in order to meet the potential demand of more and improved protection against catastrophes.

Finally, we are also committed to promoting an adequate regulatory regime to reinforce the strength of the socio-economic system as a whole.



Increasing regulatory constraints

The regulation of the insurance industry is extremely dynamic at national, European and international level. Worth of noting are: New Insurance Law in Serbia, which began on December 26, 2015 and Solvency II legislation the European project aimed at reforming and harmonizing the prudential supervision of the insurance and reinsurance business, aiming, inter alia, at defining capital requirements in order to reduce insolvency risk which is not locally expected from Generali Osiguranje Serbia to implement, but as a member of Generali Group we must be in accordance with it.

Some future changes are also expected in the IFRS accounting principles. IFRS 9, which deals with changes in accounting assets, has finally taken off. Most European insurers are ready for its adoption on 1 January 2018. IFRS 4, which deals with insurance contract liabilities, is expected to be issued late this year. However, the implementation will not occur before 2020 at the earliest.

The year 2015 was significant for insurance companies, since the new Insurance Law was adopted and its application started.

The main novelties of the new Insurance Law were:

1. Separation of life and non-life insurance:

Already established composite insurance companies as the Company is, could continue its operating with certain obligations, prescribed by Insurance Law:

- to calculate and express insurance funds, and assess compliance with the requirements relating to capital adequacy separately for life and non-life insurance, in the manner prescribed by the Insurance Law;
- keep books and in financial statements to separately state income (in particular premiums, reinsurers fees and income from investment activity), expenses (especially compensation claims and contractual amount, increased reservations, reinsurance premiums, other operating expenses, expenses from investment activities and the cost of insurance) and results in life and non-life insurance,

- to specially form investment portfolio and manage it, i.e. that determine assets separately for life and for non-life insurance, as well as the source of funds (equity and liabilities).

2. Introducing of the two – tier corporate governance system for insurance companies

The Insurance Law introduced two-tier governance system as mandatory for insurance companies.

3. Defines the concept of management system functions

The Insurance Law defines a concept of management system and obligation to define risk management system, the internal control system (the management of compliance risk is the part of the internal control system), Actuarial and Internal audit as separate and divided functions.



Operational risk Strategic risk



As regards the **Solvency II** regime - that entered into force for all European Insurers since 1st January 2016 - we have implemented the new organizational requirements as well as the formal procedures for the adoption of the Standard Formula to measure the capital requirements. With respect to the **European Insurance**

Distribution Directive, our BORA Wind of change in the EU Insurance Distribution Legislation is progressing; this is an important international and cross-functional initiative aimed at sharing knowledge and best practices in the field of product design and distribution strategies. As regards the new **personal data**

protection requirements, Generali has closely followed the negotiations on this topic over the past year, proactively contributing to the European debate. Group will continue to monitor the final phase of the legislative procedure and will engage to fully apply its principles with respect to all our activities. Data use is also linked to the development of telematics in the insurance area. Together with other stakeholders, we are contributing

to the work carried out at EU level which aims to tackle the different aspects related to the use of telematics and intelligent transport systems.

Also Generali will have to comply with the IAIS **ComFrame** requirements and particularly with the International Capital Standard which will be tested during 2016 and effectively applied as of 2019.

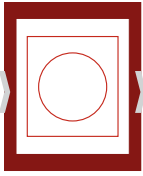
Uncertain financial and macro-economic landscape

The market situation in 2015 was really challenging, due to the persistency of a low interest rate scenario and to a economic recovery of the EU area which was still slow. The forecasts for 2016 do not foresee major changes in the trends observed during the last year.

Interest rates should remain almost stable, thus making the financial markets elaborate new investment strategies and products.

However, despite the challenging scenario, the aforementioned new regulatory requirements will bring more stability and soundness to the whole financial environment, allowing then a long-term sustainable growth.





Our Vision

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

Actively

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

Protect

We are dedicated to the true role of insurance - managing and reducing risks for people and entities.

Enhance

Generali is also committed to creating value.

People

We care deeply about the future and the lives of our clients and our people.

Lives

Ultimately, we have an impact on the quality of people's lives: wealth, safety, advice and service help people's quality of life in the long term.

Our Values

Deliver on the promise

We wish to build a trusting, long-term relationship with our employees, clients and stakeholders. Our work is all about improving the lives of our clients. We use discipline and integrity to fulfil this promise and make a positive impact in a long-term 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.

Our Mission

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

First choice

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

Delivering

We guarantee that the results will be achieved, striving to provide the best performance possible.

Relevant

We know how to foretell and fulfil needs, taking opportunities. We tailor the solutions on the basis of the needs and habits of our customers, so that they will recognize the value.

Accessible

Simple, above all. Easy to find, understand and use. Always available at a competitive price.

Insurance solutions

We want to propose fully comprehensive, personalized insurance solutions in terms of protection, advice and service.

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. We feel at home in every market.

Be open

We are curious, approachable, proactive and dynamic, with open, diverse mindsets and we want to look at things from a different perspective.

Values in action in Serbia 2015

Live the community

- The initiative “Solidarity in action” which was carried out in July 2015, attracted significant number of employees. The main goal was to collect various goods (food, toys, clothing...) for socially vulnerable citizens. As agreed with the Center for social work, we decided to address institutions in Serbia (Belgrade, Niš, Kragujevac and Novi Sad) and Montenegro. The taken action had an exceptional results, and our employees established a long term friendship with the mentioned institutions.



- “Coin box” initiative which was carried out during July, August and September as a result collected a particular amount of money which was given to the Shelter for children and “Čuvarkućica” project. The Shelter for children is the institution which is helping young people aged 7-18.
- “Čep za hendikep” is the initiative in which employees collect all kind of plastic bottle caps. The aim is to donate funds (gained from recycling of plastic bottle caps) to people with handicap.

Serbia
recycles $\sim 10\%$
of packaging waste

Be open

Our dynamic and proactive approach allows us to offer innovative solutions also in the field of new technologies. Innovation is crucial to influence changes in our industry. We are implementing innovation initiatives in the following three directions:

- crowd sourcing innovation
- incubation and co-operation with start-ups
- innovation through new partnerships

As proof that we pay particular attention to technology, Generali is the first and only Italian company on the list of the so-called smart companies compiled by the MIT Technology Review. The Group came before companies like IBM, Microsoft and Uber, thanks to an innovative range of insurance solutions based on data analytics.

Deliver on the promise

Every month via Generali News, Representatives of so called “Embassy of values” present actions taken and campaigns that will be launched in near future.

We value our people

- Generali day was held in September 2015. This was the first team building event gathered all employees. Generali day was designed as day during which employees took parts in various funny and sport competitions. More than 800 employees were involved in this event.
- “Accept the challenge” project aims to improve interpersonal relations among employees, strengthen team spirit and improve communication. The challenge starts when one department sends a creative challenge to fulfill specific task to other department via e-mail. When a challenged department finish its task, it acquires the right to challenge some other department.



Our Governance in 2016

Supervisory Board

Gregor Pilgram
Chairman

Stefano Culos

Toplica Spasojević

The Supervisory Board of the Company consists of three members, including the Chairman.

One member of the Supervisory Board is a person independent of the Company (as independent Supervisory Board member).

Competences of the Supervisory Board are defined by the Insurance Law. The Supervisory Board is responsible for establishing a system of risk management in a Company and supervision of such system, and also ensures that the Executive Board identifies the risks the Company is exposed to, and controls these risks in accordance with the approved strategies and procedures.

Executive Board

Dragan Filipović
Chairman of Executive Board
CEO

Gorana Rašić
CFO

Nataša Marjanović
CIO

Branko Pavlović
COO

The Executive Board of the Company has four members.

The chairperson of the Executive Board represents the Company.

Competences of the Executive Board are defined by the Insurance law. The Executive Board manages the activities of the Company and performs daily monitoring of the activities of the employees in the Company.

When concluding legal transactions and taking legal actions within his remit, the chairperson of the Executive Board obtains the signature of one member of the Executive Board (counter signature limitation).

A member of the Executive Board may not have deputies.

Auxiliary body of Supervisory Board

Audit Committee

Ondřej Láska
Chairman

Rada Radović

Renáta Šmejkalová



Investment Committee

Nataša Marjanović

Chairman
CIO

Dragan Filipović

Branko Pavlović

Gorana Rašić

It conducts a periodic analysis of the Group investment policies, the main operational guidelines and the corresponding result and a prior analysis of major investment and divestment operations.

Risk Committee

Dušan Lalić

Chairman

Milka Petrović

Darko Marković

Aleksandar Perišić

Veljo Mrdaković

It has the task of assisting the Board in performing the obligations assigned by the Serbian regulations and the Rulebook and, therefore, to help organization and functioning of determined internal controls system, assessing its adequacy and actual functioning on a regular basis, identifying and managing the main corporate risks. It has consulting, recommendation and preparatory functions on notifying the management on the need for taking appropriate measures and activities for risk management on the Company level.

Remuneration Committee

Dragan Filipović

Chairman

Maša Mraković

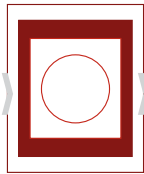
It has the task of expressing its opinion and making non-binding proposals to the Board on remuneration policies and the determination of the remuneration payable to the Chairman of the Board, Managing Directors, General Manager and the members of the Group Management Committee.

Our strategy

Within the scope of the Group strategy, we aim to achieve our financial and commercial goals in accordance with our vision, mission and values



Our strategy



Main drivers of the strategy will be:



Retail leader in Europe

This ambition fits our footprint and our DNA; it is based on our core strengths (for example broad private client base, strong market position in key markets and well-organized, extensive distribution). By pursuing this goal we will also improve our ability to generate and manage cash to finance the investments needed for our transformation.

Simpler and smarter

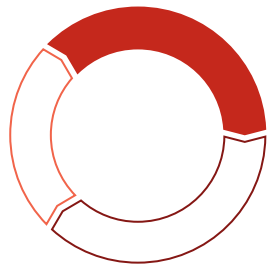
We aim at being simpler and smarter with new products for consumers that are easy to understand and use, connected, personalized and modular. We will also pursue this objective through business innovation (for example collaborating with external suppliers) and investing in the acquisition of new capabilities such as advanced data analytics.

Fast, lean and agile

We will be more efficient in order to maintain a competitive cost position and help fund our transformation.

A high level of engagement and empowerment to spark success for the company

We are committed to engaging our people, and empowering them by fostering a new mind-set and cultural shift, ensuring good leadership and talent management, encouraging the culture of simplicity. A high level of engagement and empowerment in our people will help us to accomplish our strategy.



Retail leader in Europe

Our strategy of becoming a Retail Leader requires that we:

- **successfully distinguish ourselves from competitors** by providing a superior customer experience to increase customers' loyalty, for example, providing the right products and services at the right time and through the most appropriate channels;
- **expand the skills of our distributors** moving from the traditional model of distributors as customer "gate keepers" towards a model where distributors are actively involved;
- **enhance our ability to generate cash** to fund the investments needed to become retail leaders.

Our geographic focus is still Europe, a region where we generate significant value; however, we are committed to increasing our footprint in other geographical areas and in the Corporate and Commercial business lines.

Two core Group wide initiatives are:

Development of the Transactional Net Promoter Score (T-NPS)

The Transactional Net Promoter Score system is a focused, systematic method to listen to and act on customer and distributor feedback. It allows us to improve customer satisfaction, customer value and our profits (by improving customer loyalty and cross-purchasing and up-purchasing). It also drives cultural change by creating a customer-focused mind-set throughout the organization.



T-NPS deployment is accelerating: 14 business units including Serbia are currently live as of late 2015. We aim to cover the whole Group by 2017. We have already sent over 817 thousands questionnaires to customers, and received a consistently high response rate (19,4%), showing that our customers wanted to be heard. Two key benefits are emerging in business units where NPS is live:

- customer feedback plays a more prominent role in all key decisions, and
- we are learning more about what customers appreciate and what creates problems.

Our NPS



More than
480

Employees
was trained



More than
6,600
closed loops



More than
1,300
detractors
called back

“ Technical Excellence constitutes a flawless execution as the “Generali way” of delivering on the promise.

Valter Trevisani
Head of Group Insurance and Reinsurance

Enhance online visibility

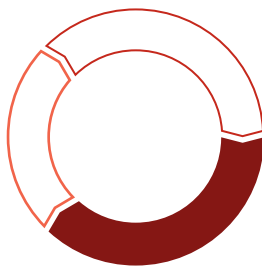
An effective online presence is a critical component of our new strategy. Research conducted in 21 countries showed that there are opportunities to enhance our online presence to improve customer service. Generali recently launched a new corporate website (Generali.com) and we are also extending the new set of Group standards to all our digital platforms (website, social media, etc).

2 structural changes in progress, 5 more recommended and 3 completed quick wins in 2015:

- Improved collection payments in offices.
- In Life (just in Region 1, Belgrade), old clients were contacted again with the aim of advancing communication. Communication with old clients has been improved. Also, clients were reminded that they have agents at their service at all times.
- In casco, it is now possible to choose the way of communication with clients

2 structural changes that were implemented last year:

- Simplification of insurance terms in Life and Non-life; Decrease in number of documents from 31 to 5, and creation of simple and smart documentation.
- Simplification of profit-sharing notice for life insurees.



Simpler and smarter

An excellent customer experience can only be obtained by being simpler and smarter. It means offering new proposals that meet customer needs, reflect their habits and go beyond providing a simple guarantee.

We identified four components over the past few months to deliver simpler and smarter solutions for Products and Services:

- **Connectivity: delivering a high level of service to clients taking advantage of the huge amount of information available.**

The Generali Group is one of the leading operators in the use of telematics and profiling of driving styles, with the aim of providing innovative and tailor-made products for customers and profitable rates for the more virtuous policyholders.



In this context, the acquisition and integration of MyDrive solutions has played a crucial role in enhancing our skills. MyDrive Solutions is an excellent data analysis company, based in London,

and uses its skills in data science and software engineering in addition to algorithms to analyze behaviour for pricing purposes and to provide solutions that currently include:

- usage based insurance (risk profiling, pricing, analysis of claims and fraud).
- analysis of driver behaviour for: customer loyalty proposals, ad-hoc car insurance offers, knowledge of wear and tear of the car and of its use, predictive maintenance.

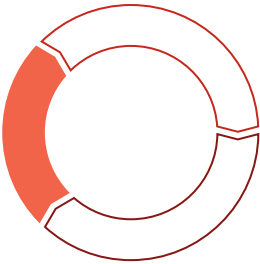


- **Flexibility: solutions tailored to customer needs, that are built around the client, allowing a tailored approach to shaping the offer, modifying it as time passes, and choosing the type of channel and payment.**
- **Proactive protection: rewards for healthy lifestyles and integration of preventive elements in the insurance solutions, creating real value for customers and providing peace of mind.**

These 4 components clearly set Generali solutions apart in the insurance market, and this should help it develop its cross selling activities and the acquisition of new customers.



For further information please refer to Generali for innovation in the Sustainability Report 2015



Fast, lean and agile

Becoming fast, lean and agile is an essential requirement in delivering a **competitive and sustainable Group expense ratio** and providing **the investment resources to become leader in the retail market**.

With an initial focus on cost efficiency (our Opex Program) we have kept the Group cost base at the same level as 2012, for equivalent savings over € 800 million in 2015.

Key achievements so far include:

- Within the scope of the **IT systems**, we have established the **Generali Software Factory** through an agreement with 2 major IT providers. This helps all major business units through the application selection, rationalization and sharing and the management of needs and licenses, helping to develop IT applications faster and at lower cost. It also enhances performance and provides the basis to support our digital transformation. In 2015 all major business units joined this project.

- In the **Premises & Facility Management** changes are tangible. Also in Generali Osiguranje Srbija we can find an example of this efficiency-driven approach. As a matter of fact, during 2015 the aggregation of three different sites of the Generali Osiguranje Srbija headquarters into just one building has taken place, (please refer to page 11 – section regarding 2014/2015 for more information on that).

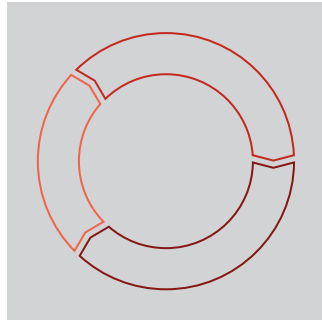
- **Procurement** is a major contributor to cost savings and helping to harmonize/improve service levels and the quality of purchased goods across the Group. We have worked to full capacity and developed more than 525 projects involving all operating units.

- With reference to **operations**, there were 2 cross-discipline initiatives launched in 2015 involving unit-linked and payments where we aim to provide cross-business unit services to develop and share capabilities within the Group companies. 2015 was also an intense year with respect to improving the lean processes, with more than 200 projects planned at national level, and approximately 180 internal experts trained to

various levels.

We intend to invest and prioritize the resources generated by these programs to become a leader in the retail market, simpler and smarter. We will support the digital transformation process (e.g., through IT support for data analytics, mobile strategy implementation, and ensuring renewal of technological support for our distributors with, inter alia, presence on social media, new CRMs and sales enablers), and new initiatives aimed at increasing both cost efficiency and access for all business units to the best skills, always with a customer driven philosophy.

Going forward we will expand the scope of these Group programs to all areas of the operating platform. This will allow Generali Group to reach total savings of **€ 1.5 billion for the 2012-2018 period**, and to **finance investments of € 1.25 billion** over the next three years.



A high level of engagement and empowerment as the key enabler of business success

76,191

Our people across the world

People are our most valuable resource, our most strategic asset. We believe that a modern and competitive multinational must first and foremost develop and motivate the first ambassadors of our brand with regards to our customers and stakeholders.

Our People Strategy is founded on four priorities:

- promoting engagement and empowerment
- strengthening the skills of our leaders and talents
- constructing an agile organisation and developing new expertise
- promoting a culture focused on the customer

» Promoting engagement and empowerment

At Generali it is fundamental to promote the engagement and empowerment of people so they can make informed decisions, demonstrate their leadership and better fulfil the needs of our customers.

Generali Global Engagement Survey: Have Your Say

In 2015 we launched the first Global Engagement Survey, in association with an independent external consultant, involving leaders and managers with the aim of assessing internal levels of engagement and awareness with regard to the Group's goals and people's roles in contributing to their achievement.

The results enabled us to identify a series of global and local priorities to implement through concrete and simple initiatives, managed by each country and integrated in a structured action plan. At global level the following priorities emerged:

- develop a performance culture that is focused on the customer and meritocratic
- be simpler and smarter: promote the empowerment and independence of our people through various levers (e.g. training, communication, systems of acknowledgment)
- promote diversity & inclusion to facilitate innovation.

The Global Engagement Survey therefore defines the foundations for the changes that will be important for us and for the Group's future. It will take place every two years and will allow us to measure the level of engagement and empowerment with the aim of promoting a process of ongoing improvement.



+70,000
employees invited
in 42 countries



59,108* / 922
employees
took part



85%* / 99% in Serbia
overall level of response
+19% vs. global benchmark**



80
questions



in 29
languages



+34,000
open comments received

engagement rate

82%* / 86% Serbia +5% vs. sector benchmark**
+10% vs. benchmark for companies involved in major changes
calculated on the average percentage of the positive answers based on the following questions

85%* / 92% in Serbia
are proud to work
for Generali

86%* / 89% in Serbia
believe in the company's
goals and objectives

85%* / 94% in Serbia
wholly support
the Group values

82%* / 87% in Serbia
would recommend
the Group as a good
place to work

69%* / 69% in Serbia
believe to be inspired
by the Company to make
their best in the job activities

88%* / 87% in Serbia
are willing to do more than
requested to contribute
to the company success

* In Group

** Global benchmark: average based on the response rates obtained in all surveys carried out in the last two years at global level by the independent external consultant with whom we collaborated

*** Sector benchmark: standard for the independent external consultant with whom we collaborated for finance companies headquartered in Europe



Empowerment is a system of actions that creates a new everyday working style discipline, based on trust and autonomy, strong ownership, personal accountability and the willingness to go the extra mile. It is the greatest strategy enabler

Monica Possa,
Group HR & Organization Director

Our journey towards diversity & inclusion

Constructing and supporting a diversified and inclusive organisation is becoming increasingly important for developing innovative products and services, interpreting and understanding the decisions and behaviour of customers. Taking our inspiration from international best practices, our ambition is to develop a culture that celebrates different ways of thinking, particularly as a result of generational, gender and geographical differences. Our diversity & inclusion programmes seek to raise awareness and sensitivity around issues that will increasingly become the subject of debate and new expertise, in a context aided by digitalisation. For this reason we are reviewing our internal personnel management processes and launching systems and pilot projects that can make our working environment flexible in the face of different needs, for example with the introduction of smart working.

Performance management

Feedback is crucial for the development process and a useful tool for improving people's understanding of their abilities and strengths, and their interaction with their group. We are working to create a "culture of feedback" through the performance management system that promotes constructive dialogue between managers and their people with the goal of having a regular performance feedback system for 100% of employees by 2018.

Developing our leaders and talents' skills

Training has always been a priority and involved all of the Group's employees. We are particularly keen on developing our leaders and allowing our most talented employees to emerge in a meritocratic environment in which enterprise and growth are encouraged. More specifically, the Group Academy, responsible for designing career paths and training programmes at Group level, is focused on the growth of our leaders and investing in improving their skills and expertise through a training package based on international programmes at corporate level. In order to develop our talents we have established succession plans for key roles in the Group, guaranteeing that future leaders take all of the necessary steps to reach a senior position. We believe it is possible to identify and develop talent at every level of the company, to guarantee a sustainable line of succession, through correct development and career progression.

222,624

hours of training

36.2 (+5.1%)

Group
Average hours of training per employee

130.5 (+15.9%)

Hours in Serbia

107

different trainings

To this end we offer various programmes:

- **Global Leadership Programs**, global training programmes aimed at promoting strategic thought and leadership skills, providing participants with different managerial tools and accelerating the transition from manager to leader;
- **Global Graduate Program**, a Group initiative to promote cultural change, to develop Generali's international reputation as a top employer, and to guarantee the leadership continuity line with 20 young international talents. Graduates take part in an 18-month training course composed of 3 international/departmental job rotations and a Master's in Insurance Management;
- **technical and managerial education**, which includes programmes designed to support managers, middle-managers and professionals, providing short practical training programmes aimed at developing and practicing managerial and across-the-board skills. We strive to promote a common culture with regard to the insurance business, facilitating the alignment of approaches, metrics and languages, providing the necessary fundamental technical skills to make a difference in the global market.

International mobility

To further support the development of our people, we have provided more opportunities for global mobility: employees can transfer their skills to the other Group companies and enjoy new experiences. Asia, Brazil, the countries of Central and Eastern Europe, Germany, France and the Global Business Lines are particularly active in encouraging mobility

~ 300

people involved so far in international mobility programmes in 35 different countries

Constructing an agile organisation and developing new expertise

Generali believes that to face up to modern-day challenges we must be agile and develop new skills and expertise. For this reason we have invested in departments and projects like Customer Relationship Management (CRM), data analytics and digital. In the area of human resources we are already innovating, reviewing and simplifying our processes to promote a true performance management culture, attract and retain talent, and encourage mobility at international level. Group has developed a global IT platform that makes it possible to simplify processes. Currently 1,500 people are online and the platform will later be extended to the entire company population in line with international best practices.



Performance

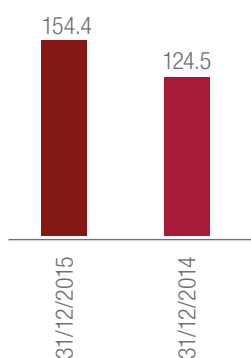
Our performance	43
Property & Casualty insurance	49
Life insurance	52

Our Performance

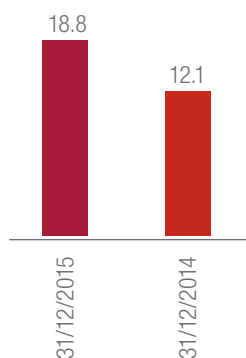
Company highlights

All numbers in charts are presented in € millions if not stated otherwise. Annual Integrated Report Serbia 2015 is based on IFRS Financial Reports 2015, prepared for Generali Group reporting

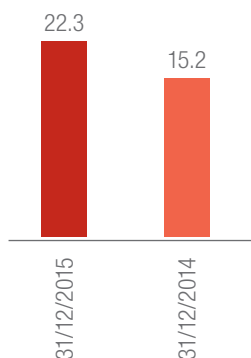
Gross written premiums



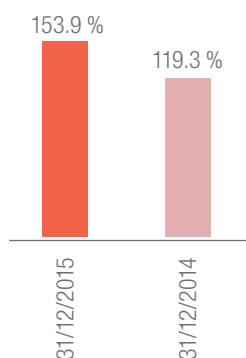
Net result



Operating result

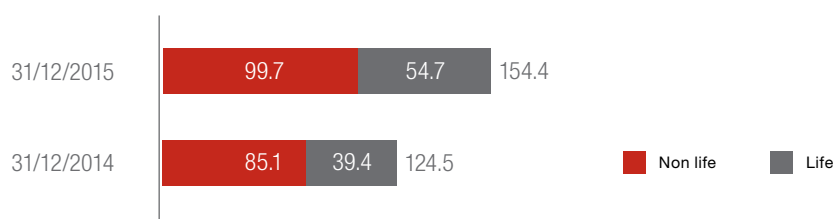


Solvency I ratio



- Gross written premium over 154 m EUR, growth mainly thanks to MTPL and Life single lines of business.
- Strong growth in operating result predominately due to positive development in MTPL technical result, but also good results in investment activity (both Life and Non-life investment result)
- Net result significantly increased to 18.8 m EUR (+54.7%)

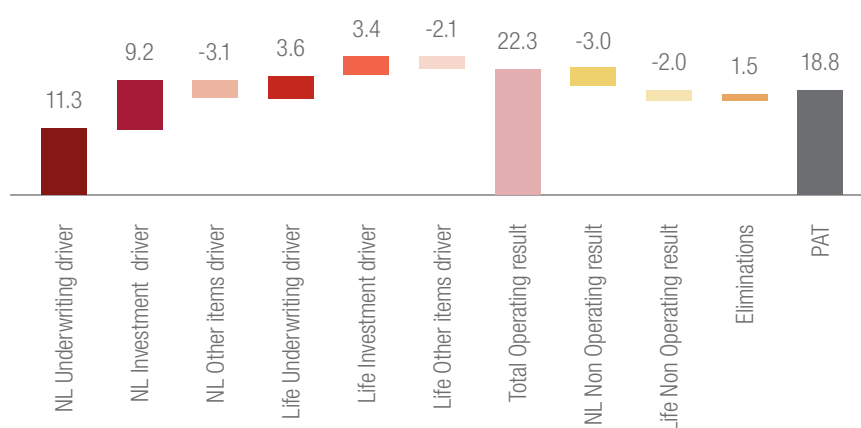
Gross written premium



P&C segment continued the previous years growth trend, amounting to 99.7 m EUR (+17.2%). This was mainly due to MTPL insurance (+25.5%), while Corporate, Accident/Health also had very positive development in 2015.

Life segment had growth in regular premiums (+14.4%), mainly due protection products sold through bank channel, but even higher growth in single premiums (+127.7%). Such growth in single premiums is exclusively due to saving product called "Premium profit", where policyholders benefit from high yields on investments.

Operating result breakdown

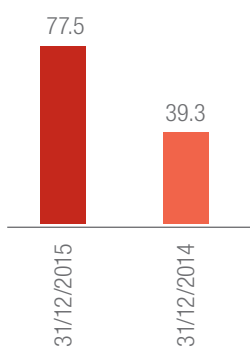


Main contributor to operating result was Non-life technical result. Investment result followed increased volume of free operating cash, that was duly invested throughout of the year. Life segment remained profitable with low volatility in profitability.

Total operating result amounted to 22.3 m EUR (+46.6%).

Most of non-operating items include impairment of insurance receivables (here also are included corporate taxes).

Equity

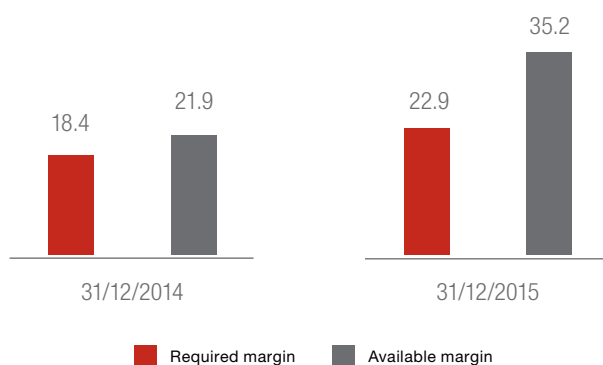


Rollforward of Shareholders' equity

(€ million)	31/12/2015	31/12/2014
Shareholders' equity	17.7	17.7
Reserves	21.6	20.3
Result of the period	18.8	12.1
Dividend distributed	-1.7	-12.0
Unrealized gains and losses	21.1	0.0
Other items	0.0	1.1
Shareholders' equity at the end of the period	77.5	39.3

Share capital remained at the same level (17.7 m EUR), but due to revaluation of AFS portfolio there was strong increase in capital position. Using current market rates (for valuation) from primary auctions instead of rates valid at the time of purchase led to such significant growth.

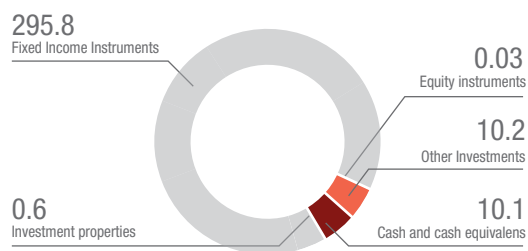
Since 2011 the company has stable dividend pay-out policy. In 2015 dividend payment was continued, with 1.7 m EUR of paid dividend, amount representing interim dividend from 2014. In addition, in 2016 there was 6.1 m EUR dividend paid. In total, starting from 2011 until 2016, amount of 28.9 m EUR was paid to shareholder's, i.e. parent company. A strong growth in net result influenced the growth of shareholders equity in 2015.



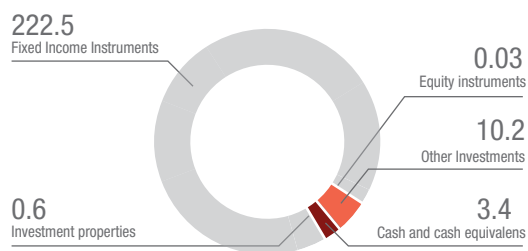
Company's solvency I ratio was 153.9%. Solvency I regulative is in force in Serbia, and two margins are calculated according to local methodology. In 2015 there was significant improvement in this parameter.

Investments

Investment at 31/12/2015



Investment at 31/12/2014



Investments portfolio predominately consists of government bonds, classified as AFS. Investments in subsidiaries are followed by liquid assets (cash and cash equivalents). Short-term deposits and investment properties are small part of portfolio. Equity instruments are practically minimized due to small market exchange volume and high volatility.

Liquidity**Cash flows**

(€ million)	31/12/2015	31/12/2014
Cash flows from operating activities	46.2	31.1
Cash flows from investment activities	-33.5	-25.5
Cash flows from financial activities	-5.4	-5.4
Total cash flows	7.3	0.2

Cash from operating activities increased mainly due to increased tariffs in MTPL and massive sale of life product with single payment. Favourable claims development, concurrently with other stable expenses, which remained firmly under control, led to more cash from insurance operations.

Investment activity mostly followed increased mathematical provision and other technical provisions.

Cash-out from financial activities consist out of two elements: payment of interim dividends from 2014 and repayment of loan to the Group.

Property & Casualty insurance

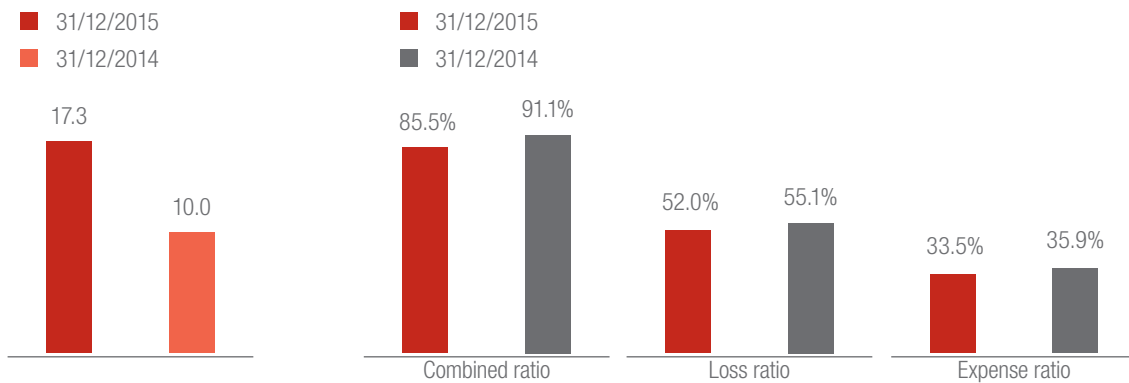


Generali Osiguranje Srbija has managed to strengthen second position on the competitive insurance market in P&C segment. Market development is largely influenced by movements in MTPL, which was very favourable due to price increase in mid 2014. The Serbian insurance market still lacks true insurance culture, thus mandatory insurances represent bulk of all insurances

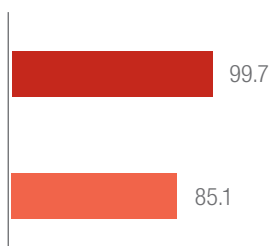
in terms of premium. Motor third party liability insurance makes more than 45% of all P&C insurance premiums. Drought in 2012, hail storms and even recent floods in 2014 didn't rise much awareness of the population regarding the need for protection of their own property, even though many homes, cars and crops were destroyed. People are partially used to receive help from government in

case of natural disasters, based on past experience. Similarly as the market, Generali Osiguranje Srbija drives most of it's premium from MTPL insurance. Being aware of exposure of such portfolio mix, the company wants to retain present level of MTPL business, and to strongly increase other insurance lines, mainly in retail segment. Retail segment has proved to be more stable in the premium income, but even more important more stable in claim frequency and overall is more desirable for insurance company in spreading the risk and reducing exposure toward big accounts. Company is a pioneer and market leader in voluntary health insurance and it is committed to increase and improve other lines of business by improving existing offer and creating new products.

Operating results

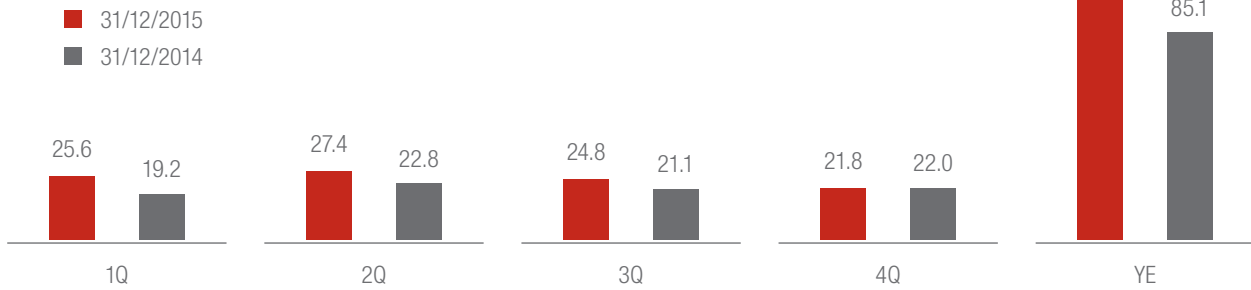


Gross written premiums



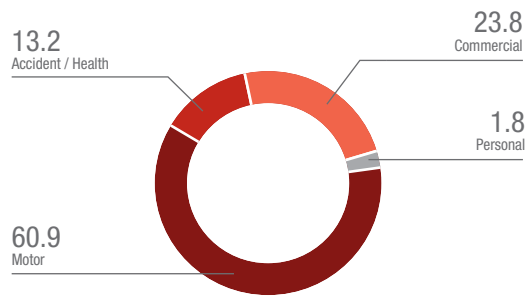
- P&C segment has high portion of MTPL. Corporate segment is limited by number of potential clients. Retail segment is still very weak, although with significant potential
- A strong growth in operating result is predominately due to positive development in MTPL technical result, but also due to good results in the investment activity
- Combined ratio declined due to the good technical result in MTPL and accident.

Premiums development

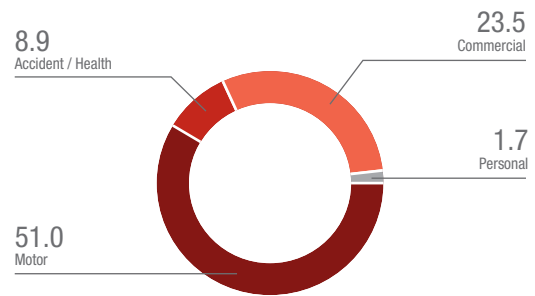


Since July 1st 2014 tariffs in MTPL increased, thus higher growth was recorded in the first half of 2015.

GWP by lines of business 31/12/2015



GWP by lines of business 31/12/2014



Motor represents the bulk of the business. Personal insurance needs to be more developed and remains in focus as

potential attractive market. Commercial lines are limited in terms of customer base.

Technical result
Property and Casualty

(€ million)	31/12/2015	31/12/2014
Technical result	11.3	5.3
Net earned premiums	81.5	65.2
Net insurance benefits and claims	(42.4)	(36.0)
Net acquisition administration costs	(27.3)	(23.4)
Other net technical income	(0.6)	(0.5)

Net earned premium increased mainly due to MTPL. Although corporate increased significantly in terms of premium, net earned premium didn't follow, since more premium were ceded.

In 2015 we had significant impact in late losses coming from co-insurance, related to flood event in May 2014. Health and Casco have high claim ratio. Acquisition expenses

mostly were in line with the development of gross written premium.

Property and Casualty net combined ratio

	31/12/2015	31/12/2014	Change
Loss ratio	52.0%	55.1%	-3.1%
Expense ratio	33.5%	35.9%	-2.4%
Combined ratio	85.5%	91.1%	-5.6%

Life insurance

It's fair to say that 2015 was record-breaking year in Life segment. Both in terms expanding our customer base and premium we had significant growth. Creating attractive offer for customers and suitable bancassurance products gave extraordinary new business value and premium.

We took over part of MET Life portfolio held in Vojvodanska banka in April 2015, which brought us more than 51 thousand new customers but with limited premium.

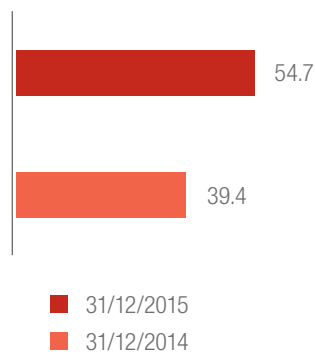
Premium significantly increased and profitability improved after we had replaced single product "Total profit" with more profitable product "Premium profit" in February 2015 which was sold even better than the original one.

Generali Osiguranje Srbija is undoubtedly number one insurer in Serbia in terms of product offer, customer base and premium income. The existing offer range covers all from protection products to saving products with single or regular payments, group life products to additional risks such are health and accident. Profit-sharing is available for our customers with saving policies.

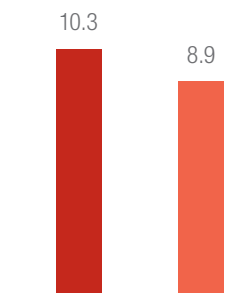
New Law on insurance enables the sale of unit-linked products for the first time in Serbia. Unit-linked are favourable products for insurance companies and Generali Osiguranje Srbija plans to step into this potential market niche in 2016.



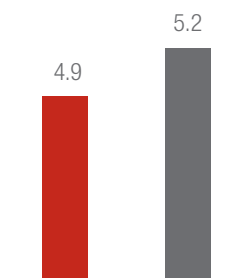
Gross written premiums



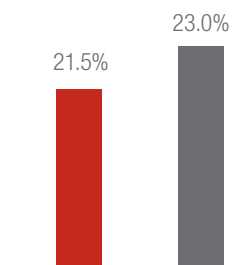
APE



Life operating result

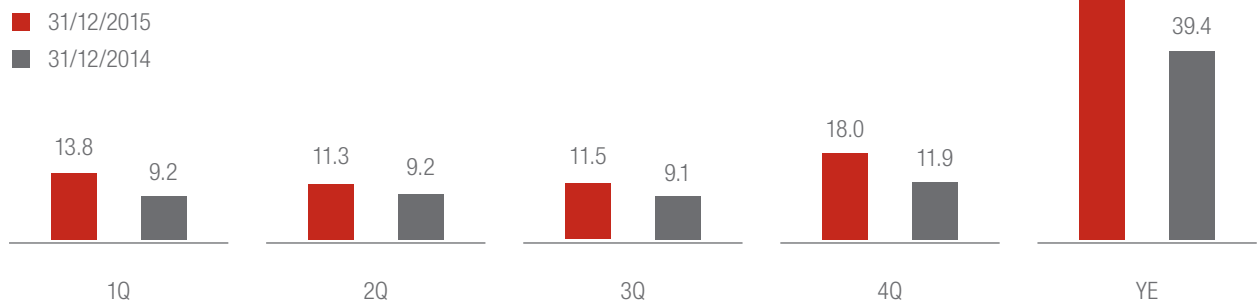


NBM



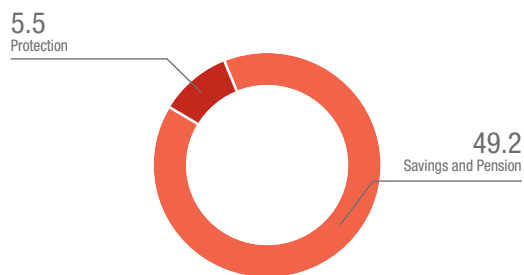
- Life insurance segment tends to replace classical saving at banks. More saving products are sold each year.
- Protection products are attractive to banks for insurance of their clients
- APE grew due to single products (Premium profit)
- Operating result is slightly down due to high increase for mathematical provision and higher acquisition costs for increased production

Premiums development

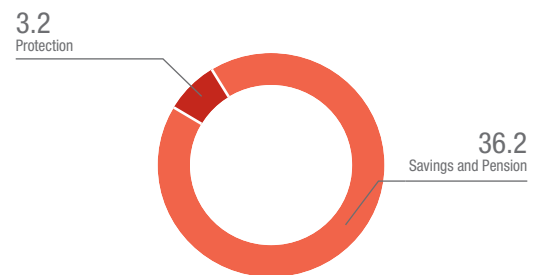


In the last quarter we made the agreement with the Group to sell more Premium profit.

GWP by lines of business 31/12/2015



GWP by lines of business 31/12/2014



Saving products make the bulk of insurances in Life.



Outlook

Outlook

55

Outlook

“Performance under Serbia’s economic program has been strong in 2015. All quantitative performance targets for end-December were met, most by large margins. At 3.7 per cent of GDP, the fiscal deficit in 2015 was the lowest since 2008. And with confidence improving and interest rates declining, Serbia returned to positive growth, helped by a strong rise in foreign investment. Inflation has remained low and stable, which is the most effective way to protect the real value of wages and pensions. We expect these positive macroeconomic trends to continue in 2016. Our growth projection is unchanged at 1.75 percent, while average inflation is revised down to 1.7 percent, mainly due to further declines in oil prices.

However, looking forward Serbia still faces important challenges. Public debt remains high, highlighting the importance of achieving the program’s structural fiscal adjustment targets of about 0.75 percent of GDP in each of 2016 and 2017. The government’s ambitious but necessary rightsizing plan is running behind schedule, and would need to be accelerated and implemented fully. This reform is important not only to reduce the deficit, but also to improve the effectiveness of central and local governments, which is consistent with the authorities’ goal of a smaller, more efficient, and better-paid public sector to deliver better services (such as health and education) to citizens. The authorities reconfirmed their commitment to ensuring that the ceilings on employee numbers defined in the December 2015 decision are implemented and verified by the time of completion of the review, and to move ahead in planning the next stage of rightsizing based on in-depth functional reviews conducted with the World Bank.

The restructuring of state-owned enterprises, including utilities, remain a difficult challenge. These reforms are vital to improve Serbia’s competitiveness, growth and employment. 2016 is a critical year for reform of EPS, Srbijagas and the railways, and a new government will need to move rapidly to implement restructuring plans for these entities. Good progress has been made in resolving some of the strategic state-owned enterprises covered by the program, but a number of difficult cases remain. These need to be addressed in ways that minimize fiscal risks while taking account of social and environmental priorities. Ultimately, the only way to protect jobs in these enterprises is to deeply restructure them so as to ensure their long-term commercial viability, while providing needed social and labour market assistance to redundant employees.

Given the low inflation outlook and the improved fiscal position, the mission supports the NBS’s cautiously accommodative monetary policy stance. The inflation targeting framework serves Serbia well, and the mission considers that greater day-to-day flexibility in the exchange rate should be accommodated to the extent this does not jeopardize inflation targeting and financial stability.

The financial sector reform agenda continues to advance well, in particular with the finalization and publication of the special diagnostic studies of bank asset quality, which confirmed the financial soundness of all system banks. The main focus of the financial sector agenda for 2016 should be the reform of the state-owned financial institutions to improve transparency and competition and reduce fiscal risk, along with the implementation of the NPL resolution strategy.”

An International Monetary Fund (IMF) mission, led by James Roaf, during February 2016 visit to Belgrade

Financial statements

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Balance Sheet

(€ million)	31/12/2015	31/12/2014
ASSETS	366.4	291.1
INTANGIBLE ASSETS	0.1	0.1
Goodwill	0.0	0.0
Other intangible assets	0.1	0.1
TANGIBLE ASSETS	6.6	8.0
Land and buildings (self used)	3.4	4.9
Other tangible assets & inventories	3.2	3.1
INSURANCE PROVISIONS CEDED	15.4	19.0
INVESTMENTS	306.6	233.3
Land and buildings (investment properties)	0.6	0.6
Investments in subsidiaries, associated companies and JV	10.2	10.2
Loans and receivables	2.5	2.7
Held to maturity investments	0.0	0.0
Available for sale financial assets	292.4	214.6
Financial assets at fair value through profit or loss	0.9	5.1
RECEIVABLES	12.0	12.1
Receivables arising out of direct insurance operations	9.7	10.3
Receivables arising out of reinsurance operations	0.4	1.4
Other receivables	2.0	0.4
OTHER ASSETS	15.6	15.0
Deferred acquisition costs	10.6	10.4
Tax receivables	1.3	1.8
Deferred tax assets	-0.1	-0.2
Other assets	3.7	3.1
CASH AND CASH EQUIVALENTS	10.1	3.4

(€ million)	31/12/2015	31/12/2014
SHAREHOLDERS' EQUITY AND LIABILITIES	366.4	291.1
SHAREHOLDERS' EQUITY	77.5	39.3
Shareholders' equity attributable to the Group	77.5	39.3
Shareholders' equity attributable to minority interests	0.0	0.0
OTHER PROVISIONS	1.0	0.0
INSURANCE PROVISIONS	264.2	224.7
Insurance provisions	0.0	0.0
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	41.5	38.3
Provisions for outstanding claims	50.2	51.9
Other insurance provisions	4.1	3.2
Mathematical provisions	168.4	131.3
Provisions for policies where risk borne by the PH&PF	0.0	0.0
FINANCIAL LIABILITIES	3.5	7.0
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	3.5	7.0
PAYABLES	10.3	12.5
Payables arising out of direct insurance operations	1.0	0.6
Payables arising out of reinsurance operations	3.7	5.5
Other payables	5.6	6.4
OTHER LIABILITIES	10.0	7.5
Tax payables	2.4	1.0
Deferred tax liabilities	0.5	1.1
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	7.1	5.5

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

Balance Sheet Non-Life

(€ million)	31/12/2015	31/12/2014
ASSETS	179.4	151.3
INTANGIBLE ASSETS	0.0	0.1
Goodwill	0.0	0.0
Other intangible assets	0.0	0.1
TANGIBLE ASSETS	4.4	6.0
Land and buildings (self used)	2.8	3.5
Other tangible assets & inventories	1.6	2.5
INSURANCE PROVISIONS CEDED	15.3	19.0
INVESTMENTS	125.6	101.2
Land and buildings (investment properties)	0.4	0.4
Investments in subsidiaries, associated companies and JV	9.1	10.2
Loans and receivables	0.6	0.6
Held to maturity investments	0.0	0.0
Available for sale financial assets	114.5	84.8
Financial assets at fair value through profit or loss	0.9	5.1
RECEIVABLES	10.0	10.2
Receivables arising out of direct insurance operations	7.8	8.3
Receivables arising out of reinsurance operations	0.4	1.4
Other receivables	1.9	0.4
OTHER ASSETS	21.7	13.3
Deferred acquisition costs	10.6	10.4
Tax receivables	1.3	1.8
Deferred tax assets	-0.1	-0.1
Other assets	9.8	1.3
CASH AND CASH EQUIVALENTS	2.3	1.6

(€ million)	31/12/2015	31/12/2014
SHAREHOLDERS' EQUITY AND LIABILITIES	179.4	151.3
SHAREHOLDERS' EQUITY	66.6	36.5
Shareholders' equity attributable to the Group	66.6	36.5
Shareholders' equity attributable to minority interests	0.0	0.0
OTHER PROVISIONS	1.0	0.0
INSURANCE PROVISIONS	93.5	92.0
Insurance provisions	0.0	0.0
Deferred policyholders liabilities	0.0	0.0
Provisions for unearned premiums	41.5	38.3
Provisions for outstanding claims	49.9	51.6
Other insurance provisions	2.2	2.1
Mathematical provisions	0.0	0.0
Provisions for policies where risk borne by the PH&PF	0.0	0.0
FINANCIAL LIABILITIES	3.5	7.0
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	3.5	7.0
PAYABLES	9.5	12.3
Payables arising out of direct insurance operations	1.0	0.6
Payables arising out of reinsurance operations	3.5	5.3
Other payables	5.0	6.4
OTHER LIABILITIES	5.3	3.5
Tax payables	2.4	1.0
Deferred tax liabilities	0.7	1.3
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	2.2	1.2

Balance Sheet Life

(€ million)	31/12/2015	31/12/2014
ASSETS	193.0	138.0
INTANGIBLE ASSETS	0.1	0.0
Goodwill	0.0	0.0
Other intangible assets	0.1	0.0
TANGIBLE ASSETS	2.2	2.0
Land and buildings (self used)	0.6	1.3
Other tangible assets & inventories	1.6	0.6
INSURANCE PROVISIONS CEDED	0.1	0.0
INVESTMENTS	181.1	132.2
Land and buildings (investment properties)	0.2	0.2
Investments in subsidiaries, associated companies and JV	1.1	0.0
Loans and receivables	1.9	2.1
Held to maturity investments	0.0	0.0
Available for sale financial assets	177.9	129.9
Financial assets at fair value through profit or loss	0.0	0.0
RECEIVABLES	1.9	2.0
Receivables arising out of direct insurance operations	1.9	2.0
Receivables arising out of reinsurance operations	0.0	0.0
Other receivables	0.0	0.0
OTHER ASSETS	0.0	-0.1
Deferred acquisition costs	0.0	0.0
Tax receivables	0.0	0.0
Deferred tax assets	0.0	-0.1
Other assets	0.0	0.0
CASH AND CASH EQUIVALENTS	7.7	1.8

(€ million)	31/12/2015	31/12/2014
SHAREHOLDERS' EQUITY AND LIABILITIES	193.0	138.0
SHAREHOLDERS' EQUITY	10.9	2.8
Shareholders' equity attributable to the Group	10.9	2.8
Shareholders' equity attributable to minority interests	0.0	0.0
OTHER PROVISIONS	0.0	0.0
INSURANCE PROVISIONS	170.6	132.7
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	0.4	0.3
Other insurance provisions	1.9	1.2
Mathematical provisions	168.4	131.3
Provisions for policies where risk borne by the PH&PF	0.0	0.0
FINANCIAL LIABILITIES	0.0	0.0
Financial liabilities at fair value through profit or loss	0.0	0.0
Financial liabilities at Amortised cost	0.0	0.0
PAYABLES	0.8	0.2
Payables arising out of direct insurance operations	0.0	0.0
Payables arising out of reinsurance operations	0.2	0.2
Other payables	0.6	0.0
OTHER LIABILITIES	10.7	2.2
Tax payables	0.0	0.0
Deferred tax liabilities	-0.2	-0.2
Liabilities from non-current assets&disposal groups HFS	0.0	0.0
Other liabilities	10.9	2.5

Income Statement

(€ million)	2015	2014
TOTAL INCOME	168.5	132.5
NET EARNED PREMIUMS	135.6	104.2
Gross earned premiums	151.2	116.8
Earned premiums ceded	-15.6	-12.6
FEE AND COMMISSION INCOME	0.0	0.0
Net income from financial instruments at FVthPL	0.9	0.9
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.9	0.9
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VEN	1.7	1.1
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDIN	20.1	15.3
Interest income	17.3	14.5
Other income	0.1	0.1
Realized gains on financial instruments	0.0	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	2.7	0.7
OTHER INCOME	10.3	10.9
TOTAL EXPENSES	-148.8	-119.4
NET INSURANCE BENEFITS AND CLAIMS	-87.7	-65.6
Claims paid and change in the insurance provisions	-87.7	-83.4
Reinsurer's share	-0.1	17.8
FEE AND COMMISSION EXPENSES	0.0	0.0
EXPENSES FROM SUBSIDIARIES, ASSOCIATED COMPANIES&JV	0.0	-0.8
EXPENSES FROM OTHER FIN. INSTRUMENTS&LAND AND BUILDINGS (IP)	-6.0	-5.2
Interest expenses	-0.2	-0.2
Other expenses	0.0	0.0
Realized losses	0.0	0.0
Unrealized losses	0.0	0.0
Impairment losses	-5.7	-5.0
ACQUISITION AND ADMINISTRATION COSTS	-37.6	-32.5
Net acquisition costs and other commissions	-30.7	-26.6
Investment management expenses	0.0	0.0
Other administration costs	-6.8	-6.0
OTHER EXPENSES	-17.5	-15.2
EARNINGS BEFORE TAXES	19.7	13.1
INCOME TAXES	-0.9	-0.9
RESULT OF DISCONTINUED OPERATIONS	0.0	0.0
RESULT OF THE PERIOD	18.8	12.1

Income Statement Non-Life

(€ million)	2015	2014
TOTAL INCOME	99.2	79.0
NET EARNED PREMIUMS	81.5	65.2
Gross earned premiums	96.5	77.3
Earned premiums ceded	-15.0	-12.1
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 VEN	1.1	0.7
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDIN	11.9	8.2
Interest income	9.1	7.6
Other income	0.1	0.1
Realized gains on financial instruments	0.0	0.0
Unrealized gains	0.0	0.0
Reversal of impairment	2.7	0.5
OTHER INCOME	4.4	4.2
TOTAL EXPENSES	-82.7	-70.3
NET INSURANCE BENEFITS AND CLAIMS	-42.4	-36.0
Claims paid and change in the insurance provisions	-42.2	-53.6
Reinsurer's share	-0.1	17.7
FEE AND COMMISSION EXPENSES	0.0	0.0
EXPENSES FROM SUBSIDIARIES, ASSOCIATED COMPANIES&JV	0.0	-0.8
EXPENSES FROM OTHER FIN. INSTRUMENTS&LAND AND BUILDINGS (IP)	-3.8	-3.7
Interest expenses	-0.2	-0.2
Other expenses	0.0	0.0
Realized losses	0.0	0.0
Unrealized losses	0.0	0.0
Impairment losses	-3.5	-3.5
ACQUISITION AND ADMINISTRATION COSTS	-27.3	-23.4
Net acquisition costs and other commissions	-21.8	-18.7
Investment management expenses	0.0	0.0
Other administration costs	-5.5	-4.7
OTHER EXPENSES	-9.3	-6.5
EARNINGS BEFORE TAXES	16.5	8.7
INCOME TAXES	-1.1	-0.9
RESULT OF DISCONTINUED OPERATIONS	0.0	0.0
RESULT OF THE PERIOD	15.3	7.7

Income Statement Life

(€ million)	2015	2014
TOTAL INCOME	69.4	53.5
NET EARNED PREMIUMS	54.1	39.0
Gross earned premiums	54.7	39.4
Earned premiums ceded	-0.6	-0.4
FEE AND COMMISSION INCOME	0.0	0.0
Net income from financial instruments at FVthPL	0.6	0.2
Net income investments FVthPL backing unit linked business	0.0	0.0
Other financial instruments	0.6	0.2
INCOME FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VEN	0.5	0.5
INCOME FROM OTHER FINANCIAL INSTRUMENTS AND LAND AND BUILDIN	8.2	7.1
Interest income	8.2	6.9
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	0.2
OTHER INCOME	5.9	6.7
TOTAL EXPENSES	-66.1	-49.0
NET INSURANCE BENEFITS AND CLAIMS	-45.4	-29.7
Claims paid and change in the insurance provisions	-45.4	-29.7
Reinsurer's share	0.0	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)	-2.2	-1.5
Interest expenses	0.0	0.0
Other expenses	0.0	0.0
Realized losses	0.0	0.0
Unrealized losses	0.0	0.0
Impairment losses	-2.2	-1.5
ACQUISITION AND ADMINISTRATION COSTS	-10.3	-9.1
Net acquisition costs and other commissions	-8.9	-7.9
Investment management expenses	0.0	0.0
Other administration costs	-1.4	-1.2
OTHER EXPENSES	-8.2	-8.8
EARNINGS BEFORE TAXES	-3.3	4.4
INCOME TAXES	-0.2	0.0
RESULT OF DISCONTINUED OPERATIONS	0.0	0.0
RESULT OF THE PERIOD	3.5	4.4

Notes to the Financial statements

Average exchange rate

Currency	2015
EURO	120.7045

Investment in subsidiaries, associated companies and joint venture

(€ million)	31/12/2015	31/12/2014
Subsidiaries included in line by line consolidation	8.8	8.8
Investments in non-consolidated subsidiaries	1.4	1.4
Investments in associated companies valued at equity	-	-
Investments in joint ventures	-	-
Investments in other associated companies	0	0
Total	10.2	10.2

Investments

(€ million)	31/12/2015		31/12/2014	
Equity instruments	0.0	0.0%	0.0	0.0%
Available for sale financial assets	0.0	0.0%	0.0	0.0%
Financial assets at their fair value through profit or loss	0.0	0.0%	0.0	0.0%
Fixed income instruments	295.8	93.4%	222.5	93.9%
Bonds	293.3	92.6%	219.7	92.8%
Other fixed income investment	2.5	0.8%	2.7	1.2%
Held to maturity investments	0.0	0.0%	0.0	0.0%
Loans	2.5	0.8%	2.7	1.1%
Available for sale financial assets	292.4	92.3%	214.6	90.6%
Financial assets at their fair value through profit or loss	0.9	0.3%	5.1	2.2%
Real estate investments	0.6	0.2%	0.6	0.3%
Other investments	10.2	3.2%	10.2	4.3%
Investment in subsidiaries, associated companies and joint ventures	10.2	3.2%	10.2	4.3%
Derivatives	0.0	0.0%	0.0	0.0%
Other investments	0.0	0.0%	0.0	0.0%
Cash and similar instruments	10.1	3.2%	3.4	1.5%
Total	316.7	100.0%	236.8	100.0%
Investments back to unit and index-linked policies	0.0	0.0%	0.0	0.0%
Total investments	316.7	100.0%	236.8	100.0%

Insurance provisions (€ million)	Gross provisions	
	31/12/2015	31/12/2014
Non-life insurance provisions	93.5	92.0
Provision for unearned premiums	41.5	38.3
Provision for outstanding claims	49.9	51.6
Other insurance provisions	2.2	2.1
Life insurance provisions	170.6	132.7
Provision for outstanding claims	0.4	0.3
Mathematical provision	168.4	131.3
Other insurance provisions	1.9	1.2
of which provisions for liability adequacy test	0.6	0.6
Total	264.2	224.7

Provisions for outstanding claims (€ million)	Gross provisions	
	31/12/2015	31/12/2014
Motor	33.3	31.6
Non-motor	16.5	20.1
Accident/Health	3.2	2.2
Other Non-motor	13.4	17.9
Total	49.9	51.6

Shareholders' equity (€ million)		
	31/12/2015	31/12/2014
Share capital	17.7	17.7
Capital reserves	0.0	0.2
Revenue reserves and other reserves	20.4	8.1
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	20.6	1.3
Reserve for unrealised gains and losses through equity	0.0	0.0
Result of the period	18.8	12.1
Shareholders' equity	77.5	39.3

Employees

	31/12/2015	31/12/2014
Managers	23	23
Middle Managers	229	232
Employees	311	298
Others	3	4
Sales attendant	1,102	1,123
Total	1,668	1,680

Appendices to the Notes

Properties

(€ million)	31/12/2015	31/12/2014
Land and buildings (investment properties)	0.6	0.6
Land and buildings (self used)	3.4	4.9
Total	4.0	5.5



Glossary

Gross written premiums: 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 a 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 based on 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.

Earning per share: equals to the ratio of Group net result and the weighted average number of ordinary shares outstanding.

Operating earnings per share: is the ratio between:

- total operating result net of interest on financial liabilities, taxes and third party interests (as defined in the section 3 of the methodological note), and
- the weighted average number of ordinary shares outstanding.

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.

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.

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