



Zavarovalnica Triglav, d.d.
Mikošičeva cesta 19, 1000 Ljubljana

triglav

www.triglav.eu
www.triglav.si

The Triglav Group

Audited annual report for the year ended 31 December 2013



MANAGEMENT BOARD:

President: Andrej Slapar

Members: Stanislav Vrtunski

Benjamin Jošar

Marica Makoter

Ljubljana, 18 March 2014

Business report

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1. THE TRIGLAV GROUP IN 2013

- Despite unfavourable business conditions, Zavarovalnica Triglav and the Triglav Group Triglav maintained a high level of financial stability.
- The Triglav Group remains the leading insurance group in the Adria region.

1.1 Financial highlights of the Triglav Group¹

in million EUR					
	2013	2012	2011	Index	
				2013/2012	2012/2011
Gross written premium from insurance and co-insurance contracts	900.9	936.3	989.4	96	95
Net premium income	837.6	884.4	916.3	95	97
Gross claims paid*	627.5	613.8	593.9	102	103
Net claims incurred	571.7	578.9	576.1	99	100
Gross operating costs	302.4	299.5	286.4	101	105
Profit before tax	83.6	89.7	58.0	93	155
Net profit	69.9	73.2	47.5	95	154
Net profit attributable to the controlling company	69.5	72.5	47.1	96	154
Insurance technical provisions as at 31 Dec.	2,261.4	2,305.3	2,234.1	98	103
Equity as at 31 Dec.	590.5	574.6	489.5	103	117
Equity attributable to the controlling company as at 31 Dec.	584.3	567.9	465.3	103	122
Return on equity	11.99 %	13.76 %	9.61 %	87	143
Return on equity attributable to the controlling company	12.07 %	14.04 %	10.06 %	86	140
Number of employees as at 31 Dec.	5,351	5,379	5,064	99	106

*Gross claims paid include claim handling costs and are reduced by subrogation receivables.

1.2 Financial highlights of Zavarovalnica Triglav d.d.²

in million EUR					
	2013	2012	2011	Index	
				2013/2012	2012/2011
Gross written premium from insurance and co-insurance contracts	605.8	647.6	696.7	94	93
Net premium income	548.6	596.8	628.1	92	95
Gross claims paid*	419.4	416.7	415.2	101	100
Net claims incurred	370.7	376.6	383.0	98	98
Gross operating costs	161.3	160.9	163.8	100	98
Profit before tax	59.6	65.6	54.4	91	121
Net profit	48.3	50.4	43.8	96	115
Insurance technical provisions as at 31 Dec.	1,959.3	1,990.2	1,940.8	98	103
Equity as at 31 Dec.	499.8	507.7	437.7	98	116
Return on equity	9.59 %	10.66 %	9.52 %	90	112
Number of employees as at 31 Dec.	2,373	2,405	2,400	99	100
Book value per share (in EUR)	21.98	22.33	19.25	98	116
Net earnings/loss per share (in EUR)	2.12	2.22	1.93	96	115

*Gross claims paid include claim handling costs and are reduced by subrogation receivables.

¹ GRI G4-9

² GRI G4-9

1.3 Other economic, social and environmental impact of the Triglav Group's operations

	2013	2012	Index 2013/2012
1. Other economic impacts³ (in million EUR)			
Economic value generated*	1,106.9	1,154.8	96
Economic value distributed	1,061.4	1,081.0	98
- Net claims incurred and other insurance expenses	592.2	651.2	91
- Expenses from financial assets	111.0	96.9	114
- Other expenses	14.9	14.6	102
- Operating costs**	129.5	131.2	99
- Dividend payments	45.5	15.9	286
- Tax expense (income tax expense)	13.8	16.5	84
- Community investments (prevention activities, donations, sponsorships)	6.7	7.1	95
- Employee wages, allowances and benefits	147.8	147.6	100
Economic value retained	45.5	73.7	62
2. Social impact (Zavarovalnica Triglav d.d.)			
Average training hours per employee	27	31	87
Number of insurance policies (products, services) sold online	12	9	133
Number of insurance products encouraging preventive actions***	67	66	102
Personal data protection (number of fines received - target is zero)	0	0	100
Fair business practices (share of investigated fraud cases in %)	89	91	98
3. Impact on the environment****			
Electricity consumption in MWh (Zavarovalnica Triglav d.d.)	5,621.1	6,443.9	87
Carbon footprint			
- Zavarovalnica Triglav, d.d. - (tons of CO ₂ equivalent)	5,419	-	
- Zavarovalnica Triglav, d.d. - (tons of CO ₂ equivalent per employee)	2.3	-	
Waste sorting (share of employees participating in Zavarovalnica Triglav, d.d. in %)	74	34	218

*Economic value generated = net premium earned and other insurance income + income from financial assets + other income.

**Operating costs include payments to suppliers, acquisition expenses etc.

***The 2012 data published in the Triglav Group Annual report for 2012 included only non-life insurance.

****Environmental impacts are currently measured only in zavarovalnica Triglav, however, the goal is to spread the corporate social responsibility guidelines to subsidiaries. Carbon footprint measurements began in 2013 in the entire Zavarovalnica Triglav.

For additional information please contact:⁴

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³ GRI 3.1, EC 1 indicator

⁴ GRI G4-31, G4-3, G4-5

1.4 Financial calendar 2014

Calendar of financial announcements for 2014

Planned date of announcement	Type of announcement*	Silent period**
Announcement of unaudited non-consolidated and consolidated financial statements for 2013	7 March 2014	from 21 February 2014
Announcement of Audited Annual Report of Zavarovalnica Triglav d.d. and the Triglav Group for 2013 Announcement of the Statement of Compliance with the Corporate Governance Code	9 April 2014	from 26 March 2014
Announcement of the General Meeting of Shareholders of Zavarovalnica Triglav d.d. deciding on the distribution of accumulated profits	8 May 2014	
Announcement of the Interim Report for the period from 31 January to 31 March 2014	23 May 2014	from 9 May 2014
Announcement of the resolutions by the General Meeting of Shareholders of Zavarovalnica Triglav d.d. on the distribution of accumulated profits Dividend due date and date of payment	10 June 2014	
Announcement of the Interim Report of Zavarovalnica Triglav d.d. and the Triglav Group for the period from 1 January to 30 June 2014	22 August 2014	from 8 August 2014
Announcement of the Interim Report for the period from 31 January to 30 September 2014	21 November 2014	from 7 November 2014

*Announcement dates as planned. The actual dates may differ from the above stated planned dates. Periodic announcements and other cost-sensitive data will be published on the Ljubljana Stock Exchange information system SEOnet at www.ljse.si and on the official website of Zavarovalnica Triglav d.d at www.triglav.eu.

**The silent period denotes a period preceding the announcement of the Company/Group report, during which Zavarovalnica Triglav does not disclose information on current operations to the public. A silent period ends with an announcement of a Company/Group report.

1.5 Activities, markets and position of the Triglav Group⁵

The Triglav Group is the leading insurance/financial group in Slovenia and one of the leading groups in South-East Europe. It is present in eight markets and seven countries, where it is gaining ground and expanding its operations.

The Group's key business pillars are:

- insurance,
- asset management and
- support activities for two key financial pillars.

1.5.1 The Triglav Group's core business, accounting for the bulk of its operations, is **insurance**, including non-life, life, supplemental voluntary pension and health insurance.

The insurance-oriented part of the Group encompasses:

- in Slovenia: Zavarovalnica Triglav d.d., Triglav Zdravstvena zavarovalnica d.d. and Pozavarovalnica Triglav Re d.d.;
- abroad: insurance undertakings in the Czech Republic, Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Macedonia (see the table below *Subsidiaries of the Triglav Group directly involved in or supporting the Group's core business lines*).

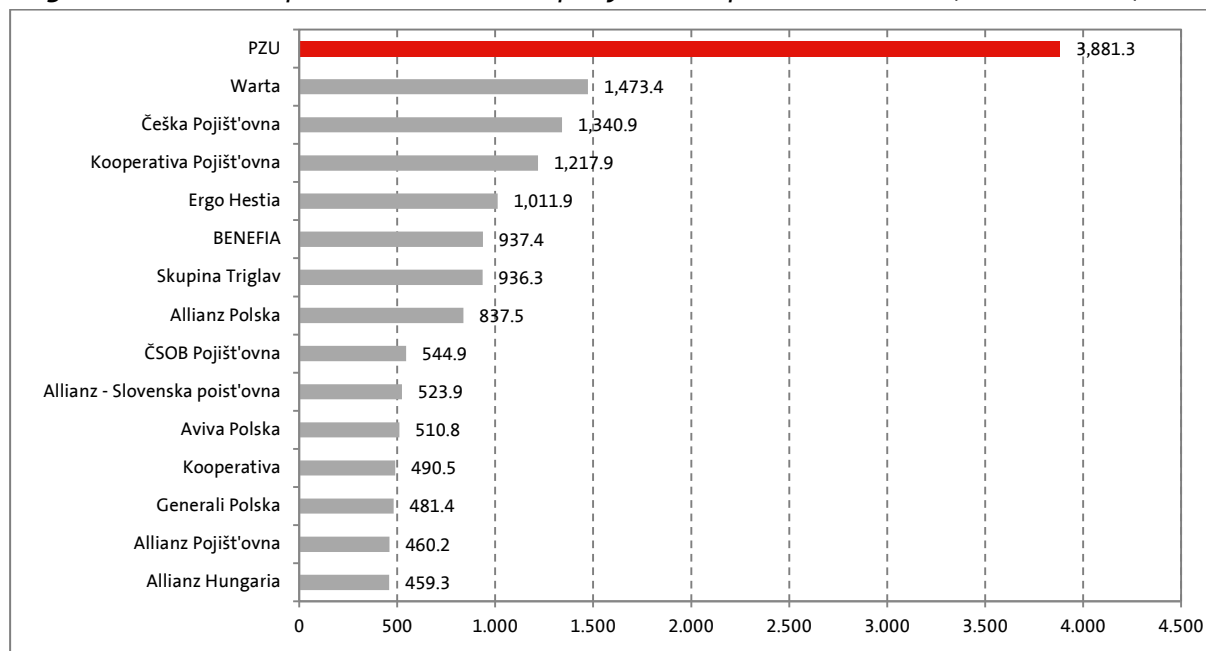
1.5.1.1 Position on the regional insurance market

On the list of the largest insurance groups in Central Europe the Triglav Group ranks seventh in terms of gross written premium from life and non-life insurance in 2012, a rank lower than in 2011.

⁵ GRI G4-4, G4-6, G4-8

As many as 17 of the 50 largest insurance companies in Central Europe are Polish owned, followed by 11 Czech-owned insurers in the second place. The leading group in the Adria remains the Triglav Group, which includes Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, and Macedonia.

Largest insurance companies in Central Europe by written premium in 2012 (in million EUR)



Source: Deloitte, September 2013

1.5.2 Asset management is the activity of Triglav Skladi d.o.o., Triglav Naložbe d.d., Triglav nepremičnine d.o.o., Slovenijales d.d., Gradis IPGI d.d. and Pista d.o.o. Their business includes investments in securities, real property and other instruments.

Subsidiaries of the Triglav Group directly involved in or supporting the Group's core business lines

	Insurance	Asset management	Other
Slovenia	<ul style="list-style-type: none"> ■ Zavarovalnica Triglav d.d. ■ Pozavarovalnica Triglav Re d.d. ■ Triglav, Zdravstvena zavarovalnica d.d. ■ Skupna pokojninska družba d.d. 	<ul style="list-style-type: none"> ■ Triglav Skladi d.o.o. ■ Triglav Naložbe d.d. ■ Triglav nepremičnine d.o.o. ■ Gradis IPGI d.d. ■ Slovenijales d.d. 	<ul style="list-style-type: none"> ■ Triglav INT d.d. ■ Triglav Svetovanje d.o.o. ■ AS Triglav d.o.o. ■ TriglavKo d.o.o.
Croatia	<ul style="list-style-type: none"> ■ Triglav Osiguranje d.d., Zagreb 		
Bosnia and Herzegovina	<ul style="list-style-type: none"> ■ Triglav Osiguranje d.d., Sarajevo ■ Triglav Osiguranje a.d., Banja Luka 	<ul style="list-style-type: none"> ■ PROF-IN d.o.o. 	<ul style="list-style-type: none"> ■ TRI-PRO BH d.o.o. ■ Triglav Auto d.o.o. ■ Autocentar BH d.o.o. ■ Unis automobili i dijelovi d.o.o.
Serbia	<ul style="list-style-type: none"> ■ Triglav Osiguranje a.d.o., Belgrade 	<ul style="list-style-type: none"> ■ Pista d.o.o. 	
Montenegro	<ul style="list-style-type: none"> ■ Lovćen Osiguranje a.d., Podgorica ■ Lovćen životna osiguranje a.d., Podgorica 		<ul style="list-style-type: none"> ■ Lovćen Auto a.d.
Former Yugoslav Republic of Macedonia	<ul style="list-style-type: none"> ■ Triglav Osiguruvanje a.d., Skopje 		
Czech Republic	<ul style="list-style-type: none"> ■ Triglav Pojišťovna a.s., Brno 		

1.5.3 Structure of the Skupine Triglav



The Triglav Group as at 31 December 2013:

Controlling company:

- **Zavarovalnica Triglav d.d.**

Subsidiaries of the Triglav Group:

- Pozavarovalnica Triglav Re d.d.
- Triglav, Zdravstvena zavarovalnica d.d.
 - Zdravstveni center morje d.o.o.
- Triglav INT holdinška družba d.d.
 - Triglav Osiguranje d.d., Zagreb
 - Triglav Osiguranje d.d., Sarajevo
 - Autocentar BH d.o.o.
 - Unis automobili i dijelovi d.o.o.
 - Sarajevostan d.d.
 - Triglav Pojišt'ovna a.s., Brno
 - Lovćen Osiguranje a.d., Podgorica
 - Lovćen životna osiguranja a.d.
 - Lovćen Auto a.d.
 - Triglav Osiguranje a.d.o., Belgrade
 - Triglav Osiguranje a.d., Banja Luka
 - Triglav Auto d.o.o.
 - Triglav Osiguruvanje a.d., Skopje
- Triglav Skladi, družba za upravljanje d.o.o.
 - PROF-IN d.o.o.
- Triglav Naložbe, finančna družba d.d.
 - Golf Arboretum d.o.o.
 - Salnal d.o.o.
 - Avrigo, družba za avtobusni promet in turizem d.d.
 - Integral Notranjska d.o.o.
 - Alptours d.o.o.
 - Integral Zagorje d.o.o.
 - Integral Stojna Kočevje d.o.o.
- Triglav Svetovanje, zavarovalno zastopanje d.o.o.
 - TRI-PRO BH d.o.o.
- AS Triglav, Servis in trgovina d.o.o.
- Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami d.o.o.
 - Pista d.o.o.
- Slovenijales d.d.
 - Slovenijales trgovina d.o.o.
- Gradis IPGI d.d.
- Hotel Grad Podvin d.d.
- Vse bo v redu, Zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti

Associated companies of the Triglav Group:

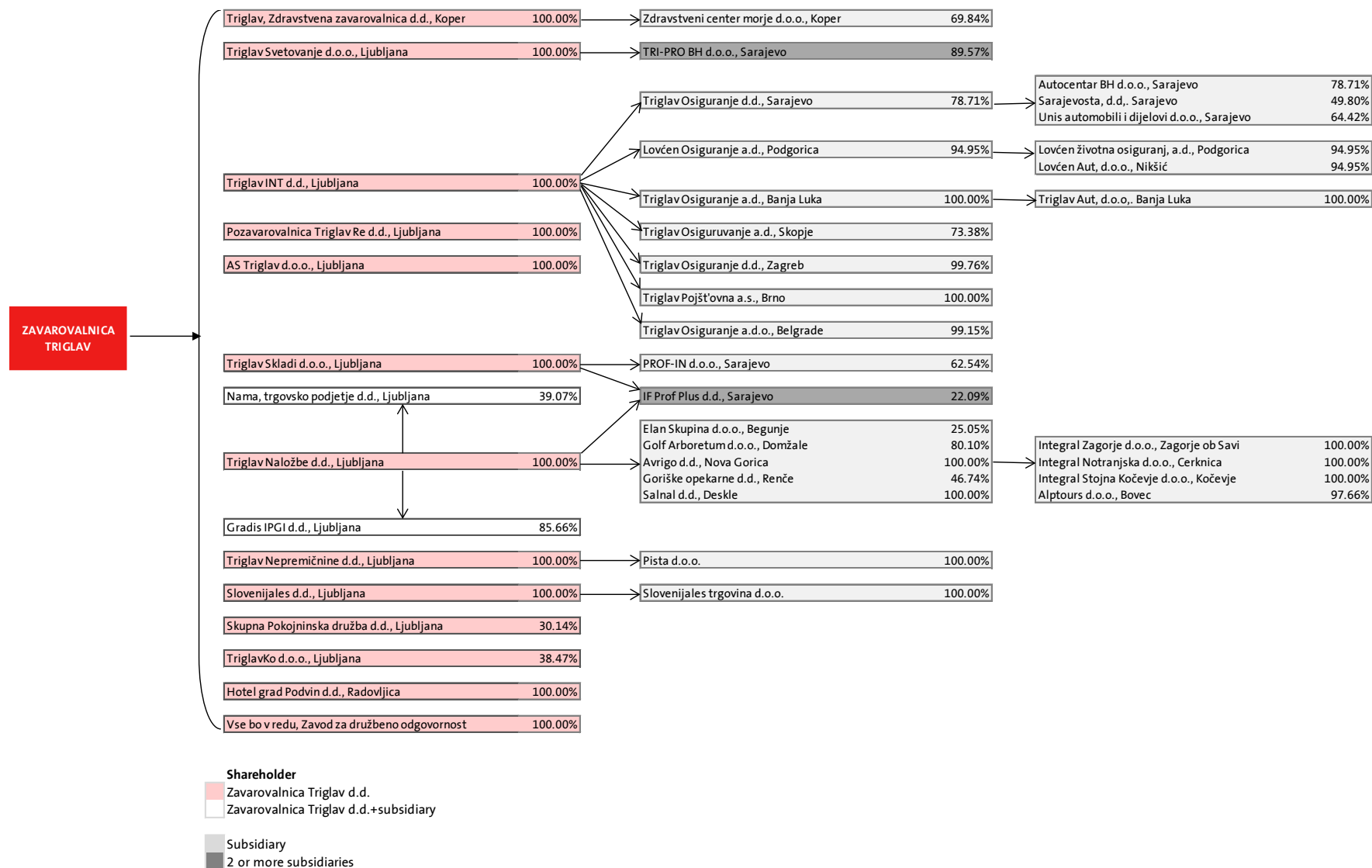
- Skupna pokojninska družba d.d.
- TriglavKo, zavarovalno zastopniška družba d.o.o.
- Nama trgovsko podjetje d.d.
- Goriške opekarne d.d.
- Elan Skupina (Skimar) d.o.o.
- IF Prof Plus

1.5.3.1 Changes to the Triglav Group composition in 2013⁶

- In the first three months of 2013, Zavarovalnica Triglav acquired 5,744 shares in Slovenijales d.d., thus increasing its stake in the company to 100%. The purchase price of the 2.0% equity stake equalled EUR 686,006.
- Salnal d.d. changed its name to Salnal d.o.o.
- Avrigo d.o.o. increased the share capital of its subsidiary – Integral Zagorje d.o.o. – in an amount of EUR 127,482.
- Upon the payment of EUR 4.6 million, Triglav INT d.d. provided additional capital to Triglav Osiguranje a.d.o., Belgrade. Additional capital was raised by issuing 746,055 shares with a nominal value of Serbian dinars 700 each – increasing the share of Triglav INT in the company from 97.10% to 99.15% in total.
- On 24 December 2012, the Companies Register (Agencija za privredne registre) in the Republic of Serbia issued a decision to start a liquidation procedure for Triglav Penzijski fondovi a.d., Belgrade. Following the completed liquidation, Triglav Penzijski fondovi a.d., Belgrade was deleted from the Companies Register on 3 October 2013.
- In 2013, Zavarovalnica Triglav founded Zavod Vse bo vredu ("Everything Will Be Alright" Institute) by investing EUR 100,000 with an aim to promote work on sustainable development.
- Lovćen Osiguranje a.d.o., Podgorica increased its equity stake in subsidiary je Lovćen Auto a.d. in the amount of EUR 800,000.
- TRI-PRO, zavarovalno zastopniška družba changed its name to Triglav Svetovanje, zavarovalno zastopanje, d.o.o. abbreviated to Triglav Svetovanje d.o.o.
- Triglav Skladi divested from Polara Invest d.d., Banja Luka.
- Družba Triglav Skladi divested from ZIF Polara Invest Fond a.d., Banja Luka.
- Based on a final decision in summary proceedings, Tehnološki center varne vožnje Vransko d.o.o. was deleted from the Companies Register.

⁶ GRI G4-13

Subsidiaries and associated companies of the Triglav Group as at 31 December 2013 and their corresponding share of voting rights



1.6 The management of Zavarovalnica Triglav d.d.

As at the end of 2013, the Management Board of the Company was composed of the following members:

- Andrej Slapar, President;
- Stanislav Vrtunski, Member;
- Benjamin Jošar, Member;
- Marica Makoter, Member and Employee Representative.

Matjaž Rakovec acted as a Management Board's President until 22 May 2013. For more details see *Section 4.3.2.3 Introducing the Management Board*.

2. ADDRESS BY THE PRESIDENT OF THE MANAGEMENT BOARD⁷

Dear shareholders, business partners and colleagues,

During the period of trials and challenges, as the last five years could be described, the Triglav Group has successfully overcome obstacles in the economic environment. We ended 2013 with sound financial results, even though a deep economic crisis continued in Slovenia and Croatia, while other countries in South-East Europe experienced only weak economic growth. In crisis conditions, the Triglav Group continued to implement its strategy, placing focus on the core insurance business, profitability and safety of operations.

Stable financial position and good credit ratings

The Triglav Group managed to keep high financial stability achieved by prudent management of business and financial risks, as confirmed by credit rating agencies Standard & Poor's and A.M. Best, which both upgraded the credit ratings of Zavarovalnica Triglav and Pozavarovalnica Triglav Re to »A-«. Both ratings were assigned a stable medium-term outlook and reflect their supportive risk-adjusted capitalisation, good operating performance and strong competitive position of the Triglav Group within the Slovene market.

An overview of key categories also shows the Group's high financial stability. As at 31 December 2013, the total equity capital, which is crucial for safe insurance operations, amounted to EUR 590.5 million or 3% more than one year earlier. Gross insurance technical provisions, the basis for balanced operations and the guarantee of long-term safety of policyholders, totalled EUR 2,261.4 million.

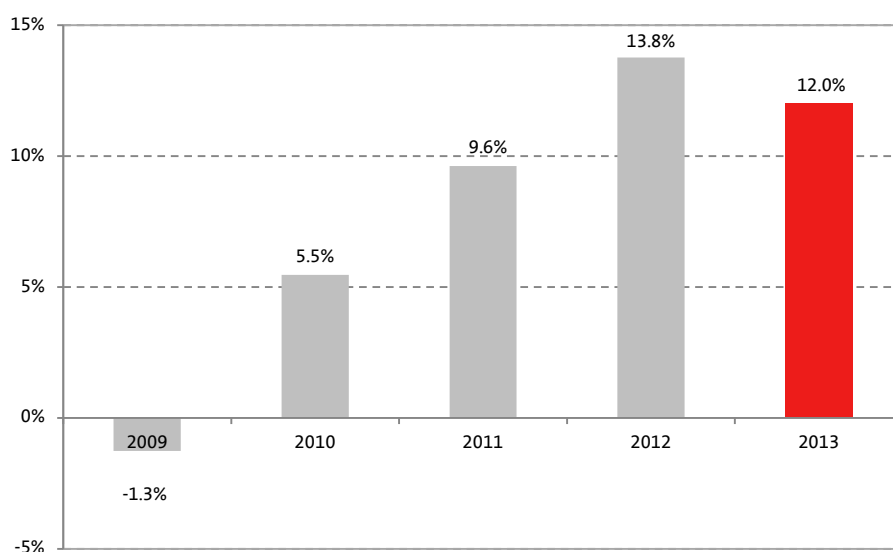
The Triglav Group maintained the required capital adequacy throughout 2013 and even improved it compared to 2012. The minimum required capital-to-available-capital ratio of Zavarovalnica Triglav as at 31 December 2013 was 362% in non-life insurance and 183% in life insurance.

Surpassed budgeted net profit

Achieving good business results was not an easy task, given the continuing very tight economic situation in the Group's key markets as expected. Despite extremely unfavourable conditions, the Triglav Group earned 27% higher net profit than planned, which amounted to EUR 69.9 million. Compared to 2012, the record-high year in the history of the Triglav Group, this was 5% less, but still enough for a very high 12.0% return on equity, despite a difficult economic situation.

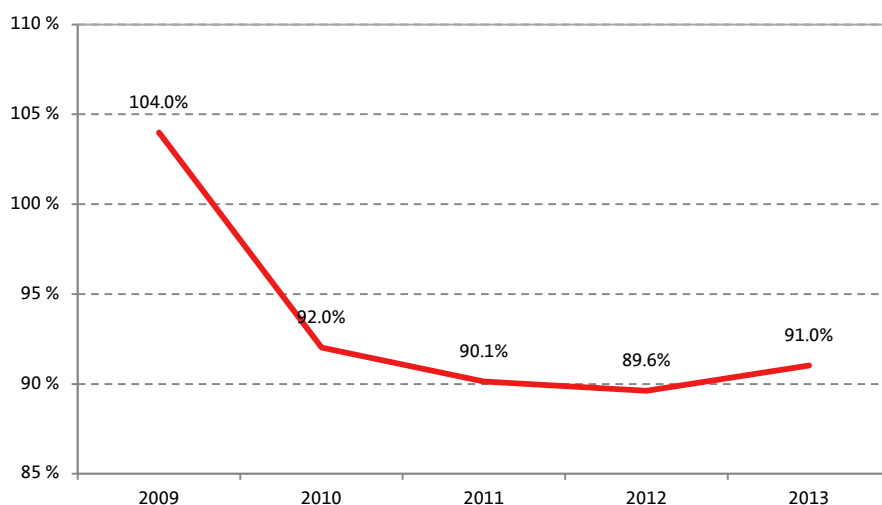
⁷ GRI G4-1

Net return on equity of the Triglav Group in %



Intensive management of the non-life insurance portfolio led to a favourable combined ratio. Therefore, the combined ratio of the Triglav Group – a measure of profitability in core insurance operations – reached 91.0%, exceeding the budgeted level by 3.7 percentage points.

Combined ratio in non-life insurance of the Triglav Group



Strategic guidelines: an effective tool to challenge crisis

Changing market terms and conditions required more frequent reviews of development scenarios and business strategy revisions. An upgraded strategy of the Triglav Group for the 2013–2017 period again focused on achieving the highest possible profitability and safety of operations. This revised strategy deepens and elaborates the existing policies and measures, with the primary emphasis on client focus, instead of the previous insurance class focus.

In addition to efficient corporate governance, the selective growth of the Group should be pointed out as one of its strategic guidelines. We pay attention not only to portfolio profitability and structure, but also to prudent development of the markets covered by the Triglav Group. The Group's objective is to gradually win at least a 10% market share and rank

among top three insurance companies (in terms of premium) in all its key markets. We remain open to possible alliances with a strong strategic partner, who would acquire a shareholding in the Triglav INT holding company and share risks on the promising insurance markets of South-East Europe. In the Slovene market, Triglav is focused on profitability, whilst still intent on keeping the largest market share. We will also pay special attention to the development of health and pension insurance products.

The Group's revised strategy further defined common values, around which the companies of the Triglav Group are centred and which are lived in personal relations and relations with the environment. Simplicity is a new value, which we added to professionalism, security and corporate social responsibility. We want everything we do to bring benefit and generate value. The principle of simplicity is the key to financial products and services which are understandable for clients and their understanding is one of the key aspects of corporate social responsibility of any financial organisation.

Clear vision

Client portfolio, sales channels, brand management, financial stability and economy of scale are clear comparative advantages of the Triglav Group. Their verification and maintenance are an on-going process, essential for achieving the mission of the Triglav Group.

Keeping to the vision and commitments to profitability and safety of operations in 2017 was linked with clearly defined strategic indicators and their projections to the target year.

Triglav's vision for the 2017 target year was translated to measurable indicators of return on equity and combined ratio in non-life insurance. The combined ratio is planned to reach 95%, and return on equity stay above 10% through the entire period. The Supervisory Board adopted the revised strategy in the second half of 2013. Its implementation period started on a solid foundation as the return on equity and the combined ratio of the Triglav Group in 2013 were significantly better than the strategy targets.

Stronger investor confidence

An additional mirror of our success is the price of Zavarovalnica Triglav's share on the Ljubljana Stock Exchange Prime Market. The year 2013 was marked by an increased confidence of stock market investors, in which lead to an encouraging growth of ZVTG share price and liquidity. The price of Zavarovalnica Triglav's share increased by 15% since the end of 2012 and equalled EUR 19 at the end of 2013. The ZVTG share was the second most traded equity on the Ljubljana Stock Exchange, accounting for 16% of total trading volume. The share of international investors in the Company's ownership structure increased, now holding almost a 17% stake. It is estimated that the driving force behind investors' interest is financial stability, stable business results and the dividend policy of the Company, based on the targeted level of capital adequacy.

Market and premium trends marked by lower demand

In an unstable environment, high financial security ensured by Zavarovalnica Triglav's insurance products is even more important for clients. However, a declining economic activity and falling purchasing power of households are understandably reflected in lower demand for insurance products. The economic and financial crisis is a challenging test for individuals, companies and entrepreneurs. This is especially true for Slovenia, as it is affected not only by adverse macroeconomic conditions but also by an increasing number of mass loss events

caused by wind storms, floods and other natural factors. Similar can be said of developments on other markets of the Group.

In 2013, the Triglav Group collected EUR 900.9 million in premium or 4% less than in 2012. Gross health insurance premiums increased by 14%, while non-life insurance premiums and life insurance premiums decreased by 5% and 6% respectively. A substantial growth in health insurance written premiums stems from the good performance of Triglav, Zdravstvena Zavarovalnica: a higher number of policyholders, successful marketing of supplemental health insurance products and higher premium in July 2012. Apart from careful risk management, the most important internal factors that contributed to such a strong performance were intensive development, sales and marketing activities, combined with insurance portfolio management.

The Group's gross claims paid were 2% higher compared to 2012 and totalled EUR 627.5 million. The profit level in the non-life insurance segment was also affected by individual mass loss events, consequences of snow and wind storms, frost, hail and floods, which have become more frequent in recent years. The increase in claims paid from life insurance was caused by a higher number of maturities due to the aging of the portfolio, surrenders and withdrawals, mostly as a result of the economic crisis. These claims are paid up to the amount of formed mathematical provisions and therefore do not affect net profit.

Our business results are strongly influenced by the situation on capital markets, as diverse financial investments represent the majority of our total assets. The return on financial investments in 2013 was lower than in 2012, primarily as a result of high permanent impairments of financial investments amounting to EUR 28.1 million and a lower return on the long-term business fund of unit-linked life insurance. It has to be emphasized that the Triglav Group is no longer exposed to risks arising from subordinated and hybrid bonds of Slovene issuers.

Intensive development and sales activities

The negative premium trend is expected to continue in 2014, which is followed by greater attention and activities. In addition to the impact of the economic crisis, the Triglav Group will face competition tensions and pressures on its leading position in the region where it operates. Due to a weak increase in new clients in present circumstances, our competitors have focused on our existing clients. The management of the Group and of the parent company believe that willingness to change and good responsiveness are crucial for keeping and improving our competitiveness. Much attention and many development activities are focused on clients' needs and their behaviour, which correlates with internal consolidation and harmonisation of processes and standards. Thus, the 2013 crisis year was in all segments marked by strong action and development drive.

Premium policy amendments, redesigning the existing products and launching new ones that address new financial risks and individual market features all make part of our regular activities in all insurance classes. Cheaper prices of products and bonus programmes strongly impact our marketing policy, including sales promotion, while at the same time brand consolidation, sales channel enhancement and a unified approach across markets are being implemented.

Enhanced sales network, IT support and close ties with clients

It was once again obvious that challenges are also opportunities. Our connections with our clients are stronger than before the crisis, as evidenced by more than 450 thousand

policyholders in Slovenia included in the Triglav Komplet bonus programme. An extensive own sales network remains the source of our advantages in the domestic market and we are very pleased with improved relationships with our external sales partners. This is something we have to achieve also in other markets, where the expansion of sales network is closely connected to market development, awareness building that regards the importance of financial security and higher demand for insurance services.

The economic crisis did not affect the expansion of new information and communication technologies. They certainly already have a great impact on client behaviour in Slovenia and their role will increase in South-East Europe as markets develop. New mobile applications, widened range of online products and services and raised quality of user experience serve as the basis to further enhance alternative sales channels. They have also greatly helped simplify the claim settlement procedure, which is a distinctive quality factor in Triglav's services and as such essential to client satisfaction.

A substantial part of new ICT solutions takes place in the background, in the context of strategic projects for process and organisation improvements. At the forefront there are projects for the development of the client relationship management system, Solvency II and the introduction of standard IT support to the central business functions and companies. Investments in ICT solutions have therefore remained a priority.

Focus on ethical and responsible business

As an insurance company with more than 110 years of tradition and an ambition to further strengthen its role in the region, we are aware of the importance of prevention activities and risk management, which goes beyond our own business. Through its presence in the region, Triglav expands prevention activities as its first contribution to local communities and the social environment. More frequent mass loss events caused by natural factors are another reason why Triglav actively raises awareness on the impact of climate change.

It is difficult or even impossible to separate sustainable guidelines from the regular business policies of the Triglav Group, efforts for safe operations, strengthening the Group's value, and for providing quality, transparent and accessible financial services. Of all values of the Triglav Group, corporate social responsibility is most clearly linked to sustainable business. As a matter of fact sustainability is closely linked with corporate culture, which is also built on the principles of safety, professionalism and simplicity.

We are proud that by improving access, equipment and employee training, Triglav became friendly to people with disabilities. At the same time, Zavarovalnica Triglav as the parent company is aware of its future tasks in disseminating uniform policies and in-house practices to the entire Group.

Among the wide range of activities related to understanding the Group's sustainable development, strengthening the compliance function and responsibility for ethical practices deserve special attention. In 2013, Zavarovalnica Triglav made significant progress in personal data protection of policyholders, safeguarding the integrity of employees and fight against corruption and insurance fraud.

A look ahead

In 2014, loss events are expected to further increase and the crisis situation to continue, accompanied by all the existing consequences, especially premium cutting pressures, and the

occurrence of new risks. The profitability indicators planned for 2014 are lower than for 2013, but still very ambitious in present conditions and set above the results achieved in a more favourable business environment. Profit before tax of the Triglav Group is planned at EUR 75.9 million, whereas net profit is estimated at EUR 65.6 million.

We are convinced that by implementing the adopted strategy and with a clear vision we are well prepared for the long run.

Let me thank the shareholders, policyholders and clients for the trust you have placed in Triglav and thank my fellow employees for successful and selfless work in demanding circumstances.

Andrej Slapar,
President of the Management Board of Zavarovalnica Triglav d.d.

3. STRATEGY AND PLANS OF THE TRIGLAV GROUP

- The Triglav Group adopted a new Triglav Group and Zavarovalnica Triglav d.d. Strategy for the 2013–2017 period.
- In 2013, Zavarovalnica Triglav surpassed its planned profit level.
- In demanding business conditions, the net profit of the Triglav Group in 2014 is planned at EUR 65.6 million.

In November 2013, the Triglav Group Strategy for the 2013–2017 period was adopted. It is a revised Strategy for the 2011–2015 period due to the changed economic conditions in the markets on which the Triglav Group operates, a grim macroeconomic situation and changes in consumer behaviour. The Strategy is set very ambitiously, which is reflected in its key strategy objectives (see *Section 3.2*). In the above-mentioned period, the Group will be focused on its core insurance business, profitability and safety of operations.

3.1 Mission, values and vision of the Triglav Group

3.1.1 Mission

We are building a safer future.

3.1.2 Values

The companies of the Triglav Group are centred around common values, which are realised through personal relations and relations with the environment. Simplicity is a new value, in addition to professionalism, security and corporate social responsibility.

PROFESSIONALISM: Business objectives are pursued through state-of-the-art insurance/financial services provided by highly professional employees. The Triglav Group is the key promoter of professional development of insurance/financial services in the environment.

SECURITY: Safe operations are guaranteed by efficient risk management. The Group's high-quality products and services improve the financial security of clients.

SIMPLICITY: Everything we do must bring benefit and generate value. Jointly and rapidly unnecessary complexity and red-tapism are eliminated. Products and processes are being simplified without reducing the high level of professional competence.

CORPORATE SOCIAL RESPONSIBILITY: The sustainable development of the Triglav Group (balancing of people, environmental awareness and profitability) is based on corporate social responsibility, implemented as economic, legal, ethical and philanthropic responsibility.

3.1.3 Vision

The Triglav Group's business operations are profitable and secure. Measured by written premium, the Group is the biggest insurance company in the region of South-East Europe. Combined ratio is 95%. Return on equity (ROE) is planned to be above 10% during the period until 2017.

The long-term profitable growth of the Triglav Group originates from very competitive, high-quality services, effective risk management and financial stability of the Group, which will help

maintain the independent »A« credit rating assigned by an established credit rating agency. Members of the Group achieve higher levels of reputation than their competitors. They are distinguished by comprehensive insurance/financial services offered through modern sales channels. Clients perceive the Group's products as simple and desirable.

The Group reaches at least a 10% market share on all of its foreign markets, and ranks among the top three insurance companies in all key markets in terms of premium. The Group has a well-regulated and efficient governance system and follows the principles of modern organisation in all areas of business. The processes are lean and streamlined. Dedicated and highly-qualified employees are the basis of the Group's sustainable development.

3.2 Fundamental goals and characteristics of the Triglav Group Strategy for the 2013–2017 period

Key strategy objectives: The Triglav Group set very ambitious goals for the period up to 2017. Plans include a return on equity above 10% and a stable combined ratio around 95% in the entire period.

Expansion of the Triglav Group: The Triglav Group plans further growth and development in target markets in South-East Europe by winning at least a 10% market share. On the Slovene market, it will focus on profitability and maintaining the largest market share. So as to further expand and develop on the domestic market, special attention will be paid to health and pension insurance products.

Dividend policy: The dividend policy of Zavarovalnica Triglav remains the same and arises from the target capital adequacy and the plans for further growth and development of the Group in its target markets. In line with the policy, the Triglav Group will always have enough available capital to independently ensure its »A« rating.

3.2.1 Strategic guidelines

- profitable operations and greater value of the Triglav Group;
- client-focused approach;
- simplification of business processes and cost efficiency, adequate staffing structures; and
- achieving adequate growth and profitability rates on key markets and efficient corporate governance of the Triglav Group's companies.

No imprudent exposure to business and financial risks.

3.2.2 Strategic objectives

For measuring the implementation of strategic objectives, a balanced scorecard with projections until 2017 has been developed and linked to concrete strategy activities.

<p>1. Employees, competences and learning level</p> <ul style="list-style-type: none"> ▪ Focus on client and employee satisfaction ▪ Stimulation of creativity ▪ Stimulation of learning and internal transfer of knowledge ▪ Established intergenerational cooperation ▪ Increased mobility and internationalisation of the staff ▪ Implemented system of successions; development and retention of the promising staff ▪ Renewed organisational culture in accordance with the Group's values ▪ Increased share of the variable part of remuneration for successful individuals. 	<p>2. Processes and organisation level</p> <ul style="list-style-type: none"> ▪ Implemented data warehouse with a CRM system ▪ Simplified (lean) business processes and cost efficiency ▪ Developed sales activities via own sales network in subsidiaries ▪ Efficient management by objectives at all levels of the Group ▪ Innovative and speedy development of products and alternative sales channels ▪ Efficient corporate governance system and key internal controls for the Group ▪ Compliance with Solvency II requirements.
<p>3. Client level</p> <ul style="list-style-type: none"> ▪ Comprehensive overview of policyholder and an upgraded, modern credit scoring system ▪ Developed and efficient client loyalty programmes ▪ Growing number of active policyholders ▪ A range of integrated insurance/financial services offered through modern sales channels ▪ The Triglav Group as the biggest insurance company in the region of South-East Europe measured by its written premium – holding at least a 10% share of an individual insurance market. 	<p>4. Finance level</p> <ul style="list-style-type: none"> ▪ Profitability ▪ Optimised assets and liabilities structure according to the requirements of Solvency II and the »A« rating from Standard & Poor's ▪ Positive insurance technical result of the Group ▪ Efficient claim management system.

3.3 Objectives achieved by the Triglav Group in 2013⁸

The Triglav Group continued to implement its strategy, placing focus on the core insurance business, profitability and safety of operations. Despite a difficult economic and market situation, the Group generated **net profit totalling EUR 69.9 million**, and surpassed the 2013 budgeted level by **as much as 27%**. It managed to keep high financial stability achieved by prudent management of business and financial risks, as confirmed by credit rating agencies Standard & Poor's and A.M. Best, which both upgraded the credit ratings of Zavarovalnica Triglav and Pozavarovalnica Triglav Re to »A-«. These ratings were assigned a stable medium-term outlook and reflect their supportive risk-adjusted capitalisation, good operating performance and strong competitive position of the Triglav Group within the Slovene market (see also Section 5.8 *Credit rating of the Triglav Group and Zavarovalnica Triglav* for more details).

The trends related to the economic crisis persist and continue to **decrease the total written premium**. Total written premium of the Triglav Group decreased by 4% compared to 2012 and was 4% below the budgeted level. Falling purchasing power of households resulted in lower insurance density, accompanied by a high unemployment rate, a decline in activities of economic entities, lower demand for some insurance products and extremely fierce competition. A drop in total written premium can also be attributed to a redefined marketing and sales policy, the purpose of which was to maintain and sustain the portfolio, as well as the result of measures for improving the insurance technical result of individual non-life insurance

⁸ GRI G4-9

classes. Intensive management of the non-life insurance portfolio led to a favourable **combined ratio**. Therefore, the combined ratio of the Triglav Group – a measure of profitability in core insurance operations – **reached 91.0%, exceeding the budgeted level by 3.7 percentage points**. **Return on equity** of the Triglav Group and of Zavarovalnica Triglav in 2013 was 12% and 9.6% respectively.

Gross claims paid were 3% lower than planned and 2% higher than the preceding year. The profit level was also affected by **individual mass loss events**. The biggest damage was caused by an ice and snow storm in January affecting the entire Slovenia. The flood events in Central and Eastern Europe at the end of May and in the beginning of June impacted the business results of Triglav Pojišt'ovna and Pozavarovalnica Triglav Re (for details see Section 7.2 *Environmental impact on the performance of the Triglav Group*).

The Company's business results are heavily influenced by the situation on capital markets, as diverse financial investments represent the majority of the Company's total assets. The global financial crisis caused market slumps. Despite a conservative investment policy of the Triglav Group, the value of some portfolio investments decreased, mainly resulting in a lower net operating profit. **Financial assets were permanently impaired by EUR 28.1 million**. The Company regularly met liquidity requirements and managed its investment portfolio in adherence to the principles of security, liquidity and profitability. **Return on financial investments** decreased by 3% over 2012, mainly as a result of a lower return on long-term business fund backing unit-linked life insurance.

The **value of Zavarovalnica Triglav's share (bearing the ticker symbol ZVTG)**, which is listed on the Ljubljana Stock Exchange, was marked by the exchange rate growth and increased liquidity. The closing price of the share **had increased by 15% since the end of 2012** and equalled EUR 19 at the end of 2013. The ZVTG share was the second most traded equity on the Ljubljana Stock Exchange, accounting for 16% of total trading volume. The average daily turnover in 2013 was more than twice as high as the 2012 average. Apart from that, the share of international investors increased by almost 7 percentage points to 16.6% – for more information see Section 5. *Share capital and shareholders of Zavarovalnica Triglav*.

The total equity of the Triglav Group as at 31 December 2013 reached **EUR 590.5 million**, which was **3% more** than as at the 2012 year-end. The portion of equity in the balance sheet total increased by 0.8 percentage point compared to 31 December 2012, reaching 19.2 % (for more information see Section 9.1 *Equity and liabilities*).

3.4 Plans of the Triglav Group for 2014

The Triglav Group business plan for 2014 was produced on the basis of strategic starting points and objectives of the Group for the period 2013–2017. By doing so, market potentials and circumstances in the insurance markets covered by the Group were taken into account as well as forecasts of respective macroeconomic trends in those markets for 2014.

The starting points of the plan are focusing on the core insurance business, achieving the highest possible profitability and safety of operations. The economic and financial crisis will have an impact on the core business – insurance operations, exposing the Company to the risks of lower demand for some insurance products, policyholders defaulting on the payment of premiums and risks related to the selection of underwriting risks.

The crisis, among others, will be reflected in a lower economic activity, reduction in exports and imports, new corporate bankruptcies, reduced purchasing power of households, higher unemployment rate, lower bank crediting, etc.

Financial highlights of the Triglav Group business plan for 2014

	2014 plan
Gross written premium from insurance and co-insurance contracts	EUR 902.1 million
Gross claims settled	EUR 668.5 million
Profit/loss before tax	EUR 75.9 million
Net profit or loss	EUR 65.6 million
Equity as at 31 Dec.	EUR 606.1 million
Combined ratio in non-life insurance	96.3%

Net profit/loss: Net profit of the Triglav Group is planned at EUR 65.6 million, whereas net profit before tax will amount to EUR 75.9 million. Bearing in mind the poor economic situation of markets, on which the Triglav Group operates, the Group has set itself very ambitious objectives. The combined ratio – a ratio between total non-life insurance expenses and net premium earned – will reach 96.3%.

The basic objective of the Triglav Group's insurance subsidiaries for 2014 is an on-going improvement of profit and loss arising from their core business and combined ratio. The budgeted combined ratios of all insurance subsidiaries are planned to be lower than 100% by the end of the strategic period.

Premium trends: Sales activities in 2014 will be even more focused on clients and on developing and increasing the efficiency of internal and external sales network. In the marketing approach, emphasis will be placed on the quality, simplicity, transparency and a high standard of services, supplemented with a penetrating market strategy. Despite a tight economic situation, the Triglav Group plans to book EUR 902.1 million in consolidated gross written premium or approximately the same as in 2013. The parent company, Zavarovalnica Triglav, plans a lower premium compared to 2013, which predominantly results from a high number of maturities due to the aging of the portfolio and due to surrenders, foreseen measures for retaining solid and loyal clients with client loyalty programmes, price adjustments to match competition as well as measures to improve the insurance technical result of individual non-life insurance classes.

Loss events: In 2014, a slightly increased number of loss events is planned, which will require regular adjustments to the reinsurance protection programme. Due to the developments in recent years and the ever more frequent mass catastrophe claims (hail, floods, storms, etc.), the Company expects an increased number of loss events. According to the plan, consolidated gross claims paid by the Triglav Group will amount to EUR 668.5 million. Due to an increased number of loss events, more expensive reinsurance protection and smaller volume of premiums, the claims ratio is expected to decrease to 67.5%. Technological, process and organisational improvements will be continually made to the claim settlement procedure, in line with the strategic objectives. By enhancing professionalism of employees and contracted partners, the Company will ensure a correct execution, quality and speedy completion time of loss adjustment procedures.

Cost management: According to anticipations, gross operating expenses will remain at a level approximately equal to 2013, aiming at keeping the share of operating costs in gross written premium round the 2013 year-end level. Due to large IT investments, a high growth in depreciation is planned. The cost reduction measures will be predominantly focused on those types of costs that are not directly related to insurance acquisition.

Investment: The Group plans a restrictive policy of investments in real property, equipment and intangible assets, primarily aimed at strategic projects in IT and general affairs as well as most urgent maintenance.

Financial investments: Adequate levels of investment security and liquidity will remain at the forefront of the Triglav Group's investment guidelines. These will be followed by the criterion of profitability. In view of an uncertain economic situation it is estimated that the uncertain outcome of the debt crisis and its effect on the Company's exposure to financial risks will continue to present the greatest risk. The credit risk (counterparty's default risk) of government securities remains high as well as the risk of changes in credit spreads.

Risk management: The main goal in risk management is to set up an economic capital model for the asset and liability management of Zavarovalnica Triglav. The target model will ensure that risk exposure is within the limits of the defined appetite and profitability within the strategic objectives and that the Company will have sufficient capital to ensure compliance with the requirements of credit rating agencies as well as those of Solvency I and Solvency II at any time.

4. CORPORATE GOVERNMENT STATEMENT

- **Changes to the Management and the Supervisory Boards.**
- **The subsidiaries adopted new business strategy for the period to 2017.**
- **Functional areas continue to transfer good business practices and minimum standards from the controlling company to the subsidiaries.**

4.1 Governance policy

The Management and the Supervisory Boards passed the Governance Policy of Zavarovalnica Triglav. The document was published on SEOnet, the Ljubljana Stock Exchange information system, and on the official website of Zavarovalnica Triglav d.d. (www.triglav.eu).

4.2 Statement of Compliance with the Corporate Governance Code⁹

In its operations, Zavarovalnica Triglav abides by the Corporate Governance Code (hereinafter: the Code), which was adopted on 8 December 2009 and is published in Slovene and English on the Ljubljana Stock Exchange website (<http://www.ljse.si>).

The statement of compliance with the Corporate Governance Code for the period from 1 January 2013 to the day of publication, i.e. 9 April 2014, was published on SEOnet, the information system of the Ljubljana Stock Exchange, and on the official website of Zavarovalnica Triglav at www.triglav.eu.

Zavarovalnica Triglav applies the provisions of the Code. For well-grounded reasons, it did not adhere to the provisions of the Code in the following decision:

- 8.1 in conjunction with 11
The Secretary of the Supervisory Board has not been appointed. The tasks of the Secretary of the Supervisory Board are carried out by the relevant department of the Company.

In addition, the Company conducts business in line with the principles of the Insurance Code, available on the website of the Slovenian Insurance Association at www.zav-zdruzenje.si.

In 2013, the Code of Good Business Practices of Zavarovalnica Triglav was adopted, available on the official website of Zavarovalnica Triglav www.triglav.eu.

Moreover, in a statement published on its website (www.triglav.eu), Zavarovalnica Triglav took a position on the Corporate Governance Code for Capital Assets of the Republic of Slovenia and the Recommendations of the Management Company of the Republic of Slovenia's Direct and Indirect Shareholdings (all documents are available on the webpage of Slovenska odškodninska družba (www.so-druzba.si)).

4.3 Management bodies of Zavarovalnica Triglav¹⁰

The management bodies operate in compliance with the primary and secondary legislation, the Memorandum and Articles of Association and their own rules of procedure. The Memorandum and Articles of Association are available at www.triglav.eu.

⁹ GRI G4-15

¹⁰ GRI G4-34

4.3.1 General Meetings of Shareholders

Shareholders of Zavarovalnica Triglav exercise their rights in respect of matters concerning the Company through the General Meeting of Shareholders, which is convened at least once a year, by the end of August at the latest. The General Meeting of Shareholders may also be convened in other circumstances set out by law and by the Memorandum and Articles of Association, and when it is in the interest of the Company.

The competences and operation of the General Meeting of Shareholders are set out in the Companies Act and the Memorandum and Articles of Association. The Memorandum and Articles of Association do not set out any specific provisions regarding their amendments and supplements.

A share of Zavarovalnica Triglav gives each of its holders the right to one vote at the General Meeting of Shareholders, proportional dividends from the profit intended for the payment of dividends and a proportional share from the remaining bankruptcy or liquidation estate in the case of bankruptcy or liquidation. All shareholders who are entered in the share register managed by the Central Securities Clearing Corporation (KDD) no later than by the end of the fourth day before the date of the General Meeting of Shareholders have the right to attend the General Meeting and exercise their voting rights if they apply to be present no later than by the end of the fourth day prior to the date of the General Meeting of Shareholders.

The rights and obligations attached to the shares, reaching a qualifying holding and the restriction on transfer of shares that would grant their holders special control rights are described in detail in the Section 5.2 *The share of Zavarovalnica Triglav*. See the Insurance Act for details.

The shares of the two shareholders who (in accordance with the Takeover Act) own a qualifying holding in Zavarovalnica Triglav remained unchanged in 2013:

- Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Institute of Pension and Invalidity Insurance of Slovenia; hereinafter: ZPIZ) is the direct holder of 7,836,628 shares or 34.47% of the share capital of Zavarovalnica Triglav. On behalf of and for the account of ZPIZ, as at 28 December 2012, the shareholder's rights attached to the shares were managed by the Capital Assets Management Agency of the Republic of Slovenia (hereinafter: AUKN) in compliance with the Law on Corporate Governance of State Capital Investments (Official Gazette of the RS, No. 38/2010, 18/11 and 77/11). As at 28 December 2012, in compliance with Article 38 (4) of the Slovenia Sovereign Holding Act (ZED, Official Gazette of the RS, No. 105/2012), the management of ZPIZ's equity holding in Zavarovalnica Triglav was transferred to Slovenski državni holding d.d. (hereinafter: SDH). With the adoption of the Slovenia Sovereign Holding Act (ZSDH) and in compliance with its Article 38 (1), the Capital Assets Management Agency of the Republic of Slovenia ceased to exist and, until the transformation of Slovenska odškodninska družba d.d., Ljubljana (hereinafter: SOD) into SDH, the assets shall be managed in the name of and for the account of the Republic of Slovenia by the Management Board of SOD.
- As at 31 December 2013, Slovenska odškodninska družba d.d., Ljubljana (hereinafter: SOD), held 6,380,728 shares or 28.07% of the share capital of Zavarovalnica Triglav.

As at 31 December 2013, Zavarovalnica Triglav had no other shareholders whose holdings exceeded 5% of the share capital, nor any issued securities that would grant their holders special control rights.

General Meeting of Shareholders in 2013

The shareholders of Zavarovalnica Triglav had two general meetings in 2013. The 37th General Meeting of Shareholders took place on 14 February 2013. The total number of shares and voting rights represented at the General Meeting of Shareholders was 11,249,924 or 49.55% of all shares to which voting rights are attached.

The General Meeting of Shareholders took note of:

- the expiration of the terms of office as at 7 April 2013 of the following Supervisory Board members – shareholder representatives: Igor Mihajlovič, Aljoša Valentinčič, Vladimir Uršič, Adolf Zupan, Gregor Kastelic and Jovan Lukovac;
- the appointment of new Supervisory Board members with four-year terms of office commencing on 8 April 2013: Aleš Živkovič, Rok Strašek, Žiga Andoljšek Jovan Lukovac, Mihael Perman, and Blaž Šlemic;
- the activities regarding the participation of Zavarovalnica Triglav in the share capital increase of Triglav INT d.d. and the entry of a strategic partner in the latter and, in particular, supervision and investment decision making in the subsidiaries of Triglav INT d.d., as well as the current state of affairs regarding the entry of a strategic partner in the shareholder structure of Triglav INT d.d.

Mr Rajko Stanković, the representative of the shareholder Association of Small Shareholders of Slovenia, announced to file an action for annulment with reference to all resolutions passed at the 37th General Meeting of Shareholders of Zavarovalnica Triglav, excluding the resolution on the appointing Mihael Perman a member of the Supervisory Board.

On 5 March 2013, Zavarovalnica Triglav was served a Securities Market Agency Decision of 4 March 2013, ordering them to prohibit, as at the day the decision becomes final, the following persons from exercising their voting rights:

- Slovenska odškodninska družba d.d., Mala ulica 5, Ljubljana, for the rights attached to the shares with the ZVTG ticker symbol held by Zavarovalnica Triglav and the rights attached to the shares, held by Zavod za pokojninsko in invalidsko zavarovanje, Kolodvorska 15, Ljubljana, which are exercised on behalf of and for the account of the latter by Slovenska odškodninska družba d.d., Mala ulica 5, Ljubljana;
- HIT Hoteli, igralnice, turizem d.d., Delpinova ulica 7a, Nova Gorica;
- Elektro-Slovenija d.o.o., Hajdrihova ulica 2, Ljubljana;
- D.S.U., družba za svetovanje in upravljanje d.o.o., Dunajska cesta 160, Ljubljana;
- Nova KBM d.d., Ulica Vita Kraigherja 4, Maribor;
- Telekom Slovenije d.d., Cigaletova ulica 15, Ljubljana;

until Slovenska odškodninska družba d.d. on its own behalf and for its own account or on behalf of and for the account of Zavod za pokojninsko in invalidsko zavarovanje; Hit d.d.; Elektro-Slovenija d.o.o.; Luka Koper d.d.; D.S.U., družba za svetovanje in upravljanje d.o.o.; NOVA KBM d.d. and Telekom Slovenije d.d., Cigaletova ulica 15, Ljubljana, jointly or severally, on behalf of and for the account of all, launch a takeover bid for the offeree company Zavarovalnica Triglav d.d., in accordance with the Takeover Act, or until the companies stated hereunder and holding voting rights in the offeree company divest the ZVTG shares so that they neither jointly nor severally no longer reach the takeover threshold.

The 38th General Meeting of Shareholders of Zavarovalnica Triglav was held on 11 June 2013. The total number of shares and voting rights represented was 4,129,549 or 50.72% of all shares to which voting rights are attached. In line with the above-mentioned Securities Market Agency Decision, the shareholders Slovenska odškodninska družba d.d., Zavod za pokojninsko

in invalidsko zavarovanje, HIT Hoteli, igralnice, turizem d.d., Elektro-Slovenija d.o.o., D.S.U., družba za svetovanje in upravljanje d.o.o., Nova KBM d.d., Telekom Slovenije d.d., did not exercise their voting rights attached to Zavarovalnica Triglav shares. At the General Meeting of Shareholders no action for annulment were announced.

The General Meeting of Shareholders:

- took note of the Annual Reports of Zavarovalnica Triglav and the Triglav Group for 2012, including the opinions given by the audit firms, and the Annual Internal Audit Report for 2012;
- took note of the Supervisory Board's report on the examination of both Annual Reports for 2012 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2012;
- adopted a resolution on the following distribution of the accumulated profit of EUR 98,205,999.33 as at 31 December 2012;
 - EUR 45,470,296.00 to dividend payments to the shareholders, i.e. EUR 2.0 gross per share
 - the decision on the distribution of the remaining accumulated profit of EUR 52,735,703.33 shall be made in the following years;
- passed a resolution granting discharge to the Management Board and the Supervisory Board for the 2012 business year;
- appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors of Zavarovalnica Triglav for the 2013 business year;
- As at 11 June 2013, the General Meeting of Shareholders of the Company recalled the following Supervisory Board members – shareholder representatives: Aleš Živkovič, Rok Strašek, Žiga Andoljšek, Jovan Lukovac, Mihael Perman and Blaž Šlemic, and appointed Mario Gobbo, Dubravko Štimac, Rajko Stanković, Matej Runjak, Gregor Kastelic and Matija Blažič new Supervisory Board members with a four-year term of office. Their terms of office started on the day following their election at the General Meeting of Shareholders, i.e. on 12 June 2013.

4.3.2 Management Board

Any person fulfilling the requirements stipulated by the Insurance Act and the Companies Act may be appointed to the Management Board as its President or member. The Management Board of Zavarovalnica Triglav manages the Company independently and at its own responsibility, and presents and represents the Company without limitations. In legal transactions, the Company is always jointly presented and represented by two members of the Management Board, one of whom must be its President.

4.3.2.1 Composition and appointment of the Management Board

According to the Memorandum and Articles of Association, the Management Board has no less than three and no more than six members, of whom one is the president. The Management Board is appointed by the Supervisory Board. The number of Management Board members, their competences, the manner of representation and presentation and the transfer of the Management Board's authorities are determined by the Supervisory Board in the Management Board Rules. The term of office of an individual Management Board is up to five years, with the possibility of reappointing its members. In Zavarovalnica Triglav, the employee representative is a member of the Management Board.

The appointment or recall of all members or an individual member is proposed to the Supervisory Board by the President of the Management Board. The Supervisory Board may recall a member of the Management Board or its president if it establishes that they have been in serious breach of their obligations stipulated by primary and secondary legislation and in other circumstances set out by law.

4.3.2.2 Management Board competence to increase the share capital

In accordance with the Company's Memorandum and Articles of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 11,055,208.77 through new shares issued for cash contributions within five years of 28 June 2011. The issue of new shares, the amount of capital increases, the rights attached to new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board. Upon a share capital increase, the Supervisory Board is authorised to make amendments to the Company's Memorandum and Articles of Association.

4.3.2.3 Introducing the Management Board

As at the end of 2013, the Management Board of the Company was composed of the following members:

Andrej Slapar, President of the Management Board

- Born in 1972. Bachelor of Laws.
- Andrej Slapar was first employed in Zavarovalnica Triglav in 1997 as a lawyer in the Department of International Claims and Insurance Law. From 1999 to 2009, he continued his professional career in Pozavarovalnica Triglav Re as Head of the Car, Transport, Liability and Personal Insurance Division, Assistant to the President of the Management Board for reinsurance and member of the Management Board. Andrej Slapar took office on 10 November 2009.
- He has served as the President of the Management Board since 22 May 2013.

Stanislav Vrtunski, member of the Management Board

- Born in 1972. Master of Business Administration.
- Stanislav Vrtunski joined Zavarovalnica Triglav in 2010 as the Executive Head of Non-Life Insurance Claims Division. He had an extensive background as a manager in the international insurance industry. Between 2004 and 2010, before returning to Slovenia, he held the position of Chief Executive Officer of the French insurance company La Parisienne Assurances. In 2012, Stanislav Vrtunski became a member of the Management Board.
- His five-year term of office commenced on 23 May 2012.

Benjamin Jošar, member of the Management Board

- Born in 1973. Master of Business Administration.
- He took a position as the Authorised Officer of the Management Board in 2012 with work experience in banking and finance obtained in decision-making and managerial positions. From 2008 to 2009, he was the President of the Management Board of KD borznoposredniška družba. After the transformation into KD Banka, he was positioned first as its Executive Director and later as an Executive Member of the Board of Directors. In the period from 2008 to 2011, he participated in management and supervisory bodies in KD Group subsidiaries. Until July 2012, he served as a substitute member on the

Supervisory Board of the Bank Association of Slovenia. In November 2012, Benjamin Jošar became a member of the Management Board.

- His five-year term of office commenced on 2 November 2012.

Marica Makoter, member of the Management Board and employee representative

- Born in 1972. Bachelor of Laws.
- From 1996 to 2000, Marica Makoter was employed at the Kočevje Administrative Unit. After an internship with the Ljubljana Higher Court and after passing the State Legal Exam, she took employment with Zavarovalnica Triglav in the Novo Mesto Regional Unit in 2001. Ms Makoter was Head of the Subrogation Department in Novo Mesto from 2003 to 2006, and until 2011 the Head of the Legal Claims Department and Deputy Head of the Regional Claim Centre in the Novo Mesto Regional Unit.
- Marica Makoter took her five-year term of office on 21 December 2011.

From 15 October 2009 to 22 May 2013, **Matjaž Rakovec** held the office of the President of the Management Board. On 22 May 2013, the Supervisory Board recalled him from the office of the President of the Management Board for business and economic reasons.

Data on the earnings of the Management Board members are disclosed in Section 8.2 of the *accounting part of the Annual Report*.

Membership of the Management Board members of Zavarovalnica Triglav in the Supervisory or Management Boards of the following companies as at 31 December 2013:

Name and surname	Membership in the Supervisory (Management) Boards of other companies
Andrej Slapar President of the Management Board	<ul style="list-style-type: none"> ▪ Triglav INT d.d. ▪ Pozavarovalnica Triglav Re d.d. ▪ Triglav Osiguranje d.d., Sarajevo ▪ Abanka Vipava d.d.
Stanislav Vrtunski Member of the Management Board	<ul style="list-style-type: none"> ▪ Triglav Osiguranje d.d., Zagreb ▪ AS Triglav d.o.o. ▪ Triglav INT d.d.
Benjamin Jošar Member of the Management Board	<ul style="list-style-type: none"> ▪ Lovćen Osiguranje a.d., Podgorica ▪ Triglav Osiguranje d.d., Sarajevo ▪ Triglav INT d.d. ▪ Triglav Skladi d.o.o.
Marica Makoter Management Board Member, Employee Representative	<ul style="list-style-type: none"> ▪ Triglav Osiguravanje a.d., Skopje ▪ Triglav INT d.d.

4.3.2.4 Functioning and powers of the Management Board

As at 31 December 2013, the Management Board members were in charge of the following areas:

The **President of the Management Board Andrej Slapar** manages and directs the work of the Management Board and of the headquarters departments (Management Board Office, Legal Office, Internal Audit Department) the Life Insurance Development and Actuarial Department, and the Non-Life Insurance Development and the Actuarial Department. He is responsible for Life Insurance Division and Non-life Insurance Division, Non-Life Insurance Claims Division and the Corporate Account Division.

Stanislav Vrtunski, member of the Management Board, is responsible for the Insurance Marketing and Distribution Division, the Triglav Network Sales Division and the Client Contact

Unit. He also leads and manages the work of the Marketing Department (excluding public relations which fall under the responsibility of the President of the Management Board).

Benjamin Jošar, member of the Management Board, leads and manages the Risk Management Department and the Strategic Planning and Controlling Department. He is responsible for the Accounting Division, the Finance Division and the Subsidiary Management Division.

Marica Makoter, member of the Management Board, represents workers' interests as an employee representative in compliance with the Worker Participation in Management Act. She manages and directs the Fraud Prevention, Detection and Investigation Department, the Project Office and is responsible for the IT Division and the Back Office Division, Human Resources Management Division (excluding senior management staffing, of whom the President of the Management Board is in charge), and Organisation, Business Processes and Technologies Division.

4.3.3 Supervisory Board

The nine members of the Supervisory Board, of whom six are representatives of the shareholders and three are representatives of the employees, supervise with full responsibility the conducting of the Company's business.

The shareholder representatives are elected by the General Meeting of Shareholders and the employee representatives by the Works Council of Zavarovalnica Triglav. Their appointment or recall is subject to the law and the Memorandum and Articles of Association. The Chairman and Vice-Chairman of the Supervisory Board are elected from among its members representing shareholders. Members of the Supervisory Board are given a four-year mandate and may be re-elected without limitation.

The General Meeting of Shareholders may recall a Supervisory Board member before the end of their term of office. To substitute for the member deprived of their office, the General Meeting of Shareholders elects a new member with a term of office lasting until the end of the term of office of the Supervisory Board.

4.3.3.1 Competences of the Supervisory Board

The competences and decision-making rules of the Supervisory board, its method and organisation of work and other issues relevant for its functioning are set out by law, the Memorandum and Articles of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board. Besides the competences specified in the Companies Act and the Insurance Act, the Supervisory Board has the competence to give consent to the decisions of the Management Board where the value or an investment exceeds the amount set out in the Rules of Procedure of the Supervisory Board, i.e., in the event of:

- founding limited companies in Slovenia and abroad;
- the acquisition or sale of stakes in foreign or domestic companies;
- the issue of debt securities and long-term borrowing from domestic or foreign banks; or
- the acquisition, sale of or investment in real property.

In accordance with the law and the provisions of its Rules of Procedure, the Supervisory Board holds at least one session per quarter, or more if necessary. The Rules of Procedure of the Supervisory Board are available on the website of Zavarovalnica Triglav (www.triglav.eu).

4.3.3.2 Supervisory Board in 2013

The four-year term of office of shareholder representatives lasted from 7 April 2009 to 7 April 2013. The General Meeting of Shareholders appointed the following new supervisory Board members – shareholder representatives:

- Vladimir Uršič on 28 June 2010, because the term of office of Mirko Miklavčič ended on 25 September 2009;
- Adolf Zupan on 12 June 2012, as the term of office of Borut Jamnik ended on 19 September 2011; and
- Jovan Lukovac and Gregor Kastelic on 13 June 2012, because Anton Ribnikar and Uroš Slavinec were recalled on 12 June 2012.

From 1 January to 7 April 2013, Igor Mihajlovič, Gregor Kastelic, Aljoša Valentinčič, Vladimir Uršič, Jovan Lukovac and Adolf Zupan served as Supervisory Board members – shareholder representatives, as already presented in *Section 4.3.1 General Meeting of Shareholders in 2013*.

At the 37th General Meeting of Shareholders held on 14 February 2013, the shareholders of Zavarovalnica Triglav appointed new members of the Supervisory Board representing shareholders for a four-year term of office beginning as of 8 April 2013: Aleš Živkovič, Rok Strašek, Žiga Andoljšek, Jovan Lukovac, Mihael Perman and Blaž Šlemic. At the 38th General Meeting of Shareholders of Zavarovalnica Triglav held on 11 June 2013, the shareholders adopted a resolution recalling the above-mentioned members of the Supervisory Board representing shareholders and appointed new members in their stead: Mario Gobbo, Dubravko Štimac, Rajko Stanković, Matej Runjak, Gregor Kastelic and Matija Blažič. The four-year term of office of the newly elected Supervisory Board members commenced on 12 June 2013.

The Works Council of Zavarovalnica Triglav elected Miran Krštinc, Peter Celar and Branko Gorjan as new members of the Supervisory Board's employee representatives for a four-year term of office between 30 May 2011 and 30 May 2015.

At its session on 1 July 2013, the Supervisory Body appointed Matej Runjak its Chairman and Gregor Kastelic as its Vice-Chairman. From 21 June 2012 to 7 April 2013, Igor Mihajlovič was Chairman of the Supervisory Board and Gregor Kastelic its Vice-Chairman. Mihael Perman acted as Supervisory Board Chairman and Jovan Lukovac as its Vice-Chairman in the period from 16 April 2013 to 11 June 2013.

Composition of the Supervisory Board as at 31 December 2013

Name and surname	Education	Employed in	Membership in Supervisory Boards of other companies
Shareholder representatives			
Matej Runjak Chairman	Bachelor of Science in Economics, MBA	Slovenska odškodninska družba d.d. Member of the Management Board	/
Gregor Kastelic Vice-Chairman	Bachelor of Science in Economics, MBA	ING Bank N.V., London Branch, Investment Banking Director	/
Mario Gobbo Member	PhD in Economics	Independent advisor	/
Dubravko Štimac Member	Bachelor of Science in Economics, Master of Science in Organisation and Management PhD in Economics	PBZ Croatia Osiguranje d.d., President of the Management Board	Podravka d.d. Dalekovod d.d. Zagrebska borza d.d.
Rajko Stanković Member	Senior administrative worker	Društvo Mali delničarji Slovenije, Chairman	/
Matija Blažič Member	Bachelor of Science in Administrative Organisation	retired	Petrol d.d.
Employee representatives			
Branko Gorjan Member	Economics Technician	Zavarovalnica Triglav d.d.	/
Peter Celar Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
Miran Krštinc Member	LL.B.	Zavarovalnica Triglav d.d.	/

By signing the Statement of Independence and Loyalty published at www.triglav.eu, the members of the Supervisory Board undertook to adhere to the principles of independence laid down in item C3 of the Annex to the Corporate Governance Code.

Data on earnings of the Supervisory Board members are disclosed in Section 8.2 of the accounting part of the Annual Report.

4.3.3.3 Composition of Supervisory Board committees and their activities in 2013

Supervisory Board committees prepare draft resolutions for the Supervisory Board, assure their implementation and carry out other professional tasks. In 2013, the Supervisory Board committees were the same as in the previous year: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee.

Audit Committee

The duties and competences of the Audit Committee are set out in the Companies Act, the Rules of Procedure of the Supervisory Board and the Supervisory Board resolutions. They include:

- monitoring the financial reporting procedure;
- monitoring internal control systems, reports and recommendations of the Internal Audit Department;
- monitoring risk management systems and the mandatory audit of annual and consolidated accounting statements;
- proposing to the Supervisory Board the candidate for the auditor of the annual report of the Company;

- evaluating the drafting of the annual report, including a draft proposal for the Supervisory Board;
- helping to identify the most important audit areas.

In 2013, the Audit Committee was composed of the following members:

- in the period from 1 January 2013 to 7 April 2013: Jovan Lukovac as Chairman of the Supervisory Board and Aljoša Valentinčič, Branko Gorjan, Vladimir Uršič and Barbara Nose (outsourced independent expert) as its members;
- in the period from 16 April 2013 to 11 June 2013: Jovan Lukovac as Chairman of the Supervisory Board and Aleš Živkovič, Žiga Andoljšek, Branko Gorjan and Barbara Nose (outsourced independent expert; member in the period from 16 April 2013 to 11 June 2013) as its members;
- from 1 July 2013: Mario Gobbo as Chairman of the Supervisory Board and Rajko Stanković, Branko Gorjan its members; and Barbara Nose outsourced independent expert acting as a member from 22 August 2013.

Appointments and Compensation Committee

The main duties and competences of the Appointments and Compensation Committee, set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board resolutions, include:

- drafting proposals for the Supervisory Board regarding the criteria for membership in the Management Board; and
- drafting proposals regarding the policy of remuneration, compensation and other benefits for the Management Board members.

In 2013, the Appointments and Compensation Committee had the following composition:

- in the period from 1 January 2013 to 7 April 2013: Igor Mihajlović as Chairman of the Supervisory Board and Miran Krštinc and Adolf Zupan as its members with Srečo Jadek as outsourced independent expert;
- in the period from 16 April 2013 to 11 June 2013: Blaž Šlemic as Chairman of the Supervisory Board and Mihael Perman and Miran Krštinc as its members, with Anton Marolt as outsourced independent expert acting from 21 May 2013 to 11 June 2013;
- from 1 July 2013: Matej Runjak as Chairman of the Supervisory Board and Miran Krštinc and Dubravko Štimac as its members.

Strategy Committee

The duties and competences of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board's resolutions. Its tasks include the monitoring of the Triglav Group Strategy implementation and any related opinions, drafting resolutions for the Supervisory Board and ensuring their implementation.

In 2013, the Strategy Committee was composed of the following members:

- in the period from 1 January 2013 to 7 April 2013: Gregor Kastelic as its Chairman and Igor Mihajlović and Peter Celar as its members;
- in the period from 16 April 2013 to 11 June 2013: Rok Strašek as its Chairman and Jovan Lukovac and Peter Celar as its members;
- from 1 July 2013: Gregor Kastelic as its Chairman and Mario Gobbo and Peter Celar as its members.

Nominations Committee

As the term of office of Supervisory Board members was to expire on 7 April 2013, at its session on 12 December 2012 the Supervisory Board established a Supervisory Board Nomination Committee so as to appoint new Supervisory Board members – shareholder representatives and to submit a proposal for the appointment of candidates to the Supervisory Board. The Nominations Committee was composed of Igor Mihajlović as its Chairman, Branko Gorjan as its member, and Matjaž Jauk and Peter Ješovnik as its external members. Due to a request to convene a General Meeting of Shareholders pursuant to Article 295 of the Companies Act and the appointment of new Supervisory Board members – shareholder representatives on 14 February 2013, the Nomination Committee did not carry out the nomination procedure entirely. The Nomination Committee ceased to exist as at the day of the appointment of new Supervisory Board members – shareholder representatives.

4.4 Governance and management of subsidiaries¹¹

The fundamental principles and management regulation of the Triglav Group subsidiaries are set out in the Zavarovalnica Triglav's Subsidiary Governance Policy and other internal documents. The management system of the Triglav Group is based on the standardisation and unification of rules and procedures in individual divisions of the subsidiaries. The purpose of the system is to set up uniform minimum standards of the insurance business, reporting and monitoring of operations of the entire Group.

The business segments divided to the business and management parts are responsible for the management of subsidiaries. The parent company manages the insurance part of the Group through all of its business segments, and the non-insurance part through its support segments and functions.

In 2013, the business divisions of Zavarovalnica Triglav continued to transfer minimum standards and their good practices in the insurance subsidiaries of the Group. The goal is to improve the operations of individual business functions, especially core functions, in the entire insurance Group, in order to exploit the synergies and know-how of the parent company and, to make the presence of the Triglav Group in all local markets more efficient.

The Subsidiary Management Division was reorganised so as to establish a more efficient and transparent supervision and management of the work and operations of subsidiaries. Individual documents defining corporate governance were revised and additional regulations adopted.

Zavarovalnica Triglav and its insurance subsidiaries drafted business strategies for the period until 2017, which were adopted by supervisory bodies of individual subsidiaries prior to the approval of the Supervisory Board.

From the establishment of the holding company Triglav INT d.d. at the 2010 year-end to the beginning of February 2012, Zavarovalnica Triglav transferred its ownership shares in Triglav Group insurance subsidiaries outside Slovenia to Triglav INT. The Triglav INT holding company is a 100%-owned subsidiary of Zavarovalnica Triglav, which was established to attract a strategic partner that will enable the Triglav Group to consolidate its presence in existing and new markets by providing new capital for further growth. In accordance with this strategic orientation, agreements were signed in 2012 and at the beginning of 2013 with the International Finance Corporation, a member of the World Bank Group (hereinafter: IFC).

¹¹ GRI G4-13, G4-34

Cooperation as initially specified ended towards the end of 2013 by common agreement. Regardless of terminating the agreement with IFC, the developed concept of operations of Triglav INT provides one of the suitable possibilities of forming a strategic partnership. In this respect, the Triglav Group will continue to follow its strategy, which emphasizes its development as the insurance hub of South-East Europe.

The composition of governance and management bodies as at 31 December 2013

SUBSIDIARY	MANAGEMENT	SUPERVISORY FUNCTION
Slovenia		
Pozavarovalnica Triglav Re d.d., Ljubljana	Gregor Stražar – President Tomaž Rotar	Supervisory Board: Andrej Slapar – Chairman Tomaž Žust Sebastjan Debevc
Triglav, Zdravstvena zavarovalnica d.d., Koper	Meta Berk Skok – President Simon Vidmar	Supervisory Board: Tadej Čoroli – Chairman Primož Plantarič Tomaž Krevatin
Triglav Skladi, družba za upravljanje, d.o.o., Ljubljana	Igor Kušar – President Samo Javornik	Supervisory Board: Benjamin Jošar – Chairman Simona Kozjek Meta Berk Skok
Triglav Naložbe, finančna družba d.d., Ljubljana	Stojan Nikolič Kristina Rovšek	Supervisory Board: Rok Pivk – Chairman Aleš Vahčič Polona Petrlje
Triglav Svetovanje, zavarovalno zastopanje d.o.o., Domžale	Edvard Kranjčič – Director Tadej Čoroli – Authorised Officer	
Triglav INT, holding d.d., Ljubljana	Tedo Djekanović – CEO	Board of Directors: Andrej Slapar – Chairman Stanislav Vrtunski Benjamin Jošar Marica Makoter
AS Triglav-servis in trgovina d.o.o., Ljubljana	Edvard Zabukovnik – Director Boris Kuhelj – Director	Supervisory Board: Stanislav Vrtunski – Chairman Blaž Jakič Iztok Šekoranja
Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami, d.o.o., Ljubljana	Mitja Selan – President of the Management Board	Supervisory Board: Blaž Jakič – Chairman Miha Grilec Rok Pivk
Slovenijales d.d., Ljubljana	Blaž Jakič – General Manager	Supervisory Board: Aleksandra Vuković Kačar – Chairman Mitja Kepec Janka Planinc
Gradis IPGI d.d., Ljubljana	Aleš Vahčič – Director Robert Špehar – Authorised Officer Mitja Selan - Authorised Officer	Supervisory Board: Rok Pivk – Chairman Ksenja Zajc Krešo Šavrič
Hotel Grad Podvin d.d., Radovljica	Jaka Binter – Director Aleš Vahčič - Authorised Officer	Supervisory Board: Mitja Kepec – Chairman Ana Stradar Iglič Mateja Živec
Croatia		
Triglav Osiguranje d.d., Zagreb	Marin Matijaca – President Josip Kereta Bernhard Melischnig Žože Obersnel – Authorised Officer	Supervisory Board: Stanislav Vrtunski – Chairman Tomaž Žust Gorazd Jenko Dragomir Ljubojevič Željko Duralija
Czech Republic		
Triglav Pojišťovna a.s., Brno	Petr Bany – General Manager	Supervisory Board:

SUBSIDIARY	MANAGEMENT	SUPERVISORY FUNCTION
	Petr Mikulénka	Tedo Djekanović – Chairman
	Miha Vittori	Blaž Jakič Šarka Vodičkova
Montenegro		
Lovćen Osiguranje a.d., Podgorica	Radenko Purić – CEO	Board of Directors: Benjamin Jošar – Chairman Tadej Čoroli Uroš Ivanc
Bosnia and Herzegovina		
Triglav Osiguranje, d.d., Sarajevo	Edib Galijatović – President of the Management Board Edin Muftić	Supervisory Board: Andrej Slapar – Chairman Benjamin Jošar Bakir Pilav
Triglav Osiguranje a.d., Banja Luka	Matej Žlajpah – Director	Board of Directors: Andrej Knap – Chairman Blaž Jakič Dejan Jasnić
Serbia		
Triglav Osiguranje a.d.o., Belgrade	Dragan Marković – CEO Vladimir Mišo Čeplak – Authorised Officer Matjaž Božić – Authorised Officer	Supervisory Board: Tedo Djekanović – Chairman Tadej Čoroli Radenko Purić
The Former Yugoslav Republic of Macedonia		
Triglav Osiguruvanje a.d., Skopje	Gjorgje Vojnović – General Manager and Executive Member of the Board of Directors	Board of Directors: Uroš Ivanc – Chairman Maja Gazvoda Blaž Kmetec Andrej Knap Marica Makoter

4.5 External and internal audit

On 11 June 2013, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors for 2013.

The report on the work of the Internal Audit Department is included in Section 11. *Risk Management*.

4.6 Main characteristics of the internal control and risk management system¹²

The Triglav Group has an efficiently designed and integrated internal control and risk management system. It is promptly adapted to the development of the Group and organisational changes. The last upgrade of the internal control system took place in the last quarter of 2013.

The system exceeds the basic statutory requirements for insurance companies set out in the Companies Act and the Insurance Act, as well as special implementing regulations of the Insurance Supervision Agency on the establishment and maintenance of a suitable internal control and risk management system. It is also adapted to the upcoming Solvency II requirements. The remaining subsidiaries of the Group in Slovenia and abroad also exceed the statutory and prescribed level of the internal control and risk management system in individual countries.

¹² GRI DMA

The internal control and risk management system uses the four-eyes principle. In addition to insurance risks, the internal control manages other risk types, such as financial, operational and strategic risks. The hierarchical structure and participation of all subsidiaries of the Group and all employees, together with a strong corporate culture emphasising the importance of risk management at all levels and in all basic business processes, provide for the efficacy of the system.

Internal controls were set up in all organisational levels, units and processes of the Triglav Group and include:

- a clear organisational structure with a precisely defined and transparent system of authorities and competences;
- efficient procedures for an on-going control, error prevention, and identification, evaluation, management and monitoring of risks the Company is or may be exposed to in the course of its operation;
- an adequate internal control system that includes appropriate administrative and accounting procedures (reporting, working procedures, risk exposure limits and physical controls).

Compliance of the Company's operations with its strategic objectives is promptly verified and ensured through many control tools and mechanisms. The reliability of management and the efficiency and effectiveness of the integrated risk management system are being maintained, developed and supervised. Key indicators of risks, limits and competences are promptly checked at all organisational levels, which is monitored by internal and external planning/analytical financial/accounting reporting.

In compliance with the legislation, an independent Internal Audit Department regularly runs efficiency checks on the internal control and risk management system, offers upgrade proposals and reports to the Management Board, the Audit Committee and the Supervisory Board (for more details see Section 11. *Risk management*).

4.7 Notes on the takeover legislation

Provisions of the Takeover Act (Official Gazette of the RS Nos. 79/06, 1/08, 68/08, 10/12 and 38/12 ZPre-1) defining the takeover procedures are also applicable to Zavarovalnica Triglav.

The share capital structure of Zavarovalnica Triglav, the rights and obligations attached to the shares, the restriction on transfer of shares and the absence of shares that would grant their holders special control rights are described in detail in Section 5. *Share capital and shareholders of Zavarovalnica Triglav*.

4.8 Disclosure of possible agreements or authorisations regarding shares or voting rights

Zavarovalnica Triglav is not aware of any shareholder agreements that could cause a restriction on the transfer of shares or voting rights.

The Management Board of Zavarovalnica Triglav is not authorised to buy its own shares. The Management Board's competence to increase the share capital is described under 4.3.2.2. The issue of new shares, the amount of capital increases, the rights attached to new shares, and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board.

Zavarovalnica Triglav has no employee share scheme.

The Company is not aware of any agreements that would become effective, change or expire on the basis of a changed control of the Company as a consequence of an offer as defined by the law regulating takeovers.

Zavarovalnica Triglav has not entered into any agreements with members of its management or supervisory bodies or employees that would provide for remuneration if an offer (as defined by the law regulating takeovers) caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated.

5. SHARE CAPITAL AND SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV

- The ZVTG share was the second most traded share on the Ljubljana Stock Exchange.
- The ZVTG share price increased by over 15%.
- The shareholdings of international investors rose by 7 percentage points.
- Changed top shareholders structure.

5.1 Capital

As at the 31 December 2013, the share capital of Zavarovalnica Triglav remained at the same level as at the 2012 year-end, amounting to EUR 73,701,391.79. It was divided into 22,735,148 ordinary, registered, no-par value shares bearing the ticker symbol ZVTG and the ISIN code SI0021111651. The shares of Zavarovalnica Triglav are freely transferable and issued in a dematerialised form. Each represents the same stake and corresponding amount in the share capital. All have been fully paid in.

5.2 The share of Zavarovalnica Triglav

The shares of Zavarovalnica Triglav have been listed on the Ljubljana Stock Exchange Prime Market since 5 December 2011. Thereby, the Company is committed to the highest standards of business and reporting in both the domestic and international markets.

Each share of Zavarovalnica Triglav gives its holder the right to one vote at the General Meeting of Shareholders, proportional dividends from the profit intended for the payment of dividends and a proportional share of the remaining bankruptcy or liquidation mass after the payoff of priority shareholders in the case of bankruptcy or liquidation.

Key figures for the shares of Zavarovalnica Triglav

Items	31 December 2013	31 December 2012	31 December 2011
Number of shares	22,735,148	22,735,148	22,735,148
Book value per share (in EUR)	21.98	22.33	19.25
Book value per share (in EUR) - consolidated - Triglav Group	25.70	24.98	20.46
Net earnings/loss per share (in EUR)	2.12	2.22	1.93
Net earnings/loss per share (in EUR) - consolidated - Triglav Group	3.06	3.19	2.07
Dividend per share (in EUR) for the previous business year	to be defined	2.00	0.70
Share market value (in EUR) - closing price	19.00	16.50	10.00
Market capitalisation (in EUR) - closing price	431,967,812	375,129,942	227,351,480
Traded on	Ljubljanska borza - LJSE		
Ticker symbol	ZVTG		
ISIN	SI0021111651		
Credit rating	<ul style="list-style-type: none"> ■ Standard & Poor's; »A-«, stable medium-term outlook ■ AM Best; »A-«, stable medium-term outlook 	<ul style="list-style-type: none"> ■ Standard & Poor's; »A«, warning on potential credit rating downgrade 	<ul style="list-style-type: none"> ■ Standard & Poor's; »A«, stable medium-term outlook
Bloomberg	ZVTG SV		
Reuters	ZVTG.LJ		

In acquiring shares, the existing and potential shareholders of Zavarovalnica Triglav are required to observe the following provisions of the Insurance Act:

- The acquisition of shares of Zavarovalnica Triglav by which a person directly or indirectly acquires or exceeds the qualifying holding in the Company requires a prior authorisation of the Insurance Supervision Agency. A qualifying holding is a direct or indirect holding of shares or other rights that gives the holder a 10% share of voting rights or equity interest, or that gives the holder a share of voting rights or equity interest that is smaller than 10%, but nevertheless allows the holder to significantly influence the management of the company.
- A prior authorisation of the Insurance Supervision Agency is required for any further acquisition of shares of the insurance company, by which the person having obtained an authorisation acquires or exceeds the 20%, 33.3% or 50% limit of voting rights or equity interest, or by which the person becomes a controlling company of the insurance company.
- Apart from that, a new prior authorisation of the Insurance Supervision Agency is required before any further acquisition of shares by which a qualified holder would surpass the range for which an authorisation for the acquisition of a qualifying holding had been issued.
- A prior authorisation of the Insurance Supervision Agency for the acquisition of a qualifying holding is also obligatory for shareholders of the insurance company who jointly own shares by which they reach or exceed a qualifying holding in the insurance company and who intend to enter into a shareholders' agreement.
- Moreover, the Insurance Act sets out the obligations and the requirement to obtain prior authorisations for entities that have agreed to a concerted acquisition of the shares of the insurance company or a concerted exercising of management rights attached to the shares in the case that they do not reach a qualifying holding, as well as in the case that they intend to acquire a holding by which they would jointly reach or exceed a qualifying holding.

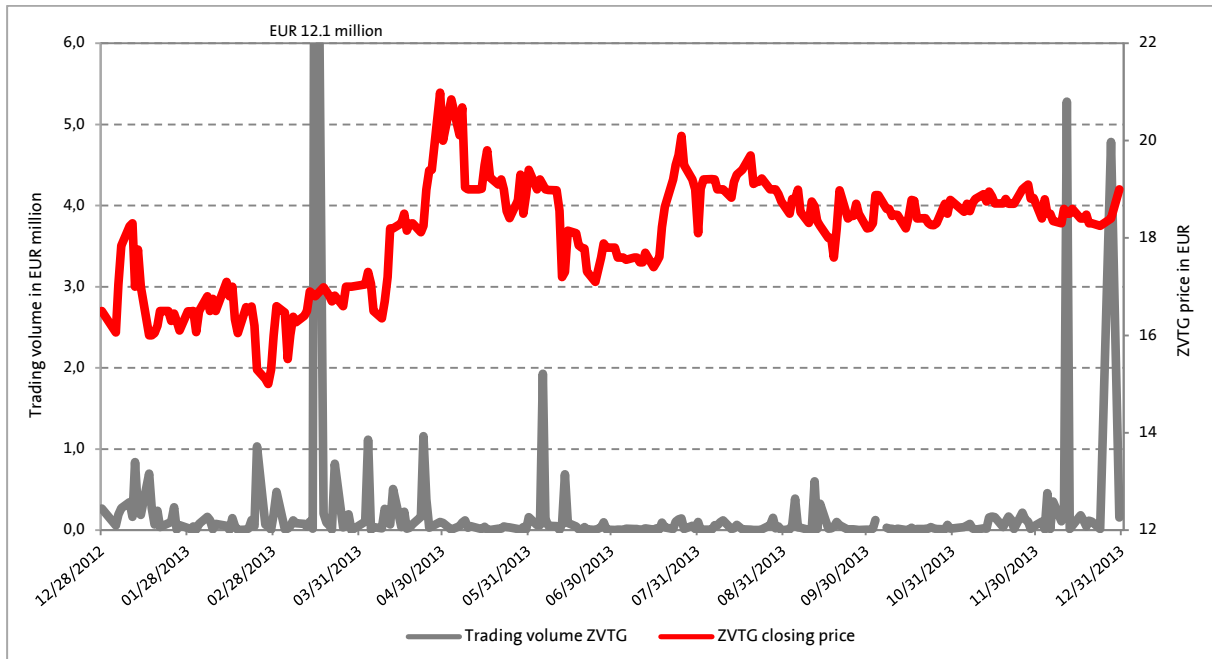
Holders of shares that have been acquired or are possessed contrary to the Insurance Act have no voting rights. See the Insurance Act for details.

5.3 Movements in the share value of Zavarovalnica Triglav in 2013

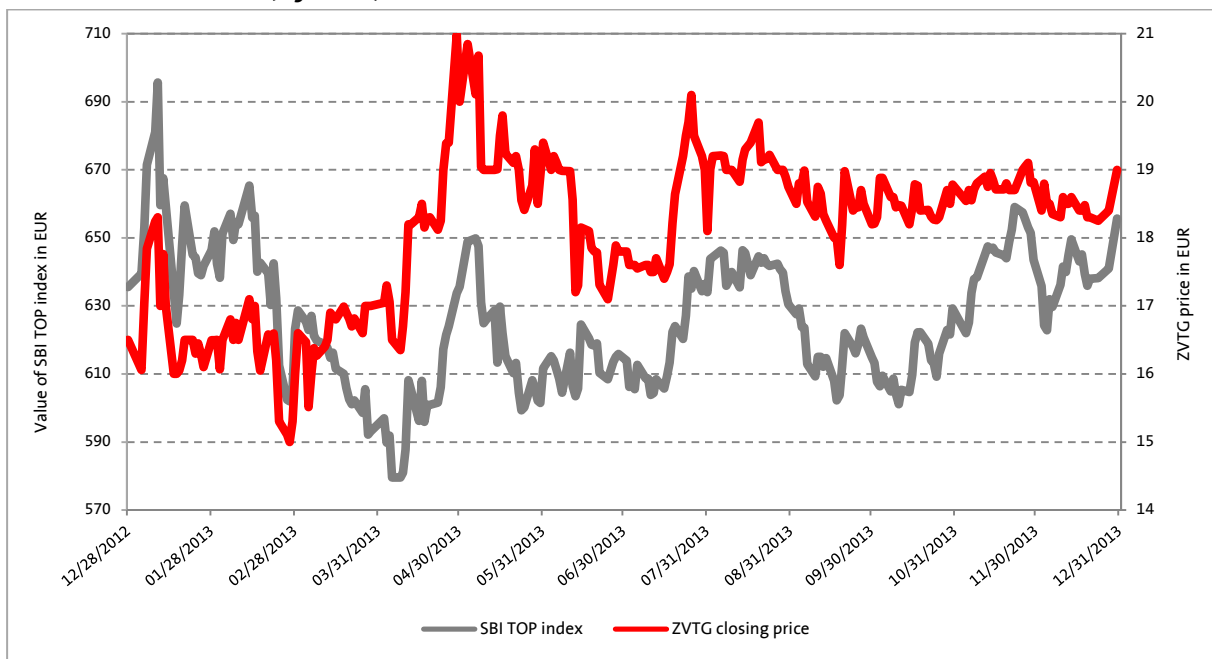
The year 2013 saw a growing price and increased liquidity of the ZVTG share. Its price increased by over 15%. Starting at EUR 16.50 on the first trading day, the share peaked to its highest price of EUR 20.99 in April. At the 2013 year-end, the closing price reached EUR 19.

The ZVTG share was the second most traded share on the Ljubljana Stock Exchange, accounting for 16% of total trading volume. The average turnover of ZVTG shares per trading day was EUR 193,355, which was more than twice the 2012 average of EUR 84,364.

Movements in the closing price (right axis) and turnover in EUR (left axis) of the ZVTG share

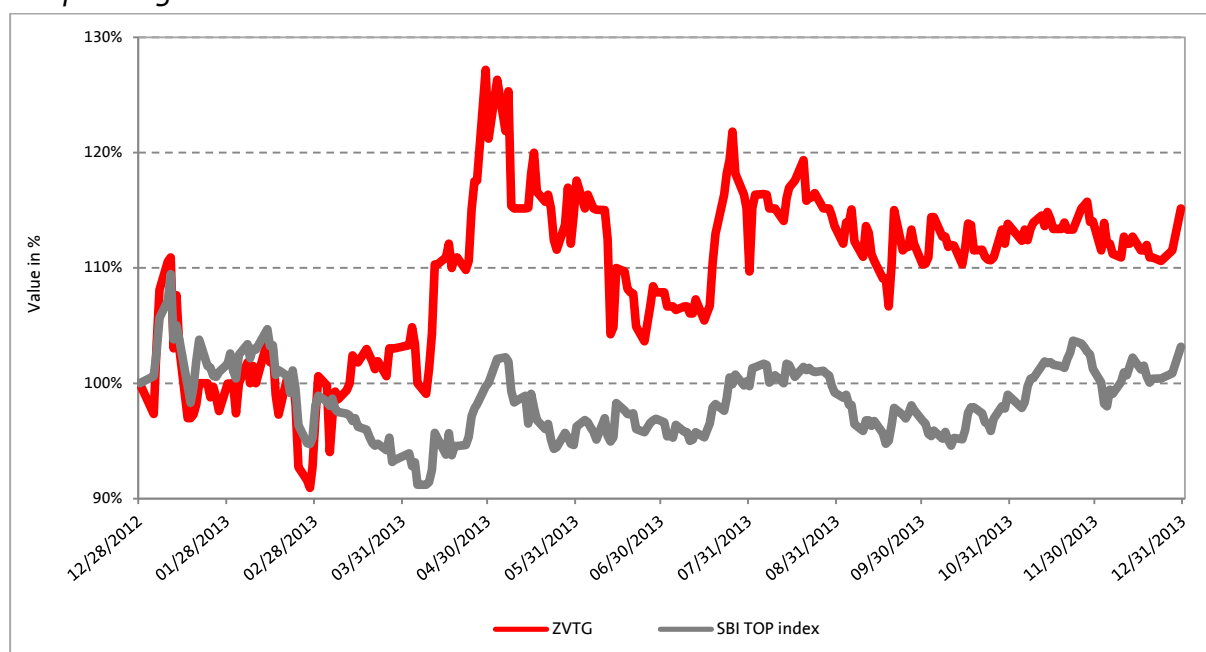


Movements in the closing price of the ZVTG share (right axis) and movements in the value of the SBI TOP Index in EUR (left axis)



The ZVTG share price recorded movement similar to the trends of the SBI TOP Index, however its value increased considerably more. The SBI TOP Index climbed 3% above the starting price.

The relative stock price change of ZVTG share and the value of the SBI TOP Index in 2013 were compared against their base data values as at 31 December 2012



The ZVTG share as one of the most liquid shares of the Ljubljana Stock Exchange is included in the Slovene SBI TOP Index and six indices of the regional Central and Eastern European Stock Exchange Group (CEESEG) under the auspices of the Vienna Stock Exchange (indices CEESEG EUR, CECE Mid Cap, CECE Extended, SETX, CEESEG Financials and CEERIUS Sustainability Index).

Maximum and minimum closing prices, maximum and minimum trading volumes and average trading volume in ZVTG shares in a trading day

in EUR					
Month	Maximum closing price	Minimum closing price	Maximum daily trading volume	Minimum daily trading volume	Average daily trading volume
January	18.30	16.00	837,619	5,276	192,104
February	17.10	15.00	1,031,681	2,540	119,237
March	17.00	15.52	12,119,861	84	730,909
April	20.99	16.35	1,157,219	2,286	220,627
May	20.85	18.41	158,475	2,636	38,713
June	19.20	17.10	1,925,427	683	178,423
July	20.10	17.40	144,818	1,050	36,439
August	19.70	18.75	153,278	188	36,268
September	18.99	17.60	601,741	1,886	83,290
October	18.88	18.20	124,160	924	22,798
November	19.10	18.54	213,729	7,302	84,137
December	19.00	18.25	5,279,854	11,481	672,711

5.4 Shareholder structure¹³

In terms of numbers, the shareholder structure of Zavarovalnica Triglav remained practically the same. As at 31 December 2013, Zavarovalnica Triglav had 28,647 shareholders, 28,686 in the previous year.

¹³ GRI G4-7, G4-13

Most evident is the change in the shareholdings of international shareholders compared to domestic shareholders. International investors, accounting for only 1.7% of the total number of shareholders, increased their shareholdings by almost 7 percentage points to 16.6%.

The ratio between natural persons and legal entities in the shareholder structure remains at the level similar to the previous year. As at the 2013 year-end, natural persons accounted for 28,000 shareholders or almost 98% of all shareholders, holding only less than 9% of all shares of Zavarovalnica Triglav.

Shareholder structure of Zavarovalnica Triglav as at 31 December 2013

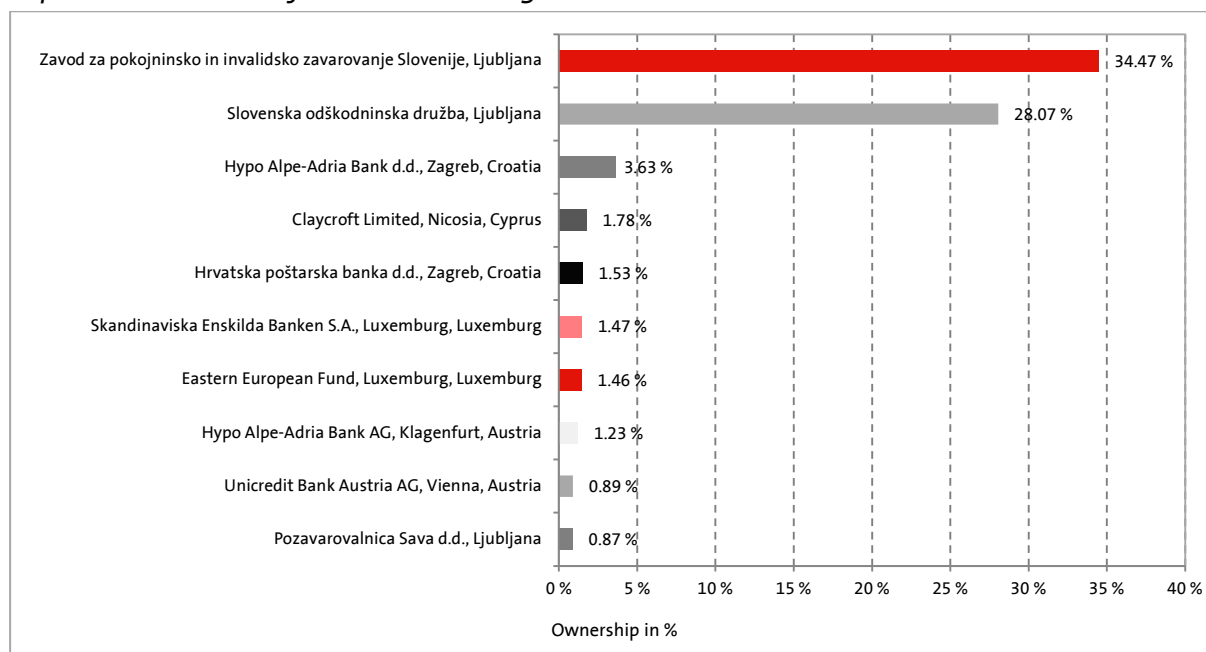
	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	18,952,681	3,782,467	20,767,146	1,968,002
Number of shareholders	28,647	28,169	478	647	28,000
Number of shares - percentage	100.00%	83.36%	16.64%	91.34%	8.66%
Number of shareholders - percentage	100.00%	98.33%	1.67%	2.26%	97.74%

Ownership concentration measured by equity stakes of the first ten shareholders remained at the similar level as in 2012. A good 75% of shares were held by ten companies. The largest and unchanged equity stakes are maintained by ZPIZ and Slovenska odškodninska družba d.d., whereas radical changes were evident among the remaining eight largest shareholders. Among the top ten shareholders, four retained their shares and six of them featured in the shareholder structure for the first time: Hypo Alpe-Adria Bank d.d., Zagreb, Croatia, Hrvatska poštanska banka d.d., Zagreb, Croatia, Skandinaviska Enskilda Banken S.A., Luxemburg, Eastern European Fund, Luxemburg, Unicredit Bank Austria AG, Vienna, Austria and Pozavarovalnica Sava d.d.

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2013 and 31 December 2012

Shareholder	Number of shares		Ownership (in %)	
	2013	2012	2013	2012
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana	7,836,628	7,836,628	34.47	34.47
Slovenska odškodninska družba, Ljubljana	6,380,728	6,380,728	28.07	28.07
Hypo Alpe-Adria Bank d.d., Zagreb, Croatia	825,769	-	3.63	-
Claycroft Limited, Nicosia, Cyprus	404,460	404,460	1.78	1.78
Hrvatska poštarska banka d.d., Zagreb, Croatia	347,182	140,228	1.53	0.62
Skandinaviska Enskilda Banken S.A., Luxemburg, Luxemburg	334,516	-	1.47	-
Eastern European Fund, Luxemburg, Luxemburg	333,034	-	1.46	-
Hypo Alpe-Adria Bank AG, Klagenfurt, Austrija	279,164	280,720	1.23	1.23
Unicredit Bank Austria AG, Vienna, Austrija	201,349	184,562	0.89	0.81
Pozavarovalnica Sava d.d., Ljubljana	197,489	30,124	0.87	0.13

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2013



Number of shares owned by members of the Management and Supervisory Boards as at 31 December 2013

Name and surname	Post	Number of shares	Equity stake
Management Board		-	-
Andrej Slapar	President	-	-
Stanislav Vrtunski	Member	-	-
Benjamin Jošar	Member	-	-
Marica Makoter	Member, Employee Representative	-	-
Supervisory Board		1,604	0.01 %
Shareholder representatives		-	-
Matej Runjak	Chairman	-	-
Gregor Kastelic	Deputy Chairman	-	-
Rajko Stanković	Member	-	-
Mario Gobbo	Member	-	-
Dubravko Štimac	Member	-	-
Matija Blažič	Member	-	-
Employee representatives		1,604	0.01 %
Branko Gorjan	Member	1,204	0.01 %
Peter Celar	Member	400	0.00 %
Miran Krštinc	Member	-	-
Management and Supervisory Boards combined		1,604	0.01 %

Treasury shares

The holders of Zavarovalnica Triglav's shares are subsidiaries Slovenijales d.d. and Avrigo d.d. Slovenijales acquired 24,312 shares of Zavarovalnica Triglav and Avrigo 8,820 shares.

5.5 Dividend policy

The dividend policy of Zavarovalnica Triglav is stable and is based on its target capital adequacy. In line with its dividend policy, the Triglav Group will always have enough available

capital to independently meet the criteria for ensuring its »A« rating. The dividend policy also takes into account the planned growth rate and development of the Group in target markets of the SEE region.

Overview payments for the business years 2010–2013

Items	2013	2012	2011	2010
Total dividends (in EUR)	to be defined	45,404,032	15,904,095	9,088,053
Dividends per share (in EUR)	to be defined	2.00	0.70	0.40
General Meetings of Shareholders	11 June 2013	13 June 2012	21 June 2011	28 June 2010
Earnings per share (in EUR) – consolidated	3.06	3.19	2.07	1.22

*Note: Treasury share dividends are excluded.

5.6 Communication with investors

The main goal of communicating with investors, shareholders and the expert financial public is to achieve a fair value and expected liquidity of the Company's securities by striving for openness and up-to-datedness as well as compliance with Prime Market standards. Zavarovalnica Triglav offers equal treatment to all existing and new shareholders and therefore also guarantees the best possible basis on which investment decisions are adopted.

Transparency of operations is ensured through the information on the Triglav Group's performance and its financial position published on the Company's website www.triglav.eu and via the SEOnet system on the web portal of the Ljubljana Stock Exchange. Information is available in Slovene and English.

Communication objectives are realised by holding regular general meetings of shareholders, attending the meetings with financial analysts and investors, organising conference and individual calls with financial analysts and regularly communicating with financial media. In 2013, the Company attended meetings with investors in New York, Belgrade and Zagreb, two investment conferences in Ljubljana organised by the Ljubljana Stock Exchange and an online investment conference organised by Alta Invest.

The Investor Relations page on the website www.triglav.eu contains a section devoted to minority shareholders, providing them with contact information and answers to basic questions related to Zavarovalnica Triglav shares. The contacts for further information are listed below.

Information for shareholders:

Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana
Finance Division
Phone: ++386 (1) 47 47 331
E-mail: ir@triglav.si

5.7 Protecting the interests of minority shareholders

Zavarovalnica Triglav provides equal treatment to all shareholders. Timely and correct information on the Company, business performance enabling the payment of dividends and efficient corporate governance are of utmost importance for the shareholders. Special care is placed on the inclusion of minority shareholders, which is achieved by regular and comprehensive communication (for more information see *Section 5.6*).

5.8 Credit rating of the Triglav Group and Zavarovalnica Triglav

In February 2013, the Standard & Poor's credit rating agency (hereinafter: S&P) lowered the long-term rating of the Triglav Group, which applies to both Zavarovalnica Triglav and Pozavarovalnica Triglav Re, by one notch from »A-« to »BBB+«. This downgrade was caused by the lowering of the long-term sovereign credit on the Republic of Slovenia.

Due to the revised criteria for assessing credit ratings of insurance companies and on the basis of a re-evaluation, the S&P raised the Triglav Group's credit rating by one notch from »BBB+« to »A-« and issued a stable medium-term outlook in July 2013. The credit rating increase is the result of the S&P's view that the Triglav Group is capable of preserving its capital adequacy and profitability at very strong levels. The S&P credit rating reflects the Triglav Group's prudent insurance technical provisions of non-life insurance and growth in retained earnings. The "A-" rating reflects the Group's acceptable level of business risk, enhanced by its leading position on the Slovene insurance market and strong financial profile. The stable medium-term outlook reflects the S&P's expectations that the Triglav Group will maintain its strong competitive position and very strong capital adequacy and earnings.

In March 2013, the A.M. Best Rating Services assigned Zavarovalnica Triglav, and thus also the Triglav Group, a financial strength rating of »A-« (excellent) and an issuer credit rating of »A-«. A.M. Best assigned the same joint credit rating to Pozavarovalnica Triglav Re. The medium-term outlook for the credit ratings is stable. In October 2013, the A.M. Best credit rating agency re-affirmed the above-mentioned credit ratings.

5.9 Bonds of Zavarovalnica Triglav d.d.

Zavarovalnica Triglav issued a serie of bonds. The bonds were issued as subordinated, registered, Euro-denominated bonds at a fixed rate of 5.95%. The bond was listed on 30 June 2010 with its nominal value of EUR 30 million. The last coupon and the principal will fall due on 21 March 2020.

The bonds, bearing the ticker symbol ZT02 and ISIN Code SI0022103038, are traded on the bond market of the Ljubljana Stock Exchange.

6. DEVELOPMENT AND SALES ACTIVITIES

- **New niche insurance, a well-received bonus programme and extensive adjustment of insurance bases and tariffs for retail clients and some industries.**
- **Product adaptation and design based on the local environment of the Group.**
- **In Slovenia, modern sales approaches in the internal network, boosting of trust of the external network and alternative sales channels; bases for gradual strengthening of own sales networks of subsidiaries outside Slovenia.**
- **New steps in implementing the branding strategy and a first joint marketing campaign of the Triglav Group.**
- **Client focus accompanied by organisational changes and IT support development.**

6.1 Development activities¹⁴

The economic and market conditions in the region stimulate Zavarovalnica Triglav to respond appropriately in non-life insurance development and portfolio maintenance. Development is focused on clients, monitoring and personified approach. Technological innovations, especially a widespread use of mobile devices and e-business, further increased the need to adapt, which is monitored by using expertise and systemic solutions. As a result, insurance products are often upgraded and their forms expanded.

Economic trends particularly weakened financial markets, the fall in the purchasing power of households and the growing unemployment rate had a negative impact on life insurance portfolio. To the changes in the life insurance segment, Zavarovalnica Triglav responded with a series of measures, such as development of innovative insurance forms, redesign of insurance products and lowering of prices. Greater attention and a wide range of activities were focused on the existing portfolio and its maintenance. Efforts were devoted to responsible marketing based on understanding and accessibility of financial products and claim handling. The business policy in developing insurance markets outside Slovenia is focused on enhancing the sales network so as to present the products to the clients in a more integrated and understandable manner via a personal approach, regardless of their age and education level, while also reaching geographically less accessible areas. The Company strives for policyholders to be well informed of the insurance terms, conditions and coverage. On the Slovene market, this is also achieved by strengthening Zavarovalnica Triglav's web presence.

The Insurance Act of the Republic of Slovenia prescribes information on insurance terms and conditions and information of policyholders to be provided by the insurance company. This information mainly refers to an insurance contract, general insurance terms, conditions and notices, and information of policyholders upon conclusion and for the duration of an insurance contract. Defined by law are also the obligations of agents in providing information on insurance products and services (more at <https://zakonodaja.com/zakon/zzavar>). Information of policyholders is also prescribed by comparable laws in Croatia, the Czech Republic, Macedonia, and Bosnia and Herzegovina (the Federation of Bosnia and Herzegovina and the Republic of Srpska). In contrast, the Insurance Act in Serbia and Montenegro does not lay down such obligations. There, an insurance contract is regulated in general by the Code of Obligations, which does not include expressly determined obligations of information, as defined in previously mentioned countries.¹⁵

By maintaining professionalism and fraud risk management, the focus is on simplifying loss adjustment procedures, especially those involving mass loss events. In the mass loss reporting

¹⁴ GRI G4-DMA, G4-FS13, G4-FS14

¹⁵ GRI G4-PR3

procedures, policyholders' property risk and their current situation are taken into account (public announcements and instructions to policyholders, adapted internal work organisation to achieve easier accessibility of services, mobile applications). In Slovenia, architectural modifications to points of sale began in order to enable easier access to insurance services for people with various disabilities.¹⁶

6.1.1 Non-life insurance

The **i.triglav** online portal brought new development possibilities. Zavarovalnica Triglav is the first insurance company in Slovenia to offer non-life, life and health insurance on a single website. In 2013, the online range of non-life and accident insurance products was upgraded to include several niche insurance products for target groups such as hikers, cyclists and skiers (see *Section 6.2.2 Marketing activities*).

Property and interest in property insurance for natural persons (DOM insurance package) was revaluated and terms and conditions of power industry insurance and raft owner/operator liability insurance for damage caused to third parties were revised. Questionnaires and tariffs for individual insurance products were adjusted.

In the automobile insurance market, harsh conditions of competition continue to prevail, forcing Zavarovalnica Triglav to adapt and make amendments to insurance terms, conditions and tariffs. Therefore, changes were made to the extra charges payable on car insurance for young drivers and the discount on non-recovery of insurance premium in annual motor vehicle insurance. The numerous adaptations included revision of tariffs for insurance of more expensive vehicles and extended insurance cover for damage caused by vehicles in the performance of work outside traffic. Similar changes were introduced in the transport insurance segment. The general terms and conditions and premium tariffs for carrier liability insurance for cargo transport, comprehensive marine insurance, comprehensive container insurance, cargo insurance and freight forwarder liability insurance were revised.

In agricultural insurance, Zavarovalnica Triglav was the first insurance company in Slovenia to offer crop insurance against the risk of meteorological drought.¹⁷ Most insurance tariffs, terms and conditions were revised (insurance for dogs and other animals, winter crop insurance). In accident insurance, insurance bases for child accident insurance were changed to comply with the Code of Obligations and the provision of the Insurance Supervision Agency stating that life insurance can no longer be concluded for children younger than 14 years.

The decrease in insured sums and inclusion of additional coverage were the reasons to redesign supplemental medical travel insurance for international travel with assistance. Insurance bases for travel arrangement insurance were also changed.

Development of IT support is discussed in *Section 6.4*. Without doubt, a redesigned expert authorisation process and successfully completed project of increased risk identification contributed to good business results of Zavarovalnica Triglav.

The Triglav Group

Following a comprehensive content integration, Zavarovalnica Triglav's Non-life Insurance Division subsequently linked to all subsidiaries in the Group, becoming the pillar of development activities and content unification of risk assessment processes in the entire Group.

¹⁶ GRI G4-FS13

¹⁷ GRI G4-EC2

Subsidiary insurance companies gradually migrate to the integrated AdInsure IT support in order to achieve simpler and better quality of insurance risk management as well as to ensure unified criteria and standards of insurance product development and integration (more in *Section 6.4*).

6.1.2 Life insurance

In addition to the economic situation, legislative changes had a significant impact on life insurance product development in 2013. Insurance redesign was greatly affected by the implementation of the guidelines of the European Commission on equal treatment of insured persons of both sexes, the Directive on equal insurance premiums for men and women (the EU Directive) and the provision of the Code of Obligations stating that life insurance cannot be concluded for children younger than 14 years (also see *Section 6.1.1*). All dictated the changes made to the insurance bases and tariffs of several life insurance products.

Market approach competitiveness and efficiency were increased by revising the insurance bases for online underwriting of term life insurance – *i.rizično*.

Main projects in 2013 included the development of a new insurance product *Triglav Zaščita* and the redesign of supplemental voluntary pension insurance so as to ensure compliance with the Pension and Disability Insurance Act (ZPIZ-2). Clients are still more prudent when purchasing long-term insurance policies with a savings component. The range of life insurance products was strengthened primarily in the segment that offers protection against unexpected life circumstances. Triglav Zaščita life insurance opens a new segment of insurance products, which were not provided thus far. It is intended to provide protection of income of natural persons in the event of total permanent incapacity for work. Moreover, it provides an innovative combination of coverage in the case of death, total permanent incapacity for work and serious conditions due to an accident or illness.

The Act Amending the Pension and Disability Insurance Act (ZPIZ-2) introduced many changes to investment policies and procedures for the inclusion into insurance and the development of new implementation documents (management rules, investment policy statement, risk management plan). In order to implement these changes, in December 2013 requests for the approval of changes to the pension schemes and other documents were submitted to the authorities in charge. In 2014, final implementation of changes is planned.

In line with the Code of Obligations, supplemental insurance for severe illnesses and injuries was redesigned. Apart from that, the entire underwriting documentation was reformulated in accordance with the changes.

The Triglav Group

The remaining markets of the Triglav Group also experienced trends that had a negative impact on life insurance sale and portfolio, thus focusing on redesigning and adapting the entire pricing structure of existing insurance. In developing new forms of insurance, the actual needs of individual markets were taken into account, thereby increasing their market potential.

As in the non-life insurance segment, strategic guidelines were implemented, while insurance products and implementation processes for life insurance continued to be transferred to the subsidiaries. Uniform IT support for all subsidiaries offering life insurance products enabled simpler development and transfer of insurance products. Along with the transfer of products, the pricing structure and content of individual products were adapted to special requirements of every market, while some insurance products were completely redesigned.

In line with the Triglav Group's policy, new products and services were adapted to the needs of individual markets. In Bosnia and Herzegovina, collective life insurance for borrowers with a uniform premium rate and supplemental insurance in the event of unemployment or sick leave longer than 42 days were introduced, in addition to one-off term life insurance with a low premium price.

In Serbia, support was provided for surrender processing.

In Croatia, a new member of the EU, the entire range of life insurance products was brought into compliance with the requirements of the European directive on equal treatment of both sexes. The existing supplemental accident insurance was included among the rest of life insurance products. Supplemental child accident insurance and supplemental insurance for severe illnesses and injuries were introduced. The pricing structure of mixed life insurance was adapted. Apart from that, the transfer of i.triglav online portal was initiated.

In Montenegro, the pricing structure of mixed life insurance was adjusted with insurance for critical illnesses and supplemental insurance for severe illnesses and injuries was introduced.

6.2 Sales and marketing activities

By reorganising sales departments, the existing focus on insurance classes shifted to clients or sales channel types, emphasising the importance of sale and sales results regardless of insurance class.

Due to non-compliance with the law and regulations on the safe use of insurance services and products, no monetary fines were imposed.¹⁸

6.2.1 Key development activities in the internal and external sales network

Strategic guidelines were taken into account in the direct development of sales channels, focusing on sales network development and improving client satisfaction and loyalty. Triglav's extensive internal sales network along with the primary channel for informing the clients of the wide selection of high quality products and services remain the key comparative advantage. This is especially important for Slovenia, which is known for its diverse geographical profile with numerous small settlements. Moreover, many activities are focused on external sales network and on the development of new sales channels and modern sales approaches.¹⁹

In the internal sales network:

- the Triglav Komplet bonus programme for the existing and new clients was successfully launched;
- new standardised Rules on Agent Network Organisation and Remuneration of Insurance Agents and Team Heads were implemented, representing an important step towards a more effective sales network;
- the professional knowledge and sales skills of the sales personnel and sales managers were improved through various professional training courses and seminars (training courses on launching new products, a two-day seminar on current sales and marketing topics for retail insurance sales managers, heads of branches and agent teams, training for

¹⁸ GRI G4-PR9

¹⁹ GRI G4-FS13

- promising insurance agents, sales training courses for co-workers at own points of sales, an annual two-day seminar for sales officers on products and sales);
- the sales staff was trained and motivated to provide quality advice to clients, and heads of sales were trained for the efficient management of sales teams;
 - sales participation and support at regional units was strengthened;
 - the introduction of modern sales tools accelerated in order to ensure more efficient insurance underwriting and cost-effective operations;
 - the sales staff was intensively included in the introduction of a new underwriting application;
 - target sales promotion campaigns were carried out.

The external sales network was reorganised and the *External Channel Sales Department* was established. Work with external points of sale was standardised, the quality of services raised and responsiveness in handling the issues of external points of sales increased. Greater focus is placed on contractual partners. In addition to internal standardisation of procedures, the main goals of the new department are as follows:²⁰

- management centralisation,
- equalising the sales channels,
- seeking new marketing opportunities to increase the portfolio,
- introduction of sales promotion campaigns.

The above-mentioned activities already helped to form partnerships and to strengthen the trust of external contractual partners. The end result is improved sales results of contracted points of sale.

The new software tool allows daily sales result monitoring, while also providing the option of on-going and prompt implementation of corrective actions.

Development of the sales network of subsidiaries abroad

Fundamental activity areas for internal network development:

- *Systematic training of the sales staff and heads of agent sales teams* in order to upgrade their professional and sales skills. Training of heads of sales teams, who are of key significance for the sales network development and efficiency, began in 2013 by holding introductory training workshops and, at some places, carrying out field training (coaching in Croatia).
- *Formation of agent sales teams* in the companies that do not have them yet.
- *Upgrade and redesign of salary systems for sales staff remuneration* based on sales results (also through good practice exchange within the Group).
- *Sales administration* was successfully launched in 2013 in all companies. Sales administrators actively monitor the sale and participate in sales activities of individual companies. In addition, posted workers in individual companies take part in the sales activities, establishing a link with subsidiary management.
- Sales administration is also performed through *reporting* of subsidiaries. In 2013, weekly monitoring of agents' sales activities began, while monitoring of sales results by sales channel and branch was carried out on a monthly basis. In 2014, systematic monitoring of agents' productivity and cost-effectiveness measurement will begin.

²⁰ GRI G4-13

Access to insurance services for people with various disabilities²¹

Within the framework of the project "The Disabled-Friendly Zavarovalnica Triglav" and in cooperation with an external provider, an independent analysis of service accessibility for persons with various disabilities was conducted (movement-, visually or hearing-impaired persons). Most elderly people also face similar difficulties. The analysis results showed that 65% of Triglav's branches in Slovenia enable completely independent access to points of sales to movement-impaired persons in a wheelchair. Those without automatic doors provide all other conditions for independent access (no architectural barriers from the street to the sales counter) for movement-impaired persons, and special signs for access and bells for assistance in opening doors are being installed.

A brochure containing information on working with clients with disabilities was published so as to provide assistance to the sales staff and employees at claim centres. Zavarovalnica Triglav strives for its website to be in compliance with at least the requirements of the AA standard WCAG 2.0 for visually impaired persons.

All points of sales were equipped with magnifying glasses for visually impaired persons, while head offices of all regional units across Slovenia were equipped with FM devices enabling easier communication with hearing-impaired persons. Information on which own points of sale enable independent access to persons with various disabilities is available on the website www.triglav.si.

6.2.2 Marketing activities

Online operations

Selling insurance online is becoming increasingly more important as clients are more and more inclined to online shopping. Such an offer is also being expanded by competitors. The potential of this sales channel is enormous.

At the 2013 year-end, Zavarovalnica Triglav provided online renewal and underwriting of new automobile insurance and the ordering of green cards, underwriting travel insurance, health insurance while travelling abroad, accident insurance for children and adolescents, bicycle and cyclist insurance, insurance for sports activities, and insurance for hikers and mountaineers. Among the life insurance products, term life insurance, FLEKS investment insurance and supplemental voluntary pension insurance can be purchased online.

Other alternative sales channels

Direct marketing:

- For several years, Zavarovalnica Triglav has successfully marketed accident insurance for children and young adults, achieving a very high response rate among policyholders also in 2013.
- A special discount offer for the online purchase and contract conclusion of travel insurance was launched, whilst the segment of policyholders who often travel or spend their holidays abroad was addressed with direct marketing.
- During the campaign "The only automobile insurance that rewards you with Pika bonus points", the policyholders who took out automobile insurance were informed of this one-time special offer.

²¹ GRI G4-FS14

- The policyholders who took out automobile insurance at contracted points of sale were invited to help design the Triglav Komplet package.
- Supplemental voluntary pension insurance (SVPI) policyholders were offered to make additional payments to their existing insurance policy.

Sales promotions

In Slovenia, the year 2013 was marked by numerous successful sales promotion campaigns for various products and services, tailored to target groups and/or user segments. Much attention was paid to web presence.

At the 2012 year-end, a new bonus programme Triglav Komplet was introduced that combines all the insurance policies of a family in a simple and transparent way. Loyal clients are offered attractive bonuses with the inclusion of several policyholders and insurance policies, as this way family members receive a higher combined discount upon the renewal of existing or taking out new insurance policies. The service was very well received because a year later, i.e. as at 31 December 2013, over 457 thousand policyholders were included in the Triglav Komplet.

Since spring 2013, a new client service line – Triglav medical assistance – has been available to Company's policyholders in the event of an accident or illness abroad, providing the services in Slovene. In switching to a new client service line provider, the insured sums were adjusted for urgent medical treatment cases and transport costs to a medical facility and to the home country, depending on the purpose of travelling, activities and characteristics of the country of travel.

As the main sponsor and official insurer of the European Basketball Championship – EuroBasket 2013, Zavarovalnica Triglav carried out a high-profile sales campaign during the Championship, offering new policyholders of automobile insurance or non-life insurance a 25% EuroBasket discount.

In cooperation with Mercator retail chain, two campaigns were organised for automobile insurance policyholders. In October they were rewarded with bonuses on their Mercator Pika card (customer loyalty card), while towards the end of 2013 a special price for the purchase of vignette at the points of sale of Mercator, the largest retail chain in Slovenia, was offered during the two-month sales campaign.

In addition, Zavarovalnica Triglav launched new niche products for athletes, professional and recreational, were launched in the Slovene market. In spring 2013, bicycle and cyclist insurance was offered, followed by insurance for hikers and mountaineers and insurance for sports activities.²²

Focus was on marketing of redesigned insurance and positioning of new non-life and life insurance products presented in *Sections 6.1.1 and 6.1.2*. A new life insurance product Triglav Zaščita for the protection of income of natural persons in the event of total permanent incapacity for work was widely accepted, which is why it was offered to all policyholders before the end of year.

Sales in subsidiaries abroad

Sales development in insurance subsidiaries outside Slovenia is conducted in a coordinated manner, by transferring good practices and standardising sales processes, with an aim to turn

²² GRI G4-FS7

the sales into a competitive advantage of the Group. Sales challenges and tasks were identified, analysed and started to be resolved.

- The sales processes and the sales staff are mainly focused on marketing of automobile liability insurance (compulsory insurance). Lower demand for other insurance services may be attributed to the lack of insurance tradition, but the market habits and needs are gradually changing, to which market-based approaches are adapted.
- The development possibilities for the internal sales network of most subsidiaries lie in organisation, sales management and development of sales skills. The external sales network is active in the automobile insurance segment, which is why its development possibilities also open up in other insurance areas. Alternative sales channels such as online sales and dial-up services are unutilised. The subsidiary in the Czech Republic has no retail sales network.

The main goals of subsidiaries are as follows:

- development of an internal sales network (see *Section 6.2.1*), increased productivity of the sales staff and balancing their structure;
- greater role of marketing to provide efficient guidance and sales support.

6.2.3 Brand management and marketing communications

Brand redesign efforts and implementation of the Triglav brand identity within the Triglav Group were continued at corporate and product levels using integrated management. An integrated brand management system is an integral part of strategic brand management. Product advertising was aimed at sales support in all insurance classes, while corporate advertising focused on promoting the reputation and consolidating the Triglav brand.

Consolidation of the Triglav Group's market position and the visibility of the Triglav brand in the region was continued by unifying its digital presence. First, names of certain insurance subsidiaries have to be coordinated, followed by the implementation of a uniform visual identity. In 2013, several subsidiaries in Slovenia were renamed and the uniform corporate identity was expanded (Triglav, Zdravstvena zavarovalnica, TRI-PRO and other companies). The insurance company Lovćen Osiguranje, Podgorica was the last of the subsidiaries outside Slovenia to make the first step to a unified branding strategy. It assumed the corporate identity and the signature "a member of the Triglav Group".

Brand reputation was maintained and built via corporate communications. Numerous events were organised for the internal and external publics in order to implement the Company's corporate social responsibility goals, maintain partner relations and attract new business partners. By using new communication techniques and channels, the brand with the longest tradition in the Slovene market is given a modern touch. A viral marketing campaign, supported with public relations activities all year round, contributed to the efforts put into the insurance fraud prevention, pointing out their adverse effects and the nature of criminal offences. The perception analysis before and after the campaign showed that the campaign had a positive impact on changing the perception of target external and internal publics. In 2013, two viral campaigns were launched.

The situation on all Triglav Group markets demands greater focus of product advertising for all insurance classes. The whole campaign "Life Is a Game" for life insurance in Slovenia, in which top athletes sponsored by Zavarovalnica Triglav participated, had a strong corporate charge. As part of the campaign, the Youth Is the Safety of Our Future project for the development of sports and artistic talents was carried out and scholarships were awarded to many young people. With strong media support, the project was implemented within the framework of the TV show "Slovenia's Got Talent" produced by PRO PLUS – POP TV.

One of the biggest advertising campaigns in the history of Triglav was organised during the biggest sports event in Slovenia, the European basketball championship – EuroBasket, with the participation of national teams of all the countries in which the Triglav Group operates. The campaign, in tune with the marketing activities in the sales network was corporate in the initial phase, for the first time in all markets of the Group. Until the beginning of the championship, the campaign was intensified by numerous events and activities. At the headquarters of the parent company in Ljubljana, an exhibition of basketball jerseys of all teams was opened to the public a day before the championship. After the championship ended, the jerseys were sold at a charity auction held by the Zavarovalnica Triglav's institute *Vse bo v redu* (Everything will be alright) in order to help fund the training of basketball players with disabilities for the paraplegic basketball championship.

The Company monitored the impact of all these activities on brand reputation and the efficiency and effectiveness of advertising campaigns. According to ad recall in the category of insurers, Zavarovalnica Triglav occupied the first place most often, while among all observed ads it ranked between the fourth and the seventh place.

The same is true for the campaign that was designed to raise awareness on the dangers of insurance fraud, which also increases the prices of insurance products. Checking the perception of the target external public showed a significant shift in insurance fraud identification. An analysis conducted after the campaign ended showed that 30% of the respondents identified all eight actions indicated in the survey (intentional infliction of harm, a completely fictional event, reported claims for events not covered by insurance, taking out insurance after the damage already occurred, suppressing information when concluding an insurance contract and in the claim for damages, indicating greater value in the claim for damages and overstating the extent of damage incurred), while only 26% of the respondents did so a year and a half ago.²³

Zavarovalnica Triglav adhered to the Slovenian Code of Advertising Practice. In 2013, no proceedings for infringements related to marketing communications were initiated against Zavarovalnica Triglav and its subsidiaries.²⁴

The strategic orientation of marketing communications was confirmed by the title "Advertiser of the Year" awarded for the first time to Zavarovalnica Triglav at the Slovene Advertising Festival (SOF) for its convincing, original and very consistent application of various marketing mix elements in accordance with the corporate brand identity and the highest professional standards.

6.2.4 Investment in real property and equipment²⁵

In 2013, the Triglav Group invested EUR 9.8 million in property, plant and equipment, EUR 2.6 million in investment property and EUR 10.2 million in intangible assets. Investments in intangible fixed assets include investments in software and property rights.

6.3 Organisation of the Triglav Group

In line with the strategy, activities continued within the scope of business process redesign project in order to streamline operations, improve cost efficiency and to standardise and increase the effectiveness of business process implementation. The year 2013 was marked by

²³ GRI G4-SO4

²⁴ GRI G4-PR7, G4-15

²⁵ GRI G4-13

major organisational and process changes. The organisational structure and post classification were coordinated with strategic guidelines and new or adapted IT processes and requirements.

Greater organizational and process changes resulted in client focus and internal operational and development coordination. On 1 March 2013, until then divided life and non-life insurance sales were joined into the unified Insurance Sales Functional Area, which also includes previously organisationally independent regional units. The new functional area is managed by an executive director, whereas prior to the integration the regional units were directly subordinated to the Management Board. The role of the Client Contact Unit (CCU) was amended and clearly defined, and online operations and telephone sales were added.

The business process management system was divided into two subsystems:

- business process redesign system (implementation of major process changes) and
- business process management system (implementation of minor process changes and improvements).

Administrators and owners of key and identified business processes were specified. A new application was developed and implemented (the Business Process Register) so as to provide a comprehensive overview of their personal responsibility in process management for all business functions of Zavarovalnica Triglav (at strategic, tactical and operational levels). The manner of monitoring and assessment of computerisation level of individual processes was determined.

In redesign, the process approach is systematically applied. A process modelling methodology was set up, a business process model and process measurement methodology were introduced and the basis for determining process indicators was specified. Using the selected indicators, effectiveness and efficiency will be checked and processes improved. A good starting point is provided by an overview of the effects of implemented reorganisations and process changes by individual business function of Zavarovalnica Triglav for the 2006–2013 period, prepared by the Organisation, Business Processes and Technologies Functional Areas and process owners. Furthermore, a new process documentation system was set up and the implementation of change management system using the ADKAR methodology and tool was continued.

A new internal document and circular management concept was implemented and the new integrated application Circulars was introduced. The purpose of the redesigned application Internal Documents is to further improve the standardised documenting and electronic archiving of internal documents.

E-business was systematically expanded:

- compliance of internal rules with actual procedures of e-safekeeping was verified;
- the range of documents kept in e-safekeeping was expanded;
- implementation of insurance documentation digitalisation began and electronic signature using e-pen was introduced for all key non-life insurance sales channels;
- management of competences and authorisations was upgraded with e-issue of authorisations, improving process efficiency in terms of both costs and time.

6.4 Development of the IT support

Besides smooth performance of regular computer-supported operational processes and support for achieving strategic business objectives, the main development activities of the IT Functional Area also focused on process and organisational improvements and client management.

At process and organisational levels Zavarovalnica Triglav continued to redesign the non-life insurance IT system, set up the data warehouse, design the client relationship management system and build the bases for achieving compliance with *Solvency II* requirements. The project redesign programme is almost in its final phase. Thus, the data warehouse is already a source of information for monitoring of operations and decision-making in some segments. New technological possibilities are considered in the development of new products, enabling the use of alternative sales channels and taking into account the changed client habits (online sales, life insurance policy monitoring portal, support for cooperation with tourist agencies and banks).

To make the work of employees easier, applications for mobile phones and tablets were developed, which are used by a wide range of co-workers, from agents and appraisers to members of the Management Board (authorisation of exceptional discounts, crop appraisal, reports containing data on monthly premium, claims and expenses). The previously described amendments to the legislation or other regulations demanded adjustment of parts of life and non-life insurance IT systems (SVPI, agricultural insurance, e-enforcement).

Activities for standardising the IT support for non-life reinsurance were continued. The application module for *Solvency II* reporting was launched.

Client management support was ensured by adding new functions for a more comprehensive overview of policyholders, setting up a bonus system and introducing a client loyalty programme.

New products and adapted existing products for attracting new clients and expanding the insurance of existing policyholders were supported by IT solutions for **various sales channels**. Appropriate solutions enabled changes to internal procedures such as increasing the volume of paperless operations or changes to internal rules (charging of fees to agents, redesign of e-archive use).

In 2013, most IT infrastructure was not subject to major changes. An exception to this was the network equipment segment, which was mainly replaced upon the introduction of IP-telephony, including a simultaneous increase in data transfer speed at some locations. Due to the growing use of mobile devices, a software solution was implemented for safe access to Triglav's IT system via mobile devices.

For **secure information management**, new documents were drawn up and activities within the information security management system (ISMS) were defined in greater detail.

Within the Triglav Group, the AdInsure software was introduced in the subsidiary Triglav Pojišt'ovna, Brno. For the needs of insurance subsidiaries Triglav Osiguranje, Zagreb and Triglav Osiguranje, Sarajevo, some life insurance products were adapted. Moreover, for Triglav Osiguranje, Zagreb, the software solution for accessing own life insurance policies and checking the balance of investment funds for investment life insurance was adapted. IT support was provided for all changes occurred as a result of Croatia becoming a member of the European Union (see *Section 6.1.2, The Triglav Group*). In the insurance segment of the Triglav Group, IT internal control assessment was performed, internal control improvement measures were implemented and mechanisms for continuous operation of IT were prepared.

Plans for 2014

Zavarovalnica Triglav:

- conclusion of redesigning the non-life insurance IT system;
- finalisation of setting up the data warehouse;

- development of the client relationship management system (CRM);
- development of new mobile applications in non-life and life insurance segments.

The Triglav Group:

- concluded implementation of standard software support for non-life insurance (AdInsure) in Triglav Pojišť'ovna, Brno in the beginning of 2014;
- implementation of AdInsure in Triglav Zdravstvena Zavarovalnica,
- upgrade of AdInsure functions with respect to the requirements of insurance subsidiaries,
- implementation of standard software support for accounting (Navision) and introduction of software support for ISMS and business continuity in the Triglav Group's insurance subsidiaries.

7. PERFORMANCE OF THE TRIGLAV GROUP

- The economic and financial crisis impacted the operations of the Group.
- The Triglav Group is the market leader in Slovenia, Macedonia and Montenegro and a market follower in Croatia, Bosnia and Herzegovina, in the Czech Republic and Serbia
- Domination of non-life insurance, highly responsive insurers and strong competition.
- Increased gross claims paid, less premiums written and quality insurance technical provisions.

7.1 General economic environment in Slovenia

In spite of slow recovery, for the second consecutive year the euro zone was in recession, observed also in Slovenia. Conditions in the labour market remained harsh and financing conditions difficult. In December Slovenia started restructuring the banking sector and was thus able to borrow on the international market. Following the autumn forecast of the Office of the Government of the Republic of Slovenia for Macroeconomic Analysis and Development (hereinafter IMAD) in 2013 Slovenia recorded a 2.4% decrease in real GDP, and the inflation rate remained relatively low at 2.0%. GDP at current prices decreased down to EUR 34.9 billion.

Domestic consumption dramatically dropped again, private consumption reduced by as much as 3.5%, and government consumption was lower by 1 percentage point. Capital consumption went down by 1.6%, which was slightly less than in previous years – as higher investments were observed in the energy industry and a slightly smaller fall was recorded in construction investments.

The reduction in GDP was mitigated by fast growing international trade. While imports practically stagnated, exports from Slovenia within and outside the European Union increased. The growth in goods was based on the export of medicinal and pharmaceutical products, whilst the growth in services stemmed from intermediary, trade and construction services. The competitiveness of the Slovene economy was strengthened by cost adjustments, whilst its cost competitiveness worsened because of the higher value of the euro. As at the year-end, 6.7% of total GDP growth was generated by the exchange rate.

Employment rate fell by 2.3%, as a result of decreased economic activity and a high rate of transition into inactivity due to the new pension reform. The largest fall in employment was recorded in construction, followed by manufacturing, and financial intermediation. Due to public finance restrictions a drop in employment in the public sector was noted for the first time. At an annual level the registered unemployment increased by 1.3 percentage points on average to 13.3% which nominally represents 120,600 persons.

The volume of loans granted to the private sector went down again, as a result of bank asset restructuring, restrictions in financing and deteriorating loan quality. Impairment and provisioning costs grew, and interest rates on corporate loans remained high as well. Indebtedness of Slovene companies is above-average. At the end of the year Bank of Slovenia published stress test results, requiring bank recapitalisation of EUR 4.8 billion. By transferring bad debt to the Bank Asset Management Company the government started the restructuring of the banking sector, but IMAD estimates that its effects will not be visible before 2015.

The state of Slovene public finances worsened again due to bank recapitalisation and higher interest expense. Total deficit of Slovenia considerably exceeded 3.8% reached in 2012 and its sovereign debt will climb (according to preliminary estimates of the Ministry of Finance) to almost 75% of GDP. Excluding the bank recapitalisation, in the first three quarters of 2013, the

deficit was lower than in the same period of 2012, which leads to conclusion that the conditions started to improve. In spite of adopted reforms, approval to postpone the elimination of the excessive deficit by two years and inclusion of the fiscal rule in the Constitution, Slovenia did not gain higher credibility in the financial markets. Conditions changed only in December with the restructuring of the banking sector.

The recovery of the Slovene economy will be uncertain in 2014. According to the autumn forecast of IMAD, GDP growth will be negative for the third consecutive year and reach -0.8%. Household consumption, government consumption and investment consumption will drop again. Positive growth is forecast only in strong international trade. The growth of registered unemployment will slightly level off at 13.6%, but the inflation rate will remain at a similar level, i.e. 1.9%. In 2014, the government will have to continue with the consolidation of public finance and privatisation according to the Stability Programme, in order to be able to reduce both the budget deficit and public debt. Forecasts are followed by uncertainties that can reduce the currently anticipated growth rates. In most cases they arise from effects of government measures relating to the fulfilment of commitments towards public finance consolidation.

7.2 Environmental impact on the performance of the Triglav Group

In 2013, the operations of the Triglav Group were significantly marked by the continuing economic and financial crisis, which strongly affected policyholder habits. The effects of reduced household and corporate demand for some insurance products are described in detail in sections 3.3 *Objectives achieved by the Triglav Group in 2013* and 7.5 *Gross written premiums from insurance and co-insurance contracts*. The reaction of competitors to the exacerbated conditions of economic operation is strong. They particularly affect the Company's operations by reducing their premiums. The insurance subsidiaries of the Triglav Group are responding to the market changes by introducing new sales approaches and placing new products, bonus programmes and promotional offers as well as by changing and adjusting the insurance terms and conditions, which consequently reduce the volume of written premiums. An additional loss of planned premium income resulted from the insurance portfolio selection and the intense measures taken to mitigate poorer insurance technical results in non-life insurance, manifested in a good claims ratio of the Triglav Group and the parent company.

The Company's business results are heavily influenced by the situation on capital markets, as diverse financial investments represent the majority of the Company's total assets. Owing to significant or long-term decreases in the value of investments, permanent impairment of financial assets reached EUR 28.1 million.

The performance was also affected by individual mass loss events, consequences of floods and wind storms with snow, frost and hail. In Slovenia, the Company recorded six massive claims, amounting to EUR 14.5 million. The biggest mass loss event was caused by a snow and ice storm that affected the entire Slovenia in January, which resulted in EUR 6.1 million of claims, particularly affecting one policyholder. At the end of March and at the beginning of April, flooding in the Prekmurje region resulted in more than 900 reported claims totalling EUR 682 thousand. In May, Central Slovenia and the Upper Savinja Valley were hit by a hail storm entailing over 1,850 reported claims with total damage of EUR 1.6 million. At the end of July, wind storms in entire Slovenia caused over 5,700 reported claims worth EUR 3.8 million, and again in November resulting in some EUR 2.1 million of damage. Moreover, at the end of November and at the beginning of December, wind storms hit Western and Northern Slovenia, causing damage of nearly EUR 200 thousand. The flood events in Central and Eastern Europe at the end of May and in the beginning of June are considered the most devastating natural disasters in 2013, having an impact on the business results of Triglav Pojiš'ovna and

Pozavarovalnica Triglav Re. Net claims of Pozavarovalnica Triglav Re, which participated through several reinsurance contracts, totalled EUR 1.8 million.²⁶

Despite numerous negative factors which had a significant impact on the operating conditions in 2013, the planned profit level was achieved, indicating the efficacy of measures adopted by the Triglav Group.

7.3 Insurance market and the position of companies in 2013²⁷

Some changes occurred in the global insurance market, since America (North and South America together) took the leading position. According to the latest official data of the reinsurance company Swiss RE (from May 2013) it won a 33.9% share of the global insurance market in 2012 or 1.7 percentage points more than in 2011. The share of Europe in the global insurance market, which used to lead in recent years, slightly shrank again and reached 33.3% of total insurance premium, which is 2.6 percentage points less than in 2012. Asia again strengthened its position: its market share grew by 0.9 percentage point and represented 29.2%. Africa modestly increased its role and accounted for 1.6% of total global insurance premium. On the contrary, Oceania's market share was reduced to 2.1% of the total.

According to the global insurance ranking for 2012 the Slovene insurance market was ranked 55th which is 5 ranks lower than in 2011. Although the Slovene market is 118-times smaller than the British insurance market, the largest in Europe, and it accounts for only 0.06% of the total global market (0.07% in 2011), it is nevertheless well-developed as shown by relative ratios. At the global level, Slovenia was again ranked 28th in premium per capita and 25th in insurance penetration (two ranks lower than in 2011).

Premium per capita and insurance penetration in Slovenia and some other European countries in 2012

	Premium per capita		Insurance penetration	
	(in USD)	World rank	(as a % of GDP)	World rank
Slovenia*	1,284	28	5.80	25
Austria	2,478	21	5.27	27
Croatia	348.4	47	2.69	50
Czech Republic	746.7	33	3.72	40
Great Britain	4,350	9	11.27	7
Switzerland	7,522	1	9.57	9
Turkey	145.9	62	1.37	72
Greece	520.3	37	2.36	53
Serbia	96	69	1.86	61
EU - geographic area	1,724	-	6.73	-
EU - 27	2,533	-	7.70	-

Source: Swiss RE, publication Sigma (No. 3/2013)

*Data on premium in Slovenia. Slovenian Insurance Association

The economic and financial crisis had a strong impact on the operations of insurance companies in Slovenia. A lower standard of living and a higher unemployment rate change consumer behaviour. The consumption of families and individuals is restricted to covering basic expenses; with all other costs, including insurance, following. Similar behaviour is also observed in companies. As clients they mostly decide for compulsory or other urgently needed insurance policies. Consequently, insurance companies earn lower insurance premium and

²⁶ GRI G4-EC2

²⁷ GRI-G4-6, G4-8

adjust to the behaviour of their clients by changing their offerings. In 2013, several sales promotion campaigns and prize competitions were organised; partly involving various business partners, such as banks and merchants. Insurance companies introduced the majority of campaigns, new products and elements in car insurance, where price competitiveness is the highest.

Development of the Slovene insurance market

Premium per capita	EUR 999
Premium as a percentage of GDP (data for 2012)	5.8%
Insurance market growth index in 2013	95.6

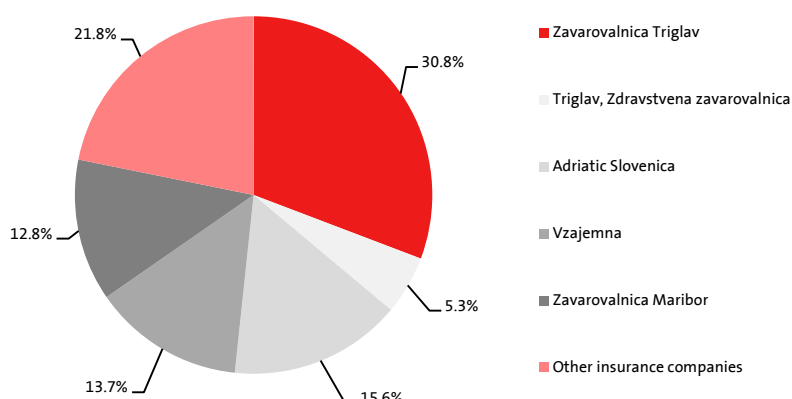
Source: Swiss RE, publication SIGMA (No. 3/2013), Slovenian Insurance Association

At the end of 2013, 14 insurance companies and 4 foreign branch offices, or one less than a year ago, operated in the Slovene insurance market. As at 1 October 2013, the insurance portfolio of KD živiljenja was transferred to Adriatic Slovenica. The insurance companies generated a total of EUR 1,964 billion in gross written insurance premiums, which is 4.4% less than in 2012. There were 17 traditional reinsurance companies, of which 10 composite and 7 companies specialised (in life, health, and non-life insurance). Together traditional insurance companies recorded EUR 1,962 billion in premium income of which non-life insurance accounted for almost 73% and the rest came from the life insurance segment. Life insurance premium went down by 10%, whilst a drop of 2% was recorded in non-life insurance. These data do not include insurance transactions directly conducted by the insurance companies from other EU member states (FOS) operating in Slovenia. Although the share of these transactions is growing, it is still negligible according to available data. Zavarovalnica Triglav directly operates in all 28 EU member states.

The market is characterised by a high degree of concentration. Four major insurers controlled 72.9% of the market of traditional insurance companies (70.7% in 2012). **Zavarovalnica Triglav** maintained the leading position with a 30.8% share, followed by Adriatic Slovenica whose share is almost twice smaller, was ranked second. Together with **Triglav**, **Zdravstvena zavarovalnica**, the Group held 36.1% of the market as at the end of the reporting period, which was 0.2 percentage point more compared to one year earlier. Predominantly foreign-owned insurance companies (Generali, Merkur, Grawe, Wiener Städtische, Allianz, Ergo branch office, Ergo živiljenjska zavarovalnica and Arag) recorded a total of EUR 211.9 million of insurance premium and expanded their market share from 10.1% in 2012 to 10.8%.

Zavarovalnica Triglav increased its share in life insurance market to 33.6%, which is by 1.3 percentage points more than in 2012. In the non-life insurance segment its share accounted for 29.7%, or 1.4 percentage points less than in 2012. The maintenance of the leading position has become increasingly demanding, since the difficult economic situation has been additionally aggravated by the aggressive price competition. When market concentration is high the competition is focused on the existing clients. To a great extent, maintaining the market position will depend on the speed of response to market changes.

The 2013 market share of traditional insurance companies in Slovenia



Source: Slovenian Insurance Association

7.4 Triglav Group's operations in other markets²⁸

7.4.1 South-East Europe

In 2013 the Triglav Group, operating in the markets in Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, the Czech Republic, Serbia and the Former Yugoslav Republic of Macedonia, was consolidating its position. In most of these countries, life and non-life insurance products are offered, while in the Czech Republic, Macedonia and the Republic of Srpska only non-life insurance products are provided.

The following goals were pursued in the foreign markets:

- using comparative advantages of the Triglav Group in foreign markets;
- ensuring long-term yields on invested assets;
- observing the local legislation and reinsuring risks that exceed equalisation schemes of subsidiaries abroad by Pozavarovalnica Triglav Re, a member of the Triglav Group;
- servicing of Slovene corporate clients' insurance needs in foreign markets;
- using the presence in rapid-growth markets to boost the insurance operations of the Triglav Group;
- achieving higher productivity based on economies of scale and synergies.

The South-East European countries recorded a modest economic growth rate, excluding Slovenia and Croatia which are in recession. With the exception of the Czech Republic, the markets of the Triglav Group are relatively undeveloped, thus it is estimated that they have major development potential. In the structure of total written premium in the region, the largest segment remained motor liability insurance, although the share of life insurance products increased in 2013. Subsidiaries of the Triglav Group maintained their leading position in Slovenia, Montenegro and Macedonia. More details on individual markets and market position of the Triglav Group subsidiaries are provided below.

²⁸ GRI G4-6, G48

7.4.2 Croatia

Main macroeconomic indicators for 2013

Population	4.4 million
2013 GDP growth (estimate)	-0.6%
2013 GDP (estimate)	USD 58.6 billion
2013 GDP per capita (estimate)	USD 13,312
2013 inflation rate (retail prices) (estimate)	3.0%

Source: IMF, World Economic Outlook, October 2013

In 2013, Croatia became a full member of the European Union. Reduced economic activity continued in the reporting year and strongly affected the labour market, indicating that the crisis will continue in the real economy as well. Further decreased domestic and foreign demand reflected in lower GDP, which was, according to different estimates, smaller by almost one percent. Industrial production dropped by approximately 1.9% or by a total of 19.2% in the last five years. The continuation of negative trends was also witnessed in retail trade and the construction industry. Tourism remains the most successful industry in the Croatian economy, achieving a 3.3% increase in the number of overnight stays.

The unemployment rate rose by almost 2 percentage points compared to 2012 and reached a record level of 21.1%. The inflation rate was 3%. Croatia continued to record one of the highest rises in the public debt-to-GDP ratio among the European countries, which according to estimates grew to approximately 60% in 2013.

Insurance market

Development of the Croatian insurance market

Premium per capita (2012 data)	EUR 271
Premium as a percentage of GDP (2012 data)	2.7%
Insurance market growth index in 2013	100.4

Source: Swiss RE, SIGMA 3/2013, Croatian Insurance Bureau

In 2013, as many as 26 insurance companies operated in the Croatian insurance market (9 composite, 10 non-life and 7 life), which was one fewer than in 2012, since Helios VIG and Kvarner VIG merged into Wiener Osiguranje VIG. Together they recorded a gross written premium amounting to HRK 9.1 billion, which was slightly more than in 2012 (index of 100.4). In the structure of written premium, non-life insurance accounted for 72% and life insurance for the rest. Non-life insurance premium decreased by 0.6%, while life insurance premium rose by 3.1%.

The five biggest insurance companies still control approximately two thirds of the insurance market. The largest insurance company, Croatia osiguranje, has a 28.9% market share and a leading position in non-life insurance, a drop of 1% compared to 2012. By increasing its market share by almost 2 percentage points to 18.6%, Allianz further consolidated its leading position in the life insurance segment. The insurance undertaking **Triglav Osiguranje, Zagreb** was ranked ninth, one place lower than in the previous year. Its market share increased by 0.1 percentage point to 3.9%. One reinsurance company operated in the insurance market.

7.4.3 Bosnia and Herzegovina

Main macroeconomic indicators for 2013

Population	3.9 million
2013 GDP growth (estimate)	0.5%
2013 GDP (estimate)	USD 18.9 billion
2013 GDP per capita (estimate)	USD 4,866
2013 inflation rate (retail prices) (estimate)	1.8%

Source: IMF, World Economic Outlook, October 2013

The economic crisis has not spared even Bosnia and Herzegovina, where the state has not formed a clear anti-crisis programme and with political differences present at all levels. In 2013, after Bosnia had experienced a fall in GDP in 2012, its BDP slightly increased, according to initial estimates.

Unstable political situation in Bosnia and Herzegovina has paralysed more concrete economic activities. Political tensions prevent the implementation of necessary reform processes and hinder the economic progress. The unemployment rate is on the rise, being the highest in the region at around 45%. The export/import coverage ratio is decreasing, already being relatively low at around 51%. External debt is increasing both in nominal and relative terms, although it is one of the lowest in Europe. The household purchasing power is low, as the average gross wage accounts for approximately 40% of the Slovene average gross wage. The government has managed to restrain and stabilise inflation in recent years.

Insurance market

Development of the Bosnian insurance market

Premium per capita (2012 data)	EUR 67
Premium as a percentage of GDP (2012 data)	1.9%
Insurance market growth index in 2013	103.5

Source: Swiss RE, SIGMA 3/2013, FBiH Insurance Supervision Agency, RS Insurance Agency

At the 2013 year-end, 23 insurance companies operated in the Bosnian insurance market, of which 12 were domiciled in the Federation of Bosnia and Herzegovina and 11 in the Republic of Srpska. The circumstances in the insurance market did not change significantly. Most insurance companies still do not conduct their business in line with the norms of insurance and general business ethics, whilst competition is not adequately controlled.

Written premium totalled BAM 527.1 million, of which BAM 368.1 million originated in the Federation of Bosnia and Herzegovina and BAM 172.8 million in the Republic of Srpska. Compared to the preceding year, written premium in Bosnia and Herzegovina increased by 4.4%. An increase was recorded in the Federation of Bosnia and Herzegovina (by 4.6%) as well as in the Republic of Srpska (by 3.6%). The growth of the insurance market was mainly due to the growth of life insurance premium, having increased by 15.8%. In the insurance market of the Federation of BiH, it increased by 12% and in the Republic of Srpska by as many as 29%. Although the share of life insurance products increased in the structure of total written premium, the largest segment remained non-life insurance with an 81.1% market share.

The insurers domiciled in the Republic of Srpska or in the Federation of Bosnia and Herzegovina continue to expand their operations to the entire territory of Bosnia and Herzegovina. The premium written by insurance companies domiciled in the Federation of Bosnia and Herzegovina increased by 20.4% in the territory of the Republic of Srpska, while the insurance companies domiciled in the Republic of Srpska collected 1.1% more premium in the territory of the Federation of Bosnia and Herzegovina.

The market leader in the Federation of Bosnia and Herzegovina was Agram (Bosna Sunce Osiguranje and Euroherc) with a total market share of 22.8%, followed by Sarajevo Osiguranje (16.2% market share), Uniqua (11.0% market share) and Croatia (10.8% market share). With a market share of 8.7% (0.6% less than in the preceding year), insurance company **Triglav Osiguranje, Sarajevo** maintained its sixth rank.

Jahorina Osiguranje remains the market leader in the territory of the Republic of Srpska with a 13.5% market share. It is followed by Dunav osiguranje (10.3% market share), Drina osiguranje (9.8% market share) and Bobar osiguranje (8.8% market share). With its 4.7% market share, having increased by 0.2 percentage point, **Triglav Osiguranje, Banja Luka** maintained its ninth rank.

In the insurance market of Bosnia and Herzegovina as a whole, the two **insurance companies of the Triglav Group** taken together ranked sixth and held a 7.6% market share.

7.4.4 Czech Republic

Main macroeconomic indicators for 2013

Population	10.5 million
2013 GDP growth (estimate)	-0.4%
2013 GDP (estimate)	USD 198.6 billion
2013 GDP per capita (estimate)	USD 18,868
2013 inflation rate (retail prices) (estimate)	1.8%

Source: IMF, World Economic Outlook, October 2013

The Czech Republic is one of the most developed economies in Eastern Europe. Its manufacturing sector, comprising mainly privately held companies, generates around 40% of the country's GDP. It employs approximately 40% of the working-age population. The car industry is one of the most important in the manufacturing sector. A negative GDP growth rate was again recorded in 2013, even though GDP shrank by only 0.4%. In 2014, the Czech GDP is forecast to grow by 1.4%. The inflation rate was 1.4% (1.8% according to the IMF forecasts). Capital expenditure decreased by just below 1%, while the value of exports increased by 2.1%. The accession to the euro zone was put off until 2019.

The unemployment rate in the Czech Republic was 7.4%. Most of the economic activity is concentrated in the Prague area and the highly industrialised Ostrava area. Prague with its surroundings generates one quarter of total GDP. This is reflected in the unemployment rate in this region, being approximately half the country' level.

Insurance market

Insurance market development in the Czech Republic

Premium per capita (2012 data)	EUR 581
Premium as a percentage of GDP (2012 data)	3.7%
Insurance market growth index in 2013	100.1

Source: Swiss RE, SIGMA 3/2013, ČAP

The Czech insurance market is well developed and highly competitive. In 2013, insurance was provided by 29 insurers. The volume of written premiums stagnated in comparison with 2012; life premium volume slightly increased, while non-life premiums remained at the same level as the year before. The share of non-life insurance in total premium somewhat decreased and accounts for 59.3% (in 2012 it accounted for 59.4%). The top three insurers (Česka Pojišťovna,

Kooperativa Pojišt'ovna and Allianz Pojišt'ovna) controlled almost 54% of the total insurance market.

Triglav Pojišt'ovna sells only non-life insurance. It gained a 1.1% market share (0.1 percentage point more than a year earlier) and remained the tenth strongest non-life insurance company.

7.4.5 Montenegro

Main macroeconomic indicators for 2013

Population	0.6 million
2013 GDP growth (estimate)	1.5%
2013 GDP (estimate)	USD 4.5 billion
2013 GDP per capita (estimate)	USD 7,252
2013 inflation rate (retail prices) (estimate)	2.8%

Source: IMF, World Economic Outlook, October 2013

In recent years, Montenegro has maintained a stable rate of inflation, as a result of the unilateral adoption of the euro in 2002. A trend of low industrial output and exports continued in 2013, manifested in a large balance of payments current account deficit (16.7% of GDP). The government finances this deficit mostly by foreign direct investments (FDI), which represent 14% of GDP. FDI inflows are expected also in 2014 when two large infrastructure projects are planned to take place: the most demanding section of Bar–Boljare motorway and the second block of the Plevlja thermal power plant.

The economic stability is threatened by a number of factors: the relatively expensive borrowing at an annual average weighted nominal interest rate exceeding 8.5% in 2013, the poor liquidity of the real sector, a considerable budget deficit (over 3.5% of GDP in 2013), the rising public debt (including issued guarantees it accounted for over 63% of GDP), poor asset quality of the banking sector and a relatively high unemployment rate (14.9%).

In November 2013, Standard & Poor's confirmed the Montenegro's credit rating of »BB-« and changed the outlook to negative.

Insurance market

Insurance market development in Montenegro

Premium per capita (2012 data)	EUR 108
Premium as a percentage of GDP (2012 data)	2.0%
Insurance market growth index in 2013	108.8

Source: Swiss RE, SIGMA 3/2013, Insurance Supervision Agency of Montenegro

There were 11 insurance companies operating on the Montenegrin insurance market: 5 non-life and 6 life insurers. They booked EUR 72.9 million of written premiums or 8.8% than in the previous year. Non-life insurance prevailed, accounting for 85.1%. Non-life insurance premiums increased by 7.8% and life insurance premiums by 14.6%.

Lovćen Osiguranje and its subsidiary **Lovćen životna osiguranja** together reached a total market share of 40.7%. Both preserved their leading roles in the insurance market, although their market share decreased by 2.2 percentage points. Lovćen Osiguranje is followed by Sava Montenegro (15.3% market share), Delta Generali and Uniqua neživotno osiguranje (14.1% market share).

7.4.6 Serbia

Main macroeconomic indicators for 2013

Population	7.3 million
2013 GDP growth (estimate)	2.0%
2013 GDP (estimate)	USD 43.7 billion
2013 GDP per capita (estimate)	USD 6,017
2013 inflation rate (retail prices) (estimate)	8.5%

Source: IMF, World Economic Outlook, October 2013

In October 2013, Serbia signed the Association Agreement with the European Union. In the third quarter, it recorded 3.7% higher GDP growth in comparison with the previous year (IMF projected a 2% growth rate). High growth rates were recorded in power supply (20.5%), in the information and communication sector (12.5%) and 8.7% in processing industry. A decline was recorded in Serbia's construction (26%), transport (3.5%) and financial services (2.7%) sectors.

In the first three quarters, Serbia recorded 13% growth in external trade. Its exports rose by 26.7%, mainly on account of car industry, while the imports grew by 4.8%. The export/import ratio reached 71.8%, whereas in the same period of 2012 it was 59.3%.

The inflation rate in Serbia fell to 2.2% in 2013 (IMF forecast was 8.5%), as a result of trends in foreign trade and the foreign trade deficit reduced by half in comparison with the preceding year. No considerable exchange rate fluctuations were registered, contrary to what happened in the previous periods. As at the year-end, the mean exchange rate of the national currency dinar against the euro was 114.6 compared to 113.7 one year earlier. The unemployment rate remained high at 21%.

Insurance market

Insurance market development in Serbia

Premium per capita (2012 data)	EUR 75
Premium as a percentage of GDP (2012 data)	1.9%
Insurance market growth index in 2013	102.9

Source: Swiss RE, SIGMA 3/2013, National Bank of Serbia

There were 24 insurers operating in the Serbian insurance market, of which 6 composite, 11 non-life and 7 life insurance companies. The majority of them, as many as 18, were predominantly foreign-owned.

The top three insurers hold more than 62% of the highly concentrated insurance market. The leading state-owned insurance company, Dunav osiguranje, reached a market share of 29.1%. In terms of size it is followed by Delta Generali (19.4% market share) and DDOR (13.6% market share). In the first nine months of 2013, total premiums increased by 2.9%. Life insurance products recorded a high 9.8% growth rate, whilst non-life insurance products, on the other hand, grew by 1.4%. The share of life insurance in total premium rose to 18.8%; however the market continued to be dominated by non-life insurance business.

In the first nine months of 2013, **Triglav Osiguranje, Belgrade** registered a 6.9% rise in the volume of written premiums, which was 4 percentage points above the growth rate of the Serbian insurance market as a whole. Triglav's subsidiary increased its market share to 3.0% (2.8% in 2012) and remained the eighth strongest in the Serbian insurance market.

7.4.7 Macedonia

Main macroeconomic indicators for 2013

Population	2.1 million
2013 GDP growth (estimate)	2.2%
2013 GDP (estimate)	USD 10.5 billion
2013 GDP per capita (estimate)	USD 5,073
2013 inflation rate (retail prices) (estimate)	2.8%

Source: IMF, World Economic Outlook, October 2013

According to preliminary estimates, the Macedonian economy will see low GDP growth in 2013, resulting mainly from a slight economic recovery in the EU Member States and high growth in the construction industry. In the first three quarters, GDP grew between 2.9 and 3.9%, which is a sign of a positive trend also in the future.

The government continued to take actions aimed at strengthening the country's macroeconomic stability, fostering foreign direct investment and increasing industrial production. The budget deficit (according to estimates) climbed to 3.9% of GDP. Such a level of deficit does not undermine the macroeconomic stability, as Macedonia's public debt is relatively low at approximately 35% of GDP. A relatively low level of integration of the Macedonian financial sector in the global financial system reduces certain risks related to the global financial crisis. In 2013, Macedonia again preserved a stable dinar exchange rate and a low inflation rate.

The actions taken thus far to foster investments have not yet yielded desired results. The real economy remains weak, the unemployment rate high and the living standard low. In order to achieve long-term strategic objectives, economic restructuring will have to be followed by thorough institutional restructuring.

Insurance market

Insurance market development in Macedonia

Premium per capita (2012 data)	EUR 55
Premium as a percentage of GDP (2012 data)	1.5%
Insurance market growth index in 2013	104.2

Source: Swiss RE, SIGMA 3/2013, Insurance Supervision Agency of Macedonia

There are 15 insurers in the insurance market of Macedonia (11 in the non-life insurance segment and 4 in life). One of the insurance companies also holds a reinsurance licence. The 5 largest insurance companies operating in the highly concentrated insurance market collectively booked 56% of written premiums. The market concentration was particularly high in the life insurance segment, with Croatia život and Grawe controlling 87% of the market.

In the first nine months of 2013, the written premiums totalled MKD 5.5 billion or 4.2% more than in the same period of 2012. Non-life insurance premiums accounted for 91.6% of the total and experienced a 2.6% increase, whereas life insurance premiums grew by as much as 26.3%

Triglav Osiguruvanje, Skopje remains the leading insurer in the Macedonian market, despite a decrease in written premiums. It reached a 16.4% market share in non-life insurance (18.0% in 2012). The subsidiary is followed by Eurolink, holding 12.7% of the market and Winner with a 10.9% market share.

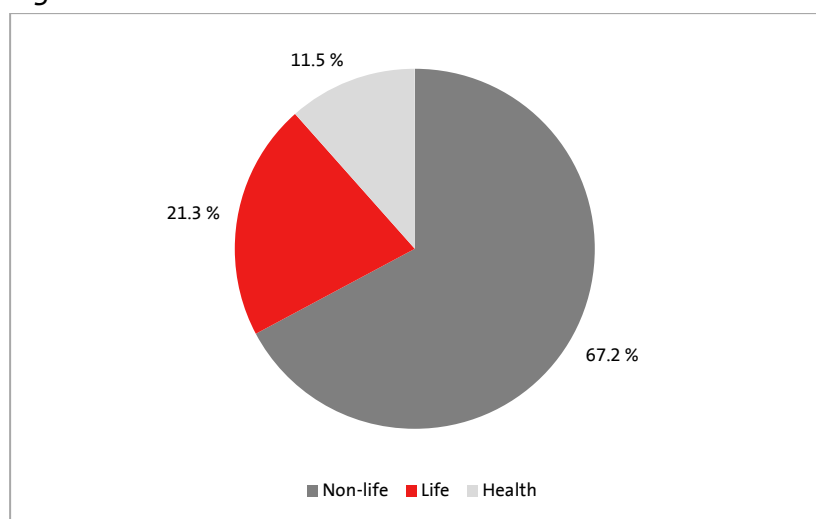
7.5 Gross written premiums from insurance and co-insurance contracts

In 2013, the Triglav Group posted a total of EUR 900.9 million in gross written premiums from insurance and co-insurance contracts or 4% less than in 2012. Non-life insurance total was EUR 605.2 million (index 95), life insurance reached EUR 191.6 million (index 94) and health insurance amounted to EUR 104.0 million (index 114) in gross written premiums.

The structure of consolidated written premiums by insurance segment was as follows:

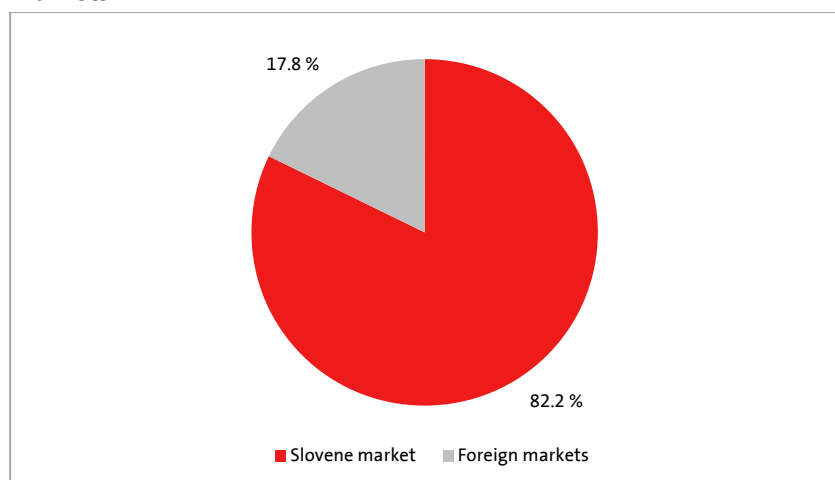
- non-life insurance accounted for 67.2% (in 2012: 68.3%),
- life insurance for 21.3% (in 2012: 21.9%) and
- health insurance for 11.5% (in 2012: 9.8%).

Gross written premiums from insurance and co-insurance contracts of the Triglav Group by segment



A total of 82.2% of consolidated gross written premiums was charged in the Slovene insurance market, whereas consolidated gross written premiums charged in foreign markets increased by 0.8 percentage point compared to the preceding year.

Gross written premiums from insurance and co-insurance contracts of the Triglav Group by markets



Insurance subsidiaries of the Triglav Group (excluding the Triglav Re reinsurance subsidiary) booked EUR 870.0 million in non-consolidated gross insurance and co-insurance premiums, or 3% less than the year before. Trends varied depending on subsidiary and market. In Slovenia, the insurance premium of Zavarovalnica Triglav was lower by 6% compared to 2012, whilst that of Triglav Zdravstvena zavarovalnica was higher by 14%. In addition, premium growth was recorded in Triglav Osiguranje, Banja Luka (by 8%), Triglav Osiguranje, Belgrade (by 7%), Triglav Pojišt'ovna and Lovćen Osiguranje (by 4% respectively) and in Triglav Osiguranje, Zagreb (by 2%). Gross written premiums were lower in Triglav Osiguranje, Sarajevo by 2%, Lovćen životna osiguranja by 9% and in Triglav Osiguruvanje, Skopje by 13%.

Gross written premiums from insurance and co-insurance contracts by Triglav Group insurance subsidiaries

Insurance company	Gross written premium			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	2013
Zavarovalnica Triglav	426,555,665	179,199,991	605,755,656	94	93	94	69.6%
Triglav, Zdravstvena zavarovalnica	104,046,847	0	104,046,847	114		114	12.0%
Triglav Osiguranje, Zagreb	38,357,864	8,591,093	46,948,957	103	94	102	5.4%
Triglav Osiguranje, Sarajevo	13,933,833	2,374,683	16,308,516	97	103	98	1.9%
Triglav Pojišt'ovna, Brno	28,426,366	0	28,426,366	104		104	3.3%
Lovćen Osiguranje, Podgorica	28,375,971	0	28,375,971	104		104	3.3%
Triglav Osiguranje, Beograd	16,577,948	618,205	17,196,153	107	105	107	2.0%
Triglav Osiguranje, Banja Luka	4,150,841	0	4,150,841	108		108	0.5%
Triglav Osiguruvanje, Skopje	17,474,271	0	17,474,271	87		87	2.0%
Lovćen životna osiguranja, Podgorica	0	1,285,496	1,285,496		91	91	0.1%
Total	677,899,606	192,069,468	869,969,074	98	94	97	100.0%
Pozavarovalnica Triglav Re	105,015,611	0	105,015,611	90		90	
Consolidation eliminations	-73,653,252	-438,853	-74,092,105	95	106	95	
Total consolidated	709,261,965	191,630,615	900,892,580	97	94	96	

7.5.1 Non-life insurance

In total, Triglav Group insurance subsidiaries charged EUR 677.9 million of unconsolidated insurance and co-insurance premiums from non-life insurance contracts, which is a 2% nominal decrease on the same period the year before. The main reasons for the expected decrease in premiums are:

- aggressive competition among insurance companies, particularly in the motor vehicle insurance sector;
- impact of the persisting economic crisis:
 - decreased purchasing power of population and greater prudence of policyholders – both retail and corporate clients (policy degradation, lower insurance density, cancellation of insurance contracts);
 - several sales promotion activities and continued inclusion of policyholders in the Triglav Komplet bonus programme;
- continued efforts to mitigate the poor insurance technical results recorded in insurance of property and interests in property as well as in agricultural insurance. The resulting changes caused a decrease in written premiums and a simultaneous improvement of insurance technical results.

Motor vehicle insurance remains the largest insurance class, accounting for 33.3% of the portfolio. Insurance subsidiaries of the Triglav Group collected EUR 119.6 million in **comprehensive car insurance** premium, a 7% drop compared to 2012. Growth was recorded in insurance subsidiaries Triglav Pojišt'ovna, Brno (index 117), Triglav Osiguranje, Banja Luka (index 108), Triglav Osiguranje, Sarajevo (index 102) and Triglav Osiguruvanje, Skopje (index

101). Other insurance subsidiaries recorded a drop in premiums, the largest (9%) in the parent company and in Triglav Osiguranje, Belgrade. The Company collected EUR 170.4 million in **motor liability insurance** premium, which was 6% less than at the 2012 year-end. The decrease in premium was seen in the parent company (index 90), whose share in total premium from motor vehicle liability insurance of the Group represents almost 59%, and in Lovćen Osiguranje (index 99). Other insurance subsidiaries of the Group recorded premium increases. Premium written increased by 4% in Triglav Osiguranje, Belgrade, by 3% in Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Banja Luka, by 2% in Triglav Pojišt'ovna and Triglav Osiguranje, Zagreb and by 1% Triglav Osiguruvanje, Skopje.

Some reasons for a lower volume of premium payments were stated in the introduction to this section. Sales promotion activities and inclusion of policyholders in the Triglav Komplet bonus programme resulted in attracting the attention of policyholders, loyalty and acquiring new policyholders, but they also decreased the prices of insurance products and had an impact on a lower volume of premium payments. In retail insurance, a lower level of premium realisation was also a result of fewer and older vehicles owned by families, which is reflected in non-renewal, cancellation (failure to renew comprehensive car insurance for older vehicles, for vehicles after the expiration of leasing contracts or loan repayment) and a reduced volume of purchased comprehensive car insurance. In most markets, the sale of vehicles fell and the conditions to acquire new sources of funding have become more difficult. In corporate insurance, decreased premiums were substantially affected by corporate bankruptcies, fewer company vehicles and lower premium from large policyholders which are won through public tenders (stricter tender requirements, competition, participation of insurance brokers and agencies and their commissions). Characteristic for the markets in Bosnia and Herzegovina, Montenegro and Macedonia are competitive insurers that pay high commissions to agents, brokers, agencies and roadworthiness test providers, as well as unfair competition in a form of large discounts. In Bosnia and Herzegovina, competitive insurers make use of different material incentives, such as roadworthiness test or registration vouchers, gas coupons and partial premium reimbursement.

Again in 2013, a high growth of premiums was achieved in **health insurance** class. A total of EUR 104.7 million in premiums was collected, which is 14% more than in 2012. A substantial growth of written premiums stems from performance by Triglav, Zdravstvena zavarovalnica, a higher number of policyholders, successful marketing of supplemental health insurance products and an increase in the premium in July 2012. Triglav Zdravstvena zavarovalnica earned a total of EUR 104.0 million in gross written premiums or EUR 14% more than the year before. An increase in premiums was also recorded in insurance subsidiaries Triglav Osiguranje, Zagreb (index 157) and Triglav Osiguranje, Banja Luka (index 115).

In the **real property insurance** class (fire and natural disaster insurance and other damage to property insurance), premiums of EUR 153.1 million were booked (index 97). In both insurance classes fire and natural disaster insurance as well as other damage to property insurance, a 3% premium decrease was recorded. A drop in premiums was posted by Triglav Osiguruvanje, Skopje, Triglav Osiguranje, Sarajevo and Zavarovalnica Triglav, whose combined share in total premiums from real property insurance represents 85%. The significant premium decrease in Triglav Osiguruvanje, Skopje (index 70) is predominantly a result of the discontinuation of business cooperation with a key client and unfair competition in public tenders, where competing insurers offer significantly lower premium rates. Triglav Osiguranje, Sarajevo generated less premium (index 88) due to the discontinuation of the cooperation and a reduced scope of insurance coverage of some large policyholders. The premium decrease of 3% in Zavarovalnica Triglav (an 81% share in total real property insurance of the Triglav Group) is mainly a result of a premium drop in earthquake insurance, home insurance packages for individuals (DOM), machinery breakdown insurance, animal insurance and combined non-life insurance. A drop in earthquake insurance was caused by a lower insured sum of a major

policyholder and aggressive price competition of insurance companies, whereas premium from the home insurance package for individuals (DOM) decreased due to additional discount as a result of the Triglav Komplet bonus programme, decreased purchasing power of population and lower insurance density. A lower machinery breakdown insurance premium was a result of further portfolio clean-up and reduced scope of insurance coverage of large policyholders (lower insurance sum, balance sheet clean-up, etc.). The main reasons for the animal insurance premium decrease are the cancellation of certain types of animal production (e.g. breeding animals reared by a large policyholder and fewer fattening pigs) and production with a small number of animals by natural persons, changes to insurance bases in animal producers of breeding cows and a strict compliance with the bonus–malus system. Combined non-life insurance premium went down mostly due to its transformation into other insurance subclasses, such as fire insurance of civil risks, fire insurance in the power industry and business interruption insurance, thus recording an increase in their premiums.

Accident insurance represented 4.9% of total written premiums or EUR 43.0 million in nominal terms. Compared to 2012, the premium booked fell by 10%. The drop in premium was posted by Triglav Osiguranje, Zagreb, Triglav Osiguruvanje, Skopje, and Zavarovalnica Triglav, whose combined share in total premium from accident insurance is 80%. Other insurance subsidiaries of the Group recorded premium increases. Almost half of accident insurance premiums comes from two insurance subclasses taken out simultaneously with car insurance (driver and passenger accident insurance and the driver's bodily injury insurance or AO-plus insurance), where the decrease in written premiums results from the developments in the motor vehicle insurance market and in AO plus insurance as well as from the decrease in the price of premium in 2012. Nevertheless, a growing unemployment rate and the poor state of the economy are the main reasons for a lower group accident insurance premium. Premium drop was experienced by Triglav Osiguruvanje, Skopje, owing mostly to the loss of a large client in aviation accident insurance and fierce competition of insurers in public tenders.

In **general liability insurance** the Triglav Group collected EUR 36.8 million in premiums or 3% more than in 2012, which represented 4.2% of total premium. In the current harsh economic conditions this growth is considered a success. Most insurance subsidiaries within the Triglav Group posted high premium growth as a result of effective sales campaigns and the extension of the portfolio. The strongest increase in premium written was recorded in Triglav Osiguranje, Banja Luka, Triglav Osiguranje, Belgrade, Lovćen Osiguranje and Triglav Osiguranje, Zagreb. Zavarovalnica Triglav, accounting for 81% of total premium, saw a 1% decline in written premiums due to premium drop in liability insurance of attorneys-at-law, as business with a major client was discontinued, and a lower premium from general liability insurance, which is the biggest insurance subclass, as a result of financial crisis (a reduced number of employees that represent a premium calculation basis, corporate bankruptcies, etc.).

Credit insurance accounted for 2.5% of total premium and was 5% higher than the year before. Zavarovalnica Triglav, accounting for over 99% of total premium, saw a 7% growth in written premiums. The results of most credit insurance subclasses were solid, especially in payment card claims, financial gap insurance and other credit insurance. In the largest credit insurance subclass, consumer loan insurance written premiums increased by 9%. Apart from the parent company, credit insurance is also sold by Triglav Osiguranje, Sarajevo where the premiums markedly decreased (index 34) due to the drop in the volume of bank loans.

Premiums from **other non-life insurance** (accounting for 3.3% of total premium) decreased by 1%, owing mostly to the loss of a large client in aircraft insurance in Triglav Osiguruvanje, Skopje, loss of premium from goods in transit insurance in Triglav Osiguranje, Sarajevo (discontinuation of business cooperation with a major client) and a drop in premium from railway insurance, assistance insurance and goods in transit insurance in Zavarovalnica Triglav.

Good sales results were achieved in miscellaneous financial loss insurance, marine insurance, suretyship insurance and goods in transit insurance.

7.5.2 Life insurance

In total, the Triglav Group insurance subsidiaries charged EUR 192.1 million in non-consolidated gross written premiums from **life insurance** contracts, which represents a 6% decrease on 2012. This accounted for 22.1% of total gross written premiums, which was 0.8 percentage point lower than in 2012. The main reasons for the decrease in premiums are described in previous sections, among them being mostly the aging of the life insurance portfolio (increased number of maturities), a deteriorated financial and economic situation and more prudent consumer behaviour when concluding long-term life insurance contracts. Tight economic conditions also impacted the increased number of surrenders and advances.

Life insurance (traditional life insurance, annuity insurance, annuity pension insurance and voluntary pension insurance) premiums stood at EUR 97.1 million, accounting for 50.6% of total premiums in the life insurance class. The premiums were 3% higher than in 2012. Good sales results were achieved in annuity pension insurance, which in 2013 is considered part of the life insurance class, whilst a year before it was part of supplemental voluntary pension insurance.

Premiums generated by **unit-linked life insurance** totalled EUR 80.2 million or 41.8% of total gross written premiums in the life insurance class. It was 10% lower than in 2012. Unit-linked life insurance products are available from Zavarovalnica Triglav (index 90) and Triglav Osiguranje, Zagreb, which booked EUR 3.5 million in written premiums or 11% less than a year earlier.

Supplemental voluntary pension insurance (capital redemption insurance) generated EUR 14.7 million or 7.7% of total life insurance premium. Premiums dropped by 31% compared to the year before, although comparison with the same period last year is not realistic. In 2012, annuity pension insurance was part of the capital redemption insurance class, whereas this year it is covered by the life insurance class.

Gross written premiums from insurance and co-insurance contracts of the Triglav Group (excluding Pozavarovalnica Triglav Re) and growth indexes per insurance class

Insurance class	Gross written premium			Index		Structure
	2013	2012	2011	2013/2012	2012/2011	2013
Accident insurance	43,043,160	47,715,064	51,881,696	90	92	4.9%
Health insurance	104,659,615	92,087,938	80,888,967	114	114	12.0%
Comprehensive car insurance	119,553,393	128,525,463	144,099,735	93	89	13.7%
Real property insurance	153,131,239	158,229,083	166,632,065	97	95	17.6%
Motor liability insurance	170,355,817	180,622,811	205,077,707	94	88	19.6%
General liability insurance	36,835,526	35,686,105	35,070,402	103	102	4.2%
Credit insurance	21,328,900	20,370,273	20,598,151	105	99	2.5%
Other non-life insurance	28,991,955	29,265,713	31,506,871	99	93	3.3%
Non-life insurance	677,899,605	692,502,450	735,755,594	98	94	77.9%
Life insurance	97,143,260	94,716,178	96,651,038	103	98	11.2%
Unit-linked life insurance	80,226,141	89,120,094	98,001,240	90	91	9.2%
Capital redemption insurance	14,700,068	21,452,783	19,690,306	69	109	1.7%
Life insurance	192,069,469	205,289,055	214,342,584	94	96	22.1%
Total	869,969,074	897,791,505	950,098,178	97	94	100.0%

Note: The data on life insurance and capital redemption insurance premiums for 2013 in 2012 are not comparable. In 2012, annuity pension insurance was part of the capital redemption insurance class, whereas in 2013 it is covered by the life insurance class.

7.5.3 Gross reinsurance written premiums of Pozavarovalnica Triglav Re

Pozavarovalnica Triglav Re booked a total of EUR 105.0 million in gross reinsurance premiums or 10% less than in the same period last year, mostly due to the loss of a large aircraft insurance client and aircraft liability insurance. Apart from that, the largest insurance classes, fire and natural disaster insurance (index 92) as well as other damage to property insurance (index 89), recorded a premium drop. Triglav Re saw a high growth in premium from miscellaneous financial loss insurance, general liability insurance and aircraft liability insurance. Lower gross reinsurance premiums are a result of lower premiums from optional business with the Triglav Group (index 95) as well as lower reinsurance premiums earned outside the Triglav Group (index 82). The latter were mostly influenced by the lower credit rating of Pozavarovalnica Triglav Re in the beginning of 2013, resulting in the failure to renew some insurance transactions.

Pozavarovalnica Triglav Re provides high-quality reinsurance coverage to the Triglav Group. In accordance with the strategy and based on the Triglav Group reinsurance scheme in Slovenia and abroad, in the future, Pozavarovalnica Triglav Re will concentrate on acquiring profitable business with cedents outside the Group. Its growth will continue to be based on conservative underwriting of high-quality risks and on maintaining a stable and profitable portfolio.

7.6 Gross claims paid

In 2013, the Triglav Group posted a total of EUR 647.5 million in consolidated gross claims (excluding income from subrogation receivables), or 2% more than in the previous year. Gross claims paid in **non-life insurance** equalled EUR 397.1 million (index 99), in the life-insurance segment they amounted to EUR 171.6 million (index 105) and in **health insurance** they totalled EUR 78.8 million (index 111). Income from subrogated receivables decreased by 7% and amounted to EUR 20.0 million over the preceding year.

Excluding Pozavarovalnica Triglav Re, the insurance subsidiaries of the Triglav Group posted EUR 625.9 million in non-consolidated gross claims, representing an increase of 3% over the preceding year. Growth rates were highest in Lovćen životna osiguranja (index 182), Triglav Pojišt'ovna (index 141) and Triglav Osiguranje, Belgrade (index 134). Gross claims paid increased by 11% in Triglav, Zdravstvena zavarovalnica and by 4% in Triglav Osiguranje, Sarajevo. In Zavarovalnica Triglav, gross claims paid remained at the same level as the year before (index 100). Gross claims paid decreased in insurance subsidiaries Triglav Osiguranje, Banja Luka (index 70), Triglav Osiguruvanje, Skopje (index 82), Lovćen Osiguranje, Podgorica (index 91) and Triglav Osiguranje, Zagreb (index 98).

Gross claims paid (excluding income from subrogation receivables) in 2013 by insurance subsidiary of the Triglav Group

Insurance company	Gross claims paid			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	2013
Zavarovalnica Triglav	270,977,014	165,453,692	436,430,706	98	105	100	69.7%
Triglav, Zdravstvena zavarovalnica	78,774,020	0	78,774,020	111		111	12.6%
Triglav Osiguranje, Zagreb	29,652,612	3,824,105	33,476,717	98	98	98	5.3%
Triglav Osiguranje, Sarajevo	7,636,581	841,654	8,478,235	103	117	104	1.4%
Triglav Pojišt'ovna, Brno	27,276,866	0	27,276,866	141		141	4.4%
Lovćen Osiguranje, Podgorica	15,365,939	0	15,365,939	91		91	2.5%
Triglav Osiguranje, Beograd	11,727,609	265,598	11,993,207	133	158	134	1.9%
Triglav Osiguranje, Banja Luka	1,336,651	0	1,336,651	70		70	0.2%
Triglav Osiguruvanje, Skopje	11,562,040	0	11,562,040	82		82	1.8%
Lovćen životna osiguranja, Podgorica	0	1,216,598	1,216,598		182	182	0.2%
Total	454,309,332	171,601,647	625,910,979	102	105	103	100.0%
Pozavarovalnica Triglav Re	61,177,268	0	61,177,268	115		115	
Consolidation eliminations	-39,580,500	-719	-39,581,219	140	92	140	
Total consolidated	475,906,100	171,600,928	647,507,028	101	105	102	

7.6.1 Non-life insurance

The comparison of growth rates between claims and insurance premiums in **non-life insurance** shows that claims grew at a rate of 4 index point higher than insurance premiums. Non-consolidated non-life insurance gross claims paid amounted to EUR 454.3 million or 2% more than the year before. The profit level in 2013 was also affected by major loss events, which is described in greater detail in *Section 7.2 Environmental impact on the performance of the Triglav Group*.

Claims related to **motor liability insurance** represented 16.7% of total gross claims settled by the Triglav Group. Total claims paid amounted to EUR 104.4 million, which was 3% less than in 2012. The majority of the Group insurance subsidiaries recorded a drop in gross claims in this insurance class, which was mostly seen in Triglav Osiguranje, Banja Luka (index 60), Lovćen Osiguranje, Podgorica (index 79) and Triglav Osiguranje, Zagreb (index 80). In the parent company which accounts for 63% of the total, claims settled in motor vehicle liability insurance fell by 3%. The decrease was a result of fewer reported claims due to improved road traffic safety and fewer insurance policies.

A 4% decrease in gross claims paid was recorded in the **comprehensive car insurance** class. Gross claims paid amounted to EUR 96.3 million, which was 15.4% of all claims settled. In this insurance class, the majority of the Triglav Group insurance subsidiaries posted a decrease in gross claims paid, mainly due to a lower number of reported claims. In Zavarovalnica Triglav, which accounts for 83% of total comprehensive car insurance, gross claims settled experienced a 3% decrease. Higher claims in this insurance class were registered in Triglav Osiguranje, Banja Luka, Triglav Osiguranje, Belgrade and Triglav Pojišt'ovna, Brno.

In **real property insurance**, total claims paid amounted to EUR 98.1 million or 5% more than the year before, which accounts for 15.7% of total gross claims paid. In fire and natural disaster insurance a high growth of 32% was recorded, while gross claims from other damage to property insurance experienced a 12% decrease. Zavarovalnica Triglav, holding a 65% share of this insurance class, recorded a 6% decrease in claims. A high growth in claims was recorded by insurers Triglav Osiguranje, Belgrade, Triglav Pojišt'ovna, Triglav Osiguranje, Zagreb and Triglav Osiguranje, Sarajevo, mostly due to substantial individual claims. This significant increase in Triglav Osiguranje, Belgrade is mostly due to a high claim paid from fire and natural disaster insurance that has been contested since 2007. An increase in gross claims was recorded by

Triglav Pojišt'ovna as a result of floods in Central and Eastern Europe. On the contrary, substantial premium declines were posted by Triglav Osiguruvanje, Skopje, Lovćen Osiguranje, Podgorica and Triglav Osiguranje, Banja Luka.

In **health insurance**, gross claims increased by 12%. In Slovenia, this was affected by the adoption of the Fiscal Balance Act (ZUJF), which transferred a part of health care costs from compulsory to supplemental health insurance and portfolio extension. Equalisation scheme expenses totalled EUR 8.0 million or 8% more than in 2012 (an increase of EUR 571 thousand). An increase in claims was also recorded in Triglav Osiguranje, Zagreb and Lovćen Osiguranje.

A 4% decrease in gross claims paid was recorded in the **accident insurance** class, equalling EUR 24.0 million. The decrease in claims in this insurance class was mostly due to the drop in claims paid in the two biggest insurance subclasses: AO-plus insurance and group accident insurance in Zavarovalnica Triglav, mainly as a result of a reduced number of reported claims. The parent company's share in the Group's accident insurance accounts for over 60% share of the total. Triglav Pojišt'ovna, Triglav Osiguranje, Zagreb, Triglav Osiguranje, Banja Luka and Triglav Osiguruvanje, Skopje also recorded a decrease in claims paid.

Gross claims paid in the **general liability insurance** class increased by as much as 20%. Gross claims paid amounted to EUR 20.8 million, i.e. 3.3% of total claims. The high growth was primarily a consequence of a 24% increase in gross written claims paid by Zavarovalnica Triglav (accounting for 93% of total claims in this insurance class) due to payments to two large claims to policyholders in the product liability insurance and construction insurance subclasses. A high growth was also posted by insurers Triglav Osiguruvanje, Skopje and Triglav Osiguranje, Belgrade due to a higher number of concluded insurance contracts, however their share in this insurance class accounts for only 0.6%. A significant decrease in gross claims settled was seen in Triglav Pojišt'ovna, Brno and Triglav Osiguranje, Sarajevo.

Gross claims paid in **credit insurance** decreased by 13%. In 2013, gross claims settled amounted to EUR 15.7 million. All Triglav Group insurance subsidiaries offering credit insurance experienced a drop in gross claims paid. Gross claims paid by Zavarovalnica Triglav, accounting for the majority of total claims (95%) in this insurance class, decreased by 3% over 2012. This drop was mainly caused by decreased claims in the largest insurance subclass – consumer loan insurance, which fell by 12%. On the contrary, a high increase was recorded in overdraft insurance and domestic trade credit insurance claims, mainly due to the financial and economic crisis.

A 5% increase in gross claims paid was recorded in **other non-life insurance**, primarily owing to a high growth in Lovćen Osiguranje. This is mostly due to a high claim paid arising from goods in transit insurance that has been contested since 2010, two substantial claims for railway insurance and a substantial claim for aircraft insurance due to weather conditions as at the 2012 year-end. Significantly higher claims paid were recorded in most insurance subsidiaries, with the exception of Triglav Osiguranje, Sarajevo. On the other hand, aircraft liability insurance and suretyship insurance experienced decreases in claims paid.

7.6.2 Life insurance

Gross claims paid in life insurance totalled EUR 171.6 million and were 5% higher compared to the previous year. Claims in the life insurance group accounted for 27.4% of total claims paid or 0.7 percentage point more than a year earlier. The increase in claims paid from life insurance was caused by maturities due to the aging of the portfolio and surrenders, mostly as a result of the economic crisis.

The bulk of all claims settled is accounted for by **life insurance** (traditional life insurance, annuity insurance, annuity pension insurance and voluntary pension insurance), which reached EUR 97.9 million, i.e. 3% more compared to the previous year. A high 32% increase in claims paid was recorded in **unit-linked life insurance**, where claims paid amounted to EUR 52.5 million. Gross claims paid in **capital redemption insurance** (supplemental voluntary pension insurance) decreased by 26%. However, comparison with the previous year is not realistic as in 2012 annuity pension insurance, which is now part of life insurance, was not accounted for.

Gross claims paid (excluding income from subrogation receivables) in 2013 by insurance class

Insurance class	Gross claims paid			Index		Structure
	2013	2012	2011	2013/2012	2012/2011	2013
Accident insurance	24,017,522	24,911,025	26,272,057	96	95	3.8%
Health insurance	79,501,223	71,191,716	63,136,259	112	113	12.7%
Comprehensive car insurance	96,267,801	100,021,998	107,558,697	96	93	15.4%
Real property insurance	98,124,147	93,665,725	81,736,961	105	115	15.7%
Motor liability insurance	104,372,949	107,064,949	123,532,936	97	87	16.7%
General liability insurance	20,838,760	17,321,817	19,973,854	120	87	3.3%
Credit insurance	15,729,864	18,012,393	16,550,627	87	109	2.5%
Other non-life insurance	15,457,066	14,735,807	14,281,268	105	103	2.5%
Non-life insurance	454,309,332	446,925,430	453,042,659	102	99	72.6%
Life insurance	97,896,668	94,672,995	88,162,604	103	107	15.6%
Unit-linked life insurance	52,524,065	39,775,085	27,976,054	132	142	8.4%
Capital redemption insurance	21,180,914	28,773,296	24,344,033	74	118	3.4%
Life insurance	171,601,647	163,221,376	140,482,691	105	116	27.4%
Total	625,910,979	610,146,806	593,525,350	103	103	100.0%

Note: The data on gross claims paid in life insurance and capital redemption insurance for 2013 and 2012 are not comparable. In 2012, annuity pension insurance was part of the capital redemption insurance class, whereas in 2013 it is covered by the life insurance class.

7.6.3 Gross claims paid by Pozavarovalnica Triglav Re from reinsurance contracts

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 61.2 million or 15% more than the preceding year. This growth was to a major degree caused by an increase in gross claims paid in general liability insurance (index 378) and fire and natural disaster insurance (index 134). A high 41% gross claims growth was recorded in operations in the Triglav Group, mostly as a result of claims arising from the flood events in Central and Eastern Europe late May and early June, as the most devastating natural disasters in 2013, and some individual cases of larger loss events.

Gross claims in operations outside the Triglav Group decreased by 12%. This decrease was mostly caused by lower gross claims paid arising from land motor vehicle insurance and miscellaneous financial loss insurance classes.

7.7 Gross operating expenses

Gross consolidated operating expenses totalled EUR 302.4 million, increasing 1% over the preceding year. In non-insurance operations they increased by 4%, whereas in insurance business they remained at approximately the same level as the year before and totalled EUR 230.3 million (index 100). The growth of insurance business operating expenses was 4 index points higher than the growth of gross written premium.

Insurance business operating expenses accounted for 25.6% of gross written premium, which was 1.0 percentage point more than in the respective period one year earlier. Gross operating expenses in **non-life insurance** came to EUR 187.8 million (index 101), in the **life-insurance**

segment they amounted to EUR 34.9 million (index 96), in **health insurance** they totalled EUR 7.6 million (index 106) and in **non-insurance activities** they were EUR 72.1 million (index 104).

Acquisition costs (fees and charges) increased by 5% and totalled EUR 33.2 million. The costs of the acquisition of goods sold dropped by 15% to EUR 18.0 million. Due to large-scale investments in IT, depreciation charges amounted to EUR 21.1 million and rose by 28%. Labour costs accounted for the largest portion of total expenses (45%) and remained at the same level as the year before, amounting to EUR 142.8 million. Costs of services provided by natural persons other than sole proprietors equalled EUR 3.0 million, representing an increase of 8% over the year before. Other operating expenses increased by 2% to EUR 99.1 million. The highest increase was recorded in non-income-related costs (index 289), costs of transport and communications services (index 133), costs for insurance premiums (index 130) and maintenance costs (index 124).

In total gross operating expenses, broken down by functional group, costs of insurance contract acquisition accounted for 55.6%, which is the same as in 2012. Claim handling costs accounted for 12.0% (2012: 12.1%) and asset management costs for 1.5% (2012: 1.7%). Other operating expenses represented 31.0%, having increased by 0.3 percentage point.

Gross operating expenses by nature

	Gross operating expenses			Index		Structure
	2013	2012	2011	2013/2012	2012/2011	2013
Acquisition costs (fees and charges)	33,162,987	31,495,708	30,926,417	105	102	10.5%
Costs of goods sold	17,963,606	21,249,493	24,487,665	85	87	5.7%
Depreciation of operating assets	21,097,760	16,446,782	11,598,595	128	142	6.7%
Labour costs	142,777,949	142,838,625	136,195,600	100	105	45.0%
- wages and salaries	102,148,128	101,406,076	96,152,794	101	105	32.2%
- social securities and pension insurance costs	24,090,369	23,828,680	22,652,065	101	105	7.6%
- other labour costs	16,539,452	17,603,869	17,390,741	94	101	5.2%
Costs of services provided by natural persons other than SPs together with pertaining taxes	3,037,566	2,821,276	3,043,158	108	93	1.0%
Other operating expenses	99,127,319	96,993,359	89,237,493	102	109	31.3%
- costs of entertainment, advertising, trade shows	15,652,805	14,677,373	17,482,936	107	84	4.9%
- costs of material and energy	14,692,589	14,982,277	9,929,943	98	151	4.6%
- maintenance costs	11,725,485	9,479,010	8,527,111	124	111	3.7%
- reimbursement of labour-related costs	5,059,110	4,806,995	4,885,484	105	98	1.6%
- costs of intellectual and personal services	5,399,634	4,563,062	3,817,644	118	120	1.7%
- non-income-related costs, excluding insurance	7,787,648	2,696,851	2,623,521	289	103	2.5%
- costs of transport and communication services	6,641,991	4,999,056	5,096,185	133	98	2.1%
- costs of insurance premiums	2,437,698	1,880,079	2,002,248	130	94	0.8%
- payment transaction costs and banking services	3,107,927	3,982,190	3,980,632	78	100	1.0%
- rents	8,282,853	6,985,006	7,692,983	119	91	2.6%
- costs of services of professional training	1,269,551	1,132,831	1,040,200	112	109	0.4%
- other costs of services	16,920,079	26,482,948	22,158,606	64	120	5.3%
- long term employee benefits	149,949	325,681	0	46	0	0.0%
Total	317,167,187	311,845,243	295,488,928	102	106	100.0%
Consolidation eliminations	-14,733,440	-12,373,919	-9,090,898	119	136	
Total consolidated	302,433,747	299,471,324	286,398,030	101	105	

7.8 Risk equalisation

The Triglav Group equalised 92% of the risks within its own equalisation capacities. The Group was able to equalise risks that exceeded its own equalisation capabilities by reinsurance and, to a lesser extent, by co-insurance arrangements.

With Triglav's own equalisation capacities, claims were covered with the current annual inflow of technical premium by insurance class and the insurance technical provisions formed.

7.8.1 Insurance technical provisions

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured parties. As at 31 December 2013, gross insurance technical provisions of the Triglav Group were EUR 2,261.4 million. The total amount of gross provisions was 2% lower than in 2012, after a 6% decrease in non-life insurance, a 1% increase in life insurance and a 13% increase in health insurance.

Provisions by type as at 31 December 2013 compared to the same day of the preceding year:

- **Gross provisions for unearned premiums** decreased by 4% down to EUR 258.1 million. Unearned premium from non-life insurance amounted to EUR 255.6 million (index 96), unearned premium from life insurance totalled EUR 451 thousand (index 108), while unearned premium from health insurance increased by 7% over 2012 or EUR 2.0 million in nominal terms.
- **Gross provisions for outstanding claims** decreased by 7% and amounted to EUR 674.4 million. Gross provisions for outstanding claims in non-life insurance came to EUR 646.2 million (index 93), in the life-insurance segment they amounted to EUR 20.2 million (index 99) and in health insurance they totalled EUR 8.1 million (index 118). A drop in claims provisions is primarily a result of the Company's decreased exposure and favourable development of loss events in 2013.
- **Mathematical provisions** stood at EUR 1,305.9 million, representing a 1% increase over the preceding year. Of the total amount of mathematical provisions, EUR 701.4 million originated from the long-term business fund backing unit-linked life insurance, EUR 435.2 million from the long-term business fund backing SVPI, EUR 152.1 million from two long-term business fund backing SVPI, i.e. annuities, and EUR 17.2 million from the long-term business fund backing SVPI during annuity payment period. The main reason for higher mathematical provisions is increased provisions for unit-linked life insurance, which is the result of an increase in the value of investments of unit-linked life insurance contracts and as a result of long-term business fund backing SVPI during annuity payment period.
- **Provisions for bonuses and discounts** decreased by 10% to EUR 15.4 million.
- **Other insurance technical provisions** totalled EUR 7.6 million or 18% less than in 2012, mainly as a result of a decrease in provisions for unexpired risks, the value of which is based on net claims and expenses by individual insurance class. The improvement in these results caused a decrease in provisions.

Gross insurance technical provisions as at 31 December 2013

	Gross insurance technical provisions			Index	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	2013/2012	2012/2011
Unearned premium	258,066,669	268,424,573	291,740,398	96	92
Mathematical provisions	1,305,934,730	1,287,288,920	1,209,960,825	101	106
Claims provisions	674,436,244	723,176,114	705,464,250	93	103
Provisions for bonuses and discounts	15,399,739	17,153,835	16,599,643	90	103
Other insurance technical provisions	7,595,652	9,216,323	10,377,656	82	89
Total	2,261,433,034	2,305,259,765	2,234,142,772	98	103

7.8.2 Reinsurance

Reinsurance cover for the Triglav Group is provided by the reinsurance company Triglav Re, while certain risks are co-insured with other insurance companies.

In 2013, optimum coverage terms and conditions were achieved in all reinsurance and co-insurance contracts.

In 2013, the Group allocated EUR 70.1 million of reinsurance premiums to external equalisation, which was 5% less than at the 2012 year-end. Reinsurance premium accounted for 7.8% of total gross written premium. The change in unearned premium related to reinsurance portion amounted to EUR –3.8 million (2012: EUR 1.9 million). An amount of EUR 37.4 million was received from reinsurance (index 158). The change in gross claims provisions for reinsurers' share in unearned premiums equalled EUR –17.6 million (EUR (2012: EUR 38.1 million). The Group also received EUR 2.2 million in reinsurance commissions. The reinsurance result was negative and amounted to EUR –51.9 million.

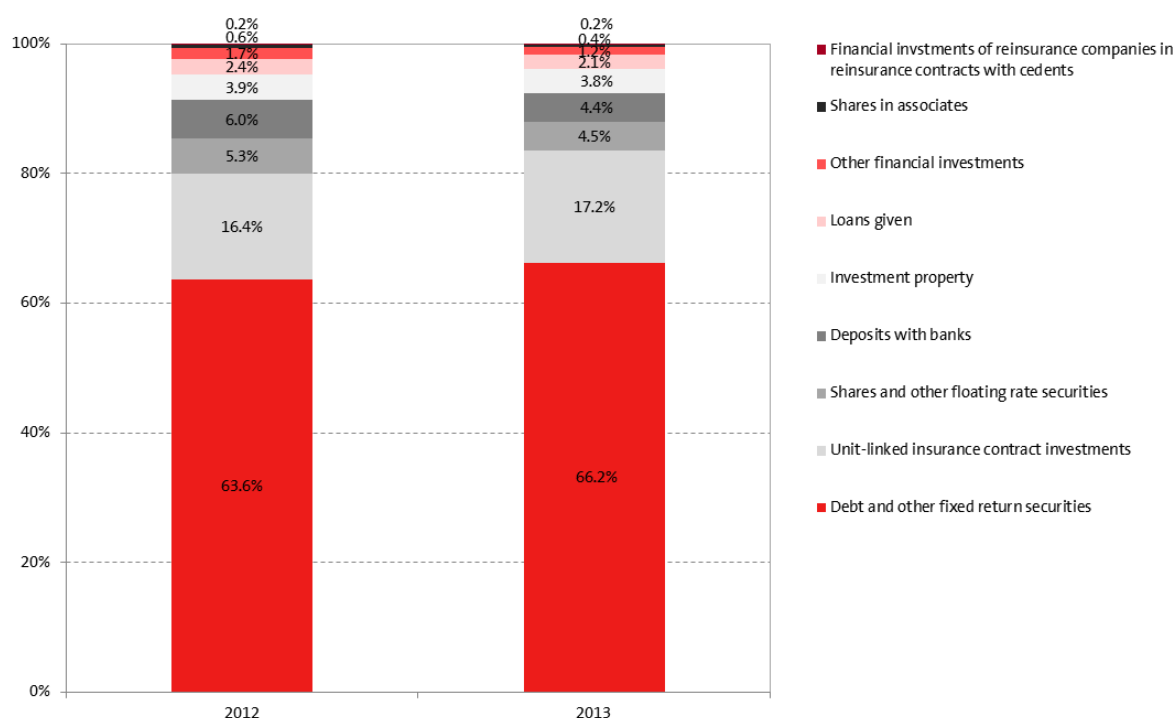
7.9 Structure of financial investments

Financial assets, investments in associates and investment property as at 31 December 2013 stood at EUR 2,539.6 million, which represents a 1% decrease compared to the previous year. Their share in total assets grew by 0.6 percentage point and reached 82.5%.

Financial assets of the Triglav Group as at 31 December 2012 and 31 December 2013

	Financial investments			Structure	
	31 Dec. 2013	31 Dec. 2012	Index	31 Dec. 2013	
Investment property	97,245,384	100,186,863	97	3.8%	
Shares in associates	10,204,674	14,384,184	71	0.4%	
Shares and other floating rate securities	113,308,492	136,804,915	83	4.5%	
Debt and other fixed return securities	1,682,058,225	1,629,251,524	103	66.2%	
Loans given	53,739,807	61,200,586	88	2.1%	
Deposits with banks	111,252,085	152,970,974	73	4.4%	
Other financial investments	29,990,307	42,582,859	70	1.2%	
Financial investments of reinsurance companies in reinsurance contracts with cedents	4,166,848	4,185,878	100	0.2%	
Unit-linked insurance contract investments	437,667,616	418,881,916	104	17.2%	
Total	2,539,633,437	2,560,449,699	99	100.0%	

Structure of financial assets of the Triglav Group as at 31 December 2013 and 31 December 2012



The tables show certain changes in investment grade structure that occurred in 2013, as the Group implemented its strategy of maintaining a high credit rating.

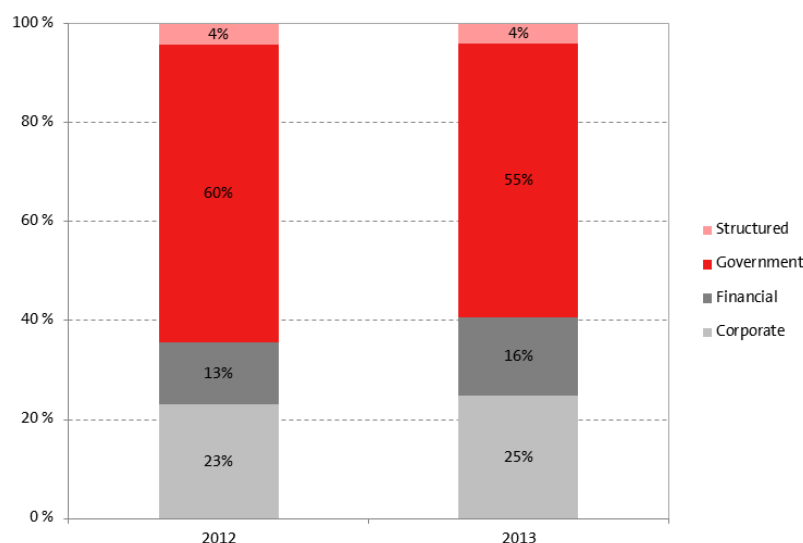
Debt and other fixed-return securities representing 66.2% of the total accounted for the bulk of total financial investments. At the 2013 year-end, they reached EUR 1,682.1 million (index 103). In this investment grade government bonds continued to prevail. They accounted for 55% of the total and decreased by 5 percentage points (2012: 60%). In total debt and other fixed-return securities the shares of corporate bonds (25%) and financial bonds (13%) increased. The percentage of financial bonds grew mainly on account of insurance bonds with the highest rating. A higher percentage of corporate bonds in total bonds stems from the generally better credit quality of European corporate bond issuers and consequent continued downward trends in credit spreads. Structured bonds stayed at 4% or the same level as at the 2012 year-end.

Debt securities of the Triglav Group by issuer sector in 2013 and 2012 (by life insurance and non-life insurance segment)

Debt securities	Non-life			Life			Total		
Issuer sector	31 Dec. 2012	31 Dec. 2013	Index	31 Dec. 2012	31 Dec. 2013	Index	31 Dec. 2012	31 Dec. 2013	Index
Corporate	228,018,000	216,070,157	95	147,359,311	200,344,573	136	375,377,310	416,414,731	111
Financial	74,057,847	134,829,541	182	131,590,971	133,685,052	102	205,648,818	268,514,593	131
Government	464,428,489	421,937,572	91	515,839,140	509,571,263	99	980,267,629	931,508,835	95
Structured	18,607,422	15,287,022	82	49,350,350	50,333,044	102	67,957,772	65,620,066	97
Total	785,111,759	788,124,293	100	844,139,771	893,933,932	106	1,629,251,530	1,682,058,225	103

Note: Unit-linked insurance contract investments data are excluded.

Structure of debt securities of the Triglav Group by issuer sector (excluding unit-linked insurance contract investments) in 2013 and 2012

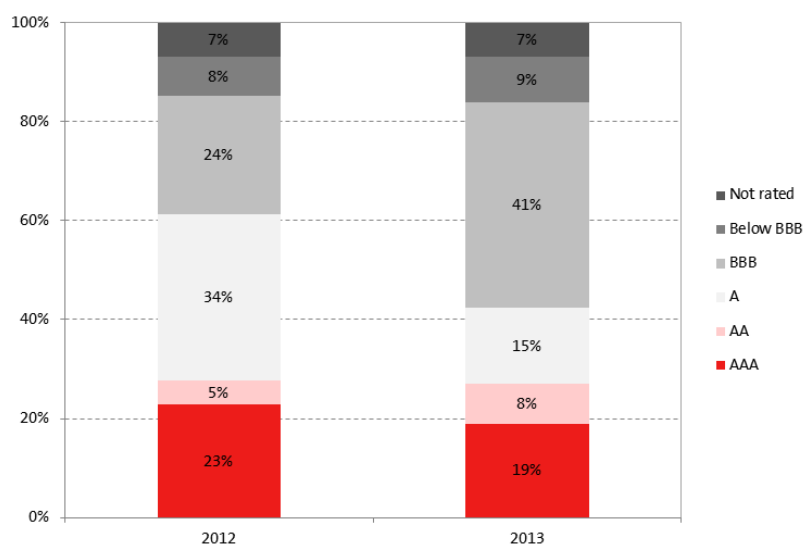


Debt securities of the Triglav Group by credit rating in 2013 and 2012 (by life insurance and non-life insurance segment)

Debt securities	Non-life			Life			Total		
	31 Dec. 2012	31 Dec. 2013	Index	31 Dec. 2012	31 Dec. 2013	Index	31 Dec. 2012	31 Dec. 2013	Index
AAA	197,171,354	184,851,136	94	174,003,708	134,956,487	78	371,175,061	319,807,623	86
AA	44,748,946	80,984,430	181	35,625,134	54,647,045	153	80,374,080	135,631,475	169
A	233,680,846	110,677,846	47	314,332,413	147,550,621	47	548,013,259	258,228,467	47
BBB	182,739,462	278,432,271	152	208,335,535	418,552,780	201	391,074,997	696,985,051	178
Below BBB	74,413,882	79,987,369	107	52,125,578	77,641,256	149	126,539,461	157,628,625	125
Not rated	52,357,269	53,191,241	102	59,717,403	60,585,743	101	112,074,672	113,776,984	102
Total	785,111,759	788,124,293	100	844,139,771	893,933,932	106	1,629,251,530	1,682,058,225	103

Note: Unit-linked insurance contract investments data are excluded.

Debt securities of the Triglav Group by credit rating in 2013 and 2012 (excluding unit-linked insurance contract investments)



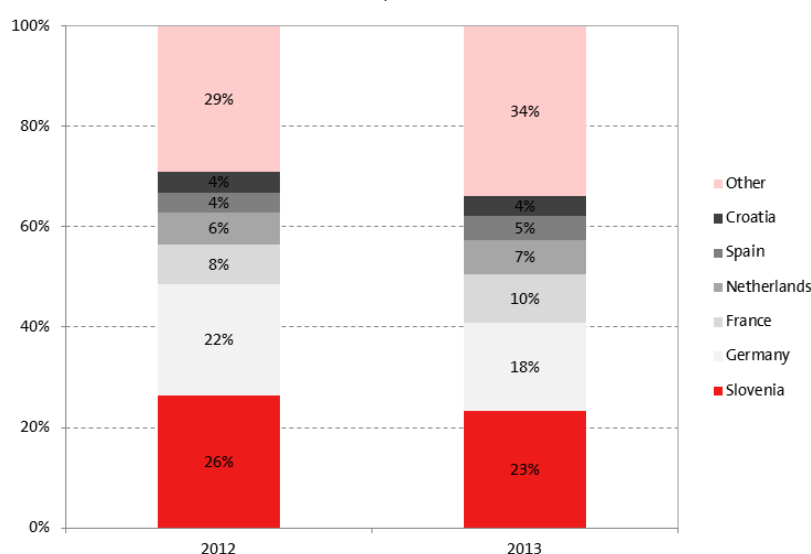
In line with the adopted strategy, in recent years the exposure of the Triglav Group to bonds of Slovene issuers was decreased. As at the end of 2013, it equalled 23%, after a drop by 3 percentage points (2012: 26%).

Debt securities of the Triglav Group by issuer's country in 2013 and 2012 (by life insurance and non-life insurance segment)

Debt securities	Non-life			Life			Total		
Country of issuer	31 Dec. 2012	31 Dec. 2013	Index	31 Dec. 2012	31 Dec. 2013	Index	31 Dec. 2012	31 Dec. 2013	Index
Slovenia	197,494,614	147,015,023	74	230,551,406	245,762,047	107	428,046,020	392,777,070	92
Germany	193,378,284	147,917,447	76	170,544,334	148,315,834	87	363,922,619	296,233,281	81
France	73,320,702	84,570,672	115	54,707,477	75,585,929	138	128,028,180	160,156,601	125
Netherlands	54,906,617	68,256,733	124	49,022,002	48,040,118	98	103,928,619	116,296,851	112
Spain	19,296,611	29,379,282	152	43,629,001	50,286,239	115	62,925,612	79,665,521	127
Croatia	30,013,064	26,650,537	89	39,919,243	42,441,642	106	69,932,307	69,092,178	99
Other	216,701,867	284,334,600	131	255,766,307	283,502,122	111	472,468,174	567,836,722	120
Total	785,111,759	788,124,293	100	844,139,771	893,933,932	106	1,629,251,530	1,682,058,225	103

Note: Unit-linked insurance contract investments data are excluded.

Structure of debt securities held by the Triglav Group by issuer's country (excluding unit-linked insurance contract investments) in 2013 and 2012



Unit-linked insurance contracts investments amounted to EUR 437.7 million as at the reporting date. Compared to the 2012 year-end, they experienced a 4% increase and accounted for 17.2% of total financial assets.

As at 31 December 2013 **financial investments in associates and investments in shares** stood at EUR 123.5 million having decreased by 18% over 2012. The Triglav Group's **financial investments in associates** totalled EUR 10.2 million. A 29% drop was mostly caused by Triglav Skladi d.o.o. divesting from Polara Invest Fond a.d., Banja Luka. **Investments in shares and other floating rate securities** went down by 17%, which is mainly the result of permanent impairments of these holdings. As at the reporting date, they stood at EUR 113.3 million, representing 4.5% of total financial assets.

Equity investments of the Triglav Group by geographic area in 2013 and 2012

Equity investments	Non-life			Life			Total		
Geographic area	31 Dec. 2012	31 Dec. 2013	Index	31 Dec. 2012	31 Dec. 2013	Index	31 Dec. 2012	31 Dec. 2013	Index
Slovenia	62,963,229	52,279,349	83	19,858,882	16,384,933	83	82,822,111	68,664,283	83
Developed markets	26,644,016	26,629,842	100	12,682,647	9,499,096	75	39,326,663	36,128,938	92
Developing markets	6,372,536	4,857,930	76	4,835,639	4,551,392	94	11,208,175	9,409,322	84
Balkan	15,296,473	7,428,682	49	2,535,671	1,881,942	74	17,832,143	9,310,624	52
Total	111,276,254	91,195,802	82	39,912,839	32,317,364	81	151,189,093	123,513,166	82

Deposits with banks (which account for 4.4% of the total) decreased by 27% to EUR 111.3 million. **Investment property** amounted to EUR 97.2 million and accounted for 3.8% of total assets, having decreased by 3%. **Loans given** declined by 12% over the previous year and amounted to EUR 53.7 million, accounting for 2.1% of the total. **Other financial investments** stood at EUR 30.0 million, representing a 1.2% share of the total (index 70).

Financial investments of reinsurance companies in reinsurance contracts with cedents remained at the 2012 year-end level, equalled EUR 4.2 million (index 100) and accounted for 0.2% of total financial assets.

8. FINANCIAL RESULT OF THE TRIGLAV GROUP IN 2013

- Despite tight operating conditions, the Triglav Group ended the fiscal year 2013 with a net profit of EUR 69.9 million and recorded a 12% return on equity.
- Combined ratio in non-life insurance, which shows the profitability of operations, was 91.0%.
- Return on financial investments totalled EUR 70.3 million.

Despite tight operating conditions in the reporting year, the Triglav Group ended 2013 with a profit. Profit before tax amounted to EUR 83.6 million or 7% less than in 2012. Net profit decreased by 5% to EUR 69.9 million. Net return on equity was 12.0%, having decreased by 1.8 percentage points compared to the preceding year.

Combined ratio in non-life insurance, which shows the profitability of operations, was 91.0% (2012: 89.6%). Any value of this ratio below 100 means that the non-life insurance portfolio as the core business (excluding return on investments) is earning a profit.

8.1 Premium income, claims incurred and operating expenses

Net premium earned (calculated on the basis of gross written insurance and co-insurance premiums, reduced by the reinsurers' share and adjusted by the change in gross unearned premiums taking into account the reinsurers' share in unearned premiums) amounted to EUR 837.6 million or 5% less than in 2012. Net premium earned from health insurance grew by 13%, whilst net non-life and life premium earned decreased by 8% and 6% respectively. Gross written premiums from reinsurance and co-insurance operations totalled EUR 70.9 million, representing a 5% decrease compared to 2012. Net unearned premium totalled EUR 7.7 million, representing a 67% drop compared to the previous year.

Net claims incurred (gross claims increased by loss adjustment costs, reduced by the reinsurers' and co-insurers' shares and subrogated receivables, adjusted by the change in gross claims provisions taking into account the reinsurers' and co-insurers' shares in these provisions) decreased by 1% and totalled EUR 571.7 million. Net claims incurred from non-life insurance fell by 7%, while those from life insurance increased by 5% and those from health insurance by 10%. The reinsurers' and co-insurers' shares of gross claims increased compared to 2012 by 59% and reached EUR 35.8 million. The change in net claims provisions was EUR –28.0 million, having increased by 42% compared to the preceding year. Equalisation scheme expenses for supplemental health insurance increased by 8% and totalled EUR 8.0 million.

Operating expenses (costs of insurance contract acquisitions and other operating expenses) remained approximately at the same level as the year before (index 100), reaching EUR 199.4 million. Acquisition costs amounted to EUR 128.0 million (index 100), whereas other operating expenses equalled EUR 71.3 million (index 101).

8.2 Income and expenses from financial assets

Income from financial assets rose by 6% and reached EUR 184.7 million. Income from financial assets in associates totalled EUR 63 thousand. Income from other financial assets decreased by 1% to EUR 136.2 million. Net unrealised losses on unit-linked life insurance assets climbed by 63% to EUR 48.5 million. Interest income of EUR 76.1 million accounted for the largest share of financial assets. Realised gains on disposals amounted to EUR 28.7 million, fair value gains from financial assets totalled EUR 22.2 million, dividend income reached EUR 2.9 million and

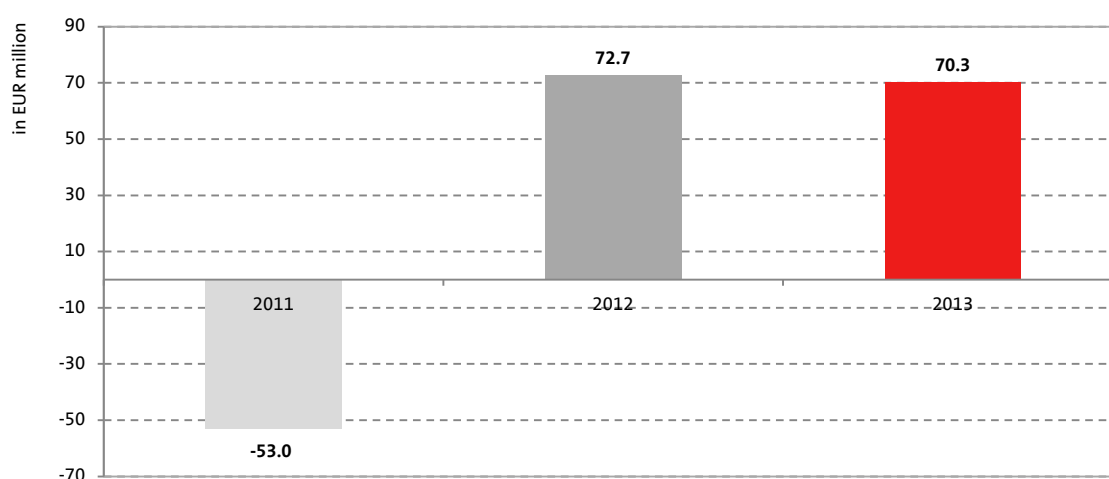
other financial income EUR 6.3 million. Profit on equity investments in associates and joint venture companies totalled EUR 40 thousand.

Consolidated financial expenses increased by 13% to EUR 114.4 million. Expenses from financial assets in associates totalled EUR 1.4 million, while expenses from other financial assets equalled EUR 79.2 million. Net unrealised losses on unit-linked life insurance assets increased substantially and reached EUR 33.8 million (in 2012 EUR 676 thousand). The main portion of financial expenses is represented by permanent impairment of EUR 28.1 million, a 36% decrease compared to 2012.

The portfolio investments of the Triglav Group were permanently impaired, primarily due to the situation and developments in the Slovene banking sector. As a result of decreased value of financial assets fair value losses increased by 24%, amounting to EUR 23.2 million.

Return on financial investments, which represents the difference between income and expenses from financial assets, amounted to EUR 70.3 million and decreased by 3% compared to 2012. A lower return was mostly due to a lower return on long-term business fund backing unit-linked life insurance.

The return on financial investments of the Triglav Group in the period from 2011 to 2013



8.3 Change in other insurance technical provisions and other income and expenses

Changes in other technical provisions summed up to EUR 2.7 million (2012: EUR –1.4 million) with change in mathematical provisions totalling EUR 4.1 million (2012: EUR 0.9 million). Change in other provisions amounted to EUR –1.4 million, primarily owing to lower provisions for unexpired risks, the value of which is based on net claims and expenses by individual insurance class. The improvement in these results caused a decrease in provisions.

Change in insurance technical provisions for unit-linked insurance contracts equalled EUR 17.9 million (index 34) due to an increase in price of fund units. Expenses for bonuses and discounts amounted to EUR 6.5 million (index 76).

Other insurance income totalled EUR 7.9 million, having decreased by 62%. **Other income** stood at EUR 76.6 million, representing a 1% increase over the preceding year. **Other insurance expenses** totalled EUR 23.7 million (index 55), whereas **other expenses** amounted to EUR 87.0 million (index 104).

Income statement for 2013 –according to IFRS

	2013	2012	Index
Net premium income	837,642,667	884,367,872	95
- gross written premium	900,892,580	936,263,023	96
- ceded written premium	-70,920,674	-74,983,245	95
- change in unearned premiums	7,670,761	23,088,094	33
Income from financial assets	184,692,544	173,651,547	106
Income from financial assets in associates	63,423	5,754,725	0
- profit on equity investments accounted for using the equity method	39,532	1,720,451	0
- interest income	0	0	0
- fair value gains	0	0	0
- realised gains on disposals	23,891	0	0
- other financial income	0	4,034,274	0
Income from other financial assets	136,153,098	138,074,118	99
- interest income	76,142,863	82,502,711	92
- dividends	2,856,987	3,120,364	92
- fair value gains	22,249,328	17,616,160	126
- realised gains on disposals	28,643,036	29,270,460	98
- other financial income	6,260,884	5,564,423	113
Net unrealised gains on unit-linked life insurance assets	48,476,023	29,822,704	163
Other income from insurance operations	7,910,551	20,702,957	38
- fees and commission income	2,493,159	13,741,969	18
- other income from insurance operations	5,417,392	6,960,988	78
Other income	76,614,124	76,039,900	101
Net claims incurred	571,663,099	578,938,271	99
- gross claims settled	627,508,334	613,765,178	102
- reinsurers' and co-insurers' share	-35,840,696	-22,515,985	159
- changes in claims provisions	-27,985,203	-19,720,565	142
- equalisation scheme expenses for supplemental health insurance	7,980,664	7,409,643	108
Change in other insurance technical provisions (excluding unit-linked)	2,651,409	-1,446,818	0
Change in insurance technical provisions for unit-linked insurance contracts	17,906,261	52,882,779	34
Expenses for bonuses and discounts	6,539,195	8,647,771	76
Operating expenses	199,362,100	198,477,965	100
- acquisition costs	128,032,778	127,960,690	100
- other operating expenses	71,329,322	70,517,275	101
Expenses from financial assets and liabilities	114,386,924	100,957,942	113
Expenses from financial assets and liabilities in associates	1,417,909	2,104,247	67
- loss on equity investments in associates and joint ventures accounted for using the equity method	986,250	2,104,247	47
- interest expense	0	0	0
- fair value losses	0	0	0
- realised loss on disposals	418,604	0	0
- permanent impairment of financial assets	1	0	0
- other expenses from financial assets and liabilities	13,054	0	0
Expenses from other financial assets and liabilities	79,179,913	98,177,882	81
- interest expense	3,394,926	3,576,326	95
- fair value losses	23,209,947	18,768,643	124
- realised loss on disposals	15,744,740	24,081,742	65
- permanent impairment of financial assets	28,144,000	43,652,275	64
- other expenses from financial assets and liabilities	8,686,300	8,098,896	107
Net unrealised losses on unit-linked life insurance assets	33,789,102	675,813	0
Other insurance expenses	23,683,481	42,829,908	55
Other expenses	87,026,356	83,803,046	104
Profit/loss before tax	83,641,061	89,671,412	93
Income tax expense	-13,790,058	-16,490,349	84
Net profit for the accounting period	69,851,003	73,181,063	95
Net profit/loss attributable to the controlling company	69,541,096	72,512,985	96
Net profit/loss attributable to non-controlling interest holders	309,906	668,078	46

Financial result ratios

Financial result ratios	2013	2012	2011
Claims ratio	61.7%	60.9%	61.0%
Expense ratio	29.3%	28.8%	29.2%
Combined ratio	91.0%	89.6%	90.1%
Operating expenses of insurance business in gross written premium	25.6%	24.6%	23.7%
Gross written premium per company employee* (EUR)	204,330	212,353	226,147

*Only the employees of the insurance and the reinsurance companies of the Triglav Group are included.

9. FINANCIAL STANDING OF THE TRIGLAV GROUP IN 2013

- The balance sheet total of the Triglav Group amounted to EUR 3,077.1 million as at reporting date.
- Total equity capital increased by 3% and reached EUR 590.5 million.

9.1 Equity and liabilities

The total value of equity as at 31 December 2013 was EUR 590.5 million or 3% more than the year before. The share of equity in total liabilities increased by 0.8 percentage point; from 18.4% to 19.2%. Equity attributable to the controlling company amounted to EUR 584.3 million, while non-controlling interest holders had EUR 6.2 million. Share capital, divided into 22,735,148 ordinary shares, remained at the 2012 year-end level and totalled EUR 73.7 million.

As a result of a decrease in the value of available-for-sale financial assets, **fair value reserve** was EUR 44.6 million, having decreased by 14% compared to the 2012 year-end. **Share premium** equalled EUR 56.9 million, whereas the amount of reserves from profit of EUR 276.7 million includes legal and statutory reserves of EUR 19.6 million, credit risk equalisation reserves of EUR 32.3 million, contingency reserves of EUR 0.5 million, treasury share reserves of EUR 0.5 million and other reserves from profit of EUR 224.2 million. The latter increased by EUR 23.2 million over 2012.

Accumulated profits for the year were EUR 136.3 million (index 101). Apart from net profit this includes 90.1 million of net profit brought forward (index 104). Net profit for the year disclosed in the balance sheet totalled EUR 46.2 million, which was EUR 23.2 million less than net profit disclosed in the income statement, as the Company in compliance with the Companies Act used part of the net profit to form other reserves from profit. According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit to other reserves, however only up to one half of the net profit remaining after statutory allocations.

As at 31 December 2013, **subordinated liabilities** totalled EUR 28.2 million, having decreased by 24% over the 2012 year-end, since the bonds with the ticker symbol ZT01 fell due. They accounted for 0.9% of total liabilities.

On the liabilities side, **gross insurance technical provisions** decreased by 2% to EUR 2,261.4 million as at 31 December 2013. In total liabilities, their share decreased by 0.3 percentage point, from 73.8% to 73.5%. As at 31 December 2013, mathematical provisions amounted to EUR 1,305.9 million, which was 1% higher than at the end of the previous year. Provisions for gross unearned premiums shrunk by 4%, gross claims provisions by 7% and other insurance technical provisions by 13%. Insurance technical provisions are discussed in greater detail under *Section 7.8.1*.

Financial liabilities as at the 2013 year-end totalled EUR 34.8 million and were 12% below the figure reported one year earlier. Their share accounted for 1.1% of total liabilities.

Operating liabilities as at the reporting date totalled EUR 56.3 million or 3% below the figure reported one year earlier. They accounted for 1.8% of total liabilities, which is 0.1 percentage point less than as at 31 December 2012. Liabilities from direct insurance operations dropped as well, by 3% to EUR 20.2 million. Liabilities from co-insurance and reinsurance operations decreased by 4% to EUR 35.3 million. Current tax liabilities equalled EUR 739 thousand.

Other liabilities increased by 3%. As at the reporting date, they stood at EUR 59.7 million and represented 1.9% of total liabilities.

9.2 Assets

Financial assets equalled EUR 2,432.2 million, decreasing by 1% compared to the 2012 year-end. Their share in total assets grew by 0.7 percentage point and reached 79.0%. Unit-linked insurance assets amounted to EUR 437.7 million and financial investments to EUR 1,994.5 million. In total financial investments, EUR 199.3 million was accounted for by deposits and loans and EUR 224.9 million by investments held to maturity. Moreover, investments available for sale totalled EUR 1,431.0 million and investments recognised at fair value through profit and loss equalled EUR 139.3 million. The structure of financial assets is discussed in greater detail under *Section 7.9*.

The Triglav Group's financial investments in associates fell by 29%, caused mostly by Triglav Skladi d.o.o. divesting from ZIF Polara Invest Fond a.d., Banja Luka. Reaching EUR 10.2 million, they accounted for 0.3% of total assets.

Investment property stood at EUR 97.2 million and represented 3.2% of total assets, having decreased by 3%.

The Group's **receivables** as at 31 December 2013 were 1% higher compared to the 2012 year-end and equalled EUR 196.3 million. They accounted for 6.4% of total assets. Receivables from direct insurance operations decreased to EUR 96.0 million (index 92). Receivables from co-insurance and reinsurance operations reached EUR 43.3 million (index 101), other receivables stood at EUR 42.3 million (index 109) and current tax receivables at EUR 14.7 million (index 158).

As at 31 December 2013, **insurance technical provisions transferred to reinsurance contracts** amounted to EUR 64.7 million, which was 23% less than one year earlier. Assets from reinsurance contracts from claim provisions totalled EUR 49.6 million, while unearned premium equalled EUR 15.1 million.

Property, plant and equipment amounted to EUR 122.9 million (index 94), representing 4.0% of total assets. **Intangible assets** equalled EUR 71.7 million (index 107), accounting for 2.3% of total assets.

As at 31 December 2013, **cash and cash equivalents** amounted to EUR 29.1 million and were 68% higher than as the end of 2012. **Other assets** equalled EUR 27.0 million (index 80) and **non-current assets held for sale** stood at EUR 2.1 million (index 91).

Balance sheet as at 31 December 2013 – according to IFRS

	31 Dec. 2013	31 Dec. 2012	Index	Structure 2013	Structure 2012
TOTAL ASSETS	3,077,107,344	3,123,808,393	99	100.0%	100.0%
Intangible assets	71,724,243	66,878,286	107	2.3%	2.1%
Property, plant and equipment	122,850,884	130,350,482	94	4.0%	4.2%
Deferred tax receivables	23,696,799	34,434,717	69	0.8%	1.1%
Investment property	97,245,384	100,186,863	97	3.2%	3.2%
Investments in associates	10,204,674	14,384,184	71	0.3%	0.5%
Financial assets	2,432,183,379	2,445,878,652	99	79.0%	78.3%
Financial investments	1,994,515,763	2,026,996,736	98	64.8%	64.9%
- loans and deposits	199,264,326	273,278,022	73	6.5%	8.7%
- held to maturity	224,880,951	228,416,165	98	7.3%	7.3%
- available for sale	1,431,023,178	1,417,564,782	101	46.5%	45.4%
- recognised at fair value through profit and loss	139,347,308	107,737,767	129	4.5%	3.4%
Unit-linked insurance assets	437,667,616	418,881,916	104	14.2%	13.4%
Reinsurers' share of insurance technical provisions	64,707,528	83,575,712	77	2.1%	2.7%
Receivables	196,328,781	194,850,052	101	6.4%	6.2%
- receivables from direct insurance operations	95,959,929	103,865,001	92	3.1%	3.3%
- receivables from reinsurance and co-insurance operations	43,322,539	42,942,784	101	1.4%	1.4%
- current tax receivables	14,724,095	9,331,709	158	0.5%	0.3%
- other receivables	42,322,218	38,710,558	109	1.4%	1.2%
Other assets	26,973,765	33,680,408	80	0.9%	1.1%
Cash and cash equivalents	29,068,558	17,251,420	168	0.9%	0.6%
Non-current assets held for sale	2,123,349	2,337,617	91	0.1%	0.1%
EQUITY AND LIABILITIES	3,077,107,344	3,123,808,393	99	100.0%	100.0%
Equity	590,537,457	574,563,757	103	19.2%	18.4%
Controlling interests	584,314,877	567,863,820	103	19.0%	18.2%
- share capital	73,701,392	73,701,392	100	2.4%	2.4%
- share premium	56,866,194	56,710,713	100	1.8%	1.8%
- reserves from profit	276,678,464	253,233,080	109	9.0%	8.1%
- treasury share reserves	452,880	364,680	124	0.0%	0.0%
- treasury shares	-452,880	-364,680	124	0.0%	0.0%
- fair value reserve	44,605,435	51,819,054	86	1.4%	1.7%
- net profit/loss brought forward	90,083,115	86,769,095	104	2.9%	2.8%
- net profit/loss for the year	46,213,507	48,809,667	95	1.5%	1.6%
- currency translation differences	-3,833,230	-3,179,181	121	-0.1%	-0.1%
Non-controlling interests	6,222,580	6,699,937	93	0.2%	0.2%
Subordinated liabilities	28,244,484	37,025,550	76	0.9%	1.2%
Insurance technical provisions	1,826,231,310	1,887,920,781	97	59.3%	60.4%
- unearned premiums	258,066,669	268,424,573	96	8.4%	8.6%
- mathematical provisions	870,733,006	869,949,936	100	28.3%	27.8%
- claims provisions	674,436,244	723,176,114	93	21.9%	23.2%
- other insurance technical provisions	22,995,391	26,370,158	87	0.7%	0.8%
Insurance technical provisions for unit-linked insurance contracts	435,201,724	417,338,984	104	14.1%	13.4%
Employee benefits	11,401,382	10,573,673	108	0.4%	0.3%
Other provisions	16,218,730	19,621,552	83	0.5%	0.6%
Deferred tax liabilities	18,465,042	21,351,998	86	0.6%	0.7%
Other financial liabilities	34,790,998	39,380,566	88	1.1%	1.3%
Operating liabilities	56,325,533	58,150,107	97	1.8%	1.9%
- liabilities from direct insurance operations	20,247,893	20,811,717	97	0.7%	0.7%
- liabilities from reinsurance and co-insurance operations	35,338,592	36,744,115	96	1.1%	1.2%
- current tax liabilities	739,048	594,275	124	0.0%	0.0%
Other liabilities	59,690,684	57,881,425	103	1.9%	1.9%

Financial position indicators

Financial position indicators	2013	2012	2011
The portion of equity in total liabilities	19.2%	18.4%	16.5%
Average equity balance as % of gross written premium	64.7%	56.8%	50.0%
Return on equity	12.0%	13.8%	9.6%
Share of gross insurance technical provisions in total liabilities	73.5%	73.8%	75.4%
Average balance of gross insurance technical provisions as % of gross written premium	253.5%	242.4%	227.7%
Financial assets to total assets ratio	79.0%	78.3%	78.5%
Financial assets to gross insurance technical provisions ratio	107.6%	106.1%	104.1%

10. CASH FLOW STATEMENT

- **Positive cash flow from operating and investment activities.**
- **Negative cash flow from financial activities.**

In 2013, the cash flow from operating activities of the Triglav Group was positive and equalled EUR 12.7 million, having decreased by 65% over the preceding year, which is mostly owing to lower net written insurance premium, current tax receivables and the principal repayment of ZT01 subordinated bonds.

Cash flow from investing activities amounted to EUR 54.9 million, whereas in 2012 it was negative at EUR –14.8 million. In 2013, a positive cash flow from investing activities arose primarily from lower net cash outflows for the purchase of non-current investments, the decrease of which significantly surpassed the negative change in net cash flow from short-term investments.

Cash flow from financing activities was negative and reached EUR –55.8 million (index 212). The reasons were higher cash outflows from dividends paid and profit sharing (index 286) and cash outflows for payments of long-term financial liabilities (index 350). Bond interest payments totalled EUR 2.8 million. The closing balance of cash and cash equivalents amounted to EUR 29.1 million, having climbed above the 2012 year-end figure by 68%.

Summary cash flow statement

	2013	2012	Index
A. Operating cash flow			
Income statement items	36,421,523	45,877,945	79
Changes in net current assets - operating balance sheet items	-23,685,222	-9,804,340	242
Total operating cash flow	12,736,301	36,073,605	35
B. Cash flows from investing activities			
Cash inflows from investing activities	2,738,674,286	2,712,442,552	101
Cash outflows from investing activities	-2,683,771,800	-2,727,253,065	98
Total cash flow from investing activities	54,902,486	-14,810,513	
C. Cash flows from financing activities			
a. Cash inflows from financing activities	39,263,813	33,413,521	118
b. Cash outflows from financing activities	-95,034,085	-59,716,158	159
c. Total cash flow from financing activities	-55,770,272	-26,302,637	212
D. Opening balance of cash and cash equivalents	17,251,420	22,771,666	76
E1. Net cash flow for the period	11,868,515	-5,039,545	
E2. Foreign exchange differences	-51,377	-480,702	11
F. Closing balance of cash and cash equivalents	29,068,558	17,251,419	168

11. RISK MANAGEMENT

- The high quality design of the risk management systems allows the Group to create a competitive edge and added value and caters for the monitoring of risk as well as profitability.
- The Group has a conservative risk culture and attitude, and uses state-of-the-art tools for comprehensive risk management.

The core business of an insurer is taking on the risks of business partners in exchange for an insurance premium. Risk management therefore represents a key element of corporate governance, business processes and employee guidelines in the Triglav Group. In addition to insurance risks, the Group is faced with other risk types, such as financial, operational and strategic risk. The Company's comprehensive risk management system is continuously adapted to the Group's growth and the expansion of its operations.

An integrated risk management system:

- defines the appetite for individual risk types in line with the adopted strategy;
- allows for verification as to whether lines of defence effectively include all major risks;
- enables the early identification, measurement and management of all risk types on a preventative basis;
- defines and ensures constant monitoring of the Group's risk exposure, which is evaluated according to risk appetite;
- implements a risk management system in compliance with Solvency II requirements;
- creates a favourable environment for the development of a risk management culture in line with the Group's business strategy.

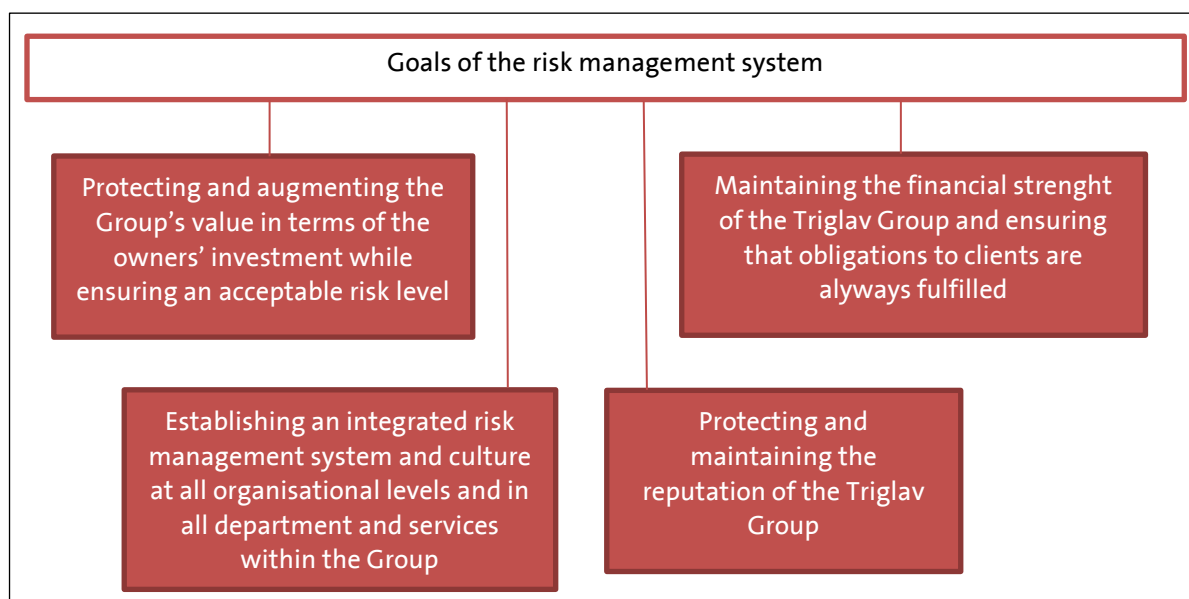
Risk management is further discussed in *Section 4 of the accounting part of the Annual Report*.

11.1 Main characteristics of the risk management system

The development and implementation of the risk management system pursue the following objectives:

- establishing an economic capital model for managing the Group's assets and liabilities that will serve as a basis for more efficient capital allocation while also ensuring due consideration of the defined risk appetite, profitability needs and regulatory capital requirements;
- providing an integrated and effective risk management process that is in line with the strategy and entails a clear segregation of duties and responsibilities while also complying with limits that help maintain an appropriate risk level in accordance with the Group's risk appetite;
- providing adequate capital, liquidity and profitability levels, ensuring that the Group is able to meet its obligations even if extreme risks should materialise;
- supporting decision making, based on thorough insight into the risks and their effects and consequences;
- providing safety and satisfaction for investors, employees, clients and all other stakeholders;
- raising awareness and spreading the risk management culture within the Group.

Key goals of the risk management system



11.1.1 Process and structure of the integrated risk management system²⁹

The established processes and the structure of the risk management system allow for a reliable identification and evaluation of regular and potential risk events as well as the selection of appropriate activities, such as risk aversion, limitation, reduction or acceptance.

The tenets of the Group's risk management system are defined in the following documents:

- the Risk Management Strategy adopted in the framework of the Triglav Group Business Strategy;
- the Risk Management Policy and
- the Risk Register.

The Triglav Group strives for an optimum ratio between accepted risk and generated profit, which is why the limits of acceptable risk exposure are defined in accordance with the long-term strategic goals of the Group and the annual business plans drafted on the basis of the long-term business strategy.

In order to further limit excessive exposure, specific comprehensive risk exposure limits are defined for every key portfolio, accompanied by additional limits for individual risk types.

The Group's policies and internal rules specify which is the most suitable course of action to be followed in case an unacceptable risk arises:

- adoption of measures for risk prevention and risk aversion;
- reduction of current risks by applying pre-defined limits and control procedures and partial risk acceptance;
- transfer of unwanted risk to other business partners, such as reinsurance companies and retrocessionaires.

²⁹ GRI G4-14

11.1.2 Added value of the risk management system

The Group has a conservative risk culture and attitude towards risk, which is managed comprehensively, using state-of-the-art tools. Risk management allows the Group to create added value and a competitive edge by benefiting from early and continuous risk identification. Efficient and prudent risk taking and risk management also enhance the Group's financial strength.

All business departments and services apply clear criteria, limitations and a system of internal controls to monitor their operation. Interaction between risks is subject to in-depth analysis, control and reporting.

Added value of the Triglav Group risk management system



Up-to-date and transparent information is exchanged at all risk management levels. Clear and transparent information flows both top-down and bottom-up as well as within every level. This process is supported by IT systems compatible with the risk management system, which allows for a unified system of internal controls.

Thanks to this comprehensive approach, the operations of the entire Group are more transparent, stable and secure.

11.1.3 Risk management at Group level

The risk management system at Group level is adequate, efficient and proportional to the structure, nature, volume, complexity and risk level of operations of individual subsidiaries and compliant with regulatory requirements. The system takes account of the differences in risk, depending on the country of operation, the specificities of the business environment of each company and the impact of the risks of any individual company on other Group members and the Group as a whole.

The system is structured by hierarchy. By adopting internal acts, Zavarovalnica Triglav and Triglav INT regulate the governance of subsidiaries by nominating decision-makers and defining their competences and responsibilities, management processes and other activities

related to the management of subsidiaries (including regular reporting and audit). They also monitor the operations and development of subsidiaries with regard to risk management through supervisory boards. The cooperation, culture, policies and regulations in the area of subsidiary management foster the exchange of information, know-how and best practices between the members and structures of the Group.

Thanks to the appropriate organisation and centralisation of functions in the Group, the Triglav Group is also able to monitor concentration risks to which it pays particular attention.

Despite its complex structure and demanding overall tasks, the Triglav Group has managed to establish an effective and, most importantly, reliable risk management system. In doing so, it has brought together both concepts typical of such systems:

- risk management at the Group level; and
- centralised risk management.

11.2 Capital and capital adequacy management

The primary goal of capital management is to guarantee that the Group maintains the required and suitable capital adequacy level, while also generating an appropriate profit in relation to risk for its owners. In 2013 as well as in previous years, the Group's capital has been at an adequate level and its capital adequacy ratio has continued to increase.

As required by applicable legislation, the Group regularly measures the amount of available capital to make sure it is in line with the regulatory capital requirements for individual insurance companies and for the Group. Capital adequacy is also monitored on the basis of the model of the S&P rating agency and on the basis of the Directive 2009/138/EC of the European Parliament and of the Council (Solvency II). The efficient use of own capital sources is guaranteed through a system of exposure limits, capital allocation and strategic planning. The goals of capital management in relation to each above-mentioned capital model are explained below.

11.2.1 Regulatory requirements for capital adequacy

The level of available capital of an insurance company and particularly its fluctuation can be affected by a number of factors. These include the structure and nature of services, premium volume, assets and liabilities, market interest rates and other capital market parameters. Insurance companies in the Triglav Group maintain a surplus of available capital exceeding the capital requirements of their core business and covering potential losses. This surplus provides a high level of protection against losses due to unforeseen unfavourable events. In addition to current capital adequacy, the Group also monitors compliance with planned capital levels and capital adequacy. This allows it to detect any influences from the environment affecting capital adequacy and to ensure the optimum capital allocation of individual insurance companies and the Triglav Group.

The Group's primary goal is to ensure an adequate capital level in the Group and all its members. In order to evaluate solvency needs, the Group also regularly monitors the capital adequacy ratios of insurance-technical provisions for each insurance company in the Group.

As in previous years, Zavarovalnica Triglav complied with the regulatory capital adequacy requirements throughout 2013. As at 31 December 2013, the minimum required capital to available capital ratio in non-life insurance was 362% (compared to 323% as at 31 December

2012). On the same day, the minimum required capital to available capital ratio in life insurance was 183% (compared to 168% as at 31 December 2012).

See also *Section 4.2.1 of the accounting part of the Annual report*.

11.2.2 Capital adequacy of the Triglav Group as a financial conglomerate

Until December 2013, the Triglav Group, Abanka Vipava and its subsidiaries formed a financial conglomerate. Up to the termination of ownership as shareholder in Abanka Vipava d.d., the Group monitored the capital adequacy of the conglomerate in accordance with the EU Directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and the relevant laws of the Republic of Slovenia.

11.2.3 Rating agency capital adequacy

Decisions concerning capital management are also based on the capital models underpinning credit rating. Capital adequacy is a crucial element in credit rating. The credit rating of the Triglav Group is evaluated by the rating agencies Standard & Poor's (S&P) and A.M. Best. As a rule, the capital adequacy requirements under the S&P model are higher than those prescribed by the applicable legislation.

Credit rating is discussed in greater detail in *Section 5.8 Credit rating of the Triglav Group and Zavarovalnica Triglav*.

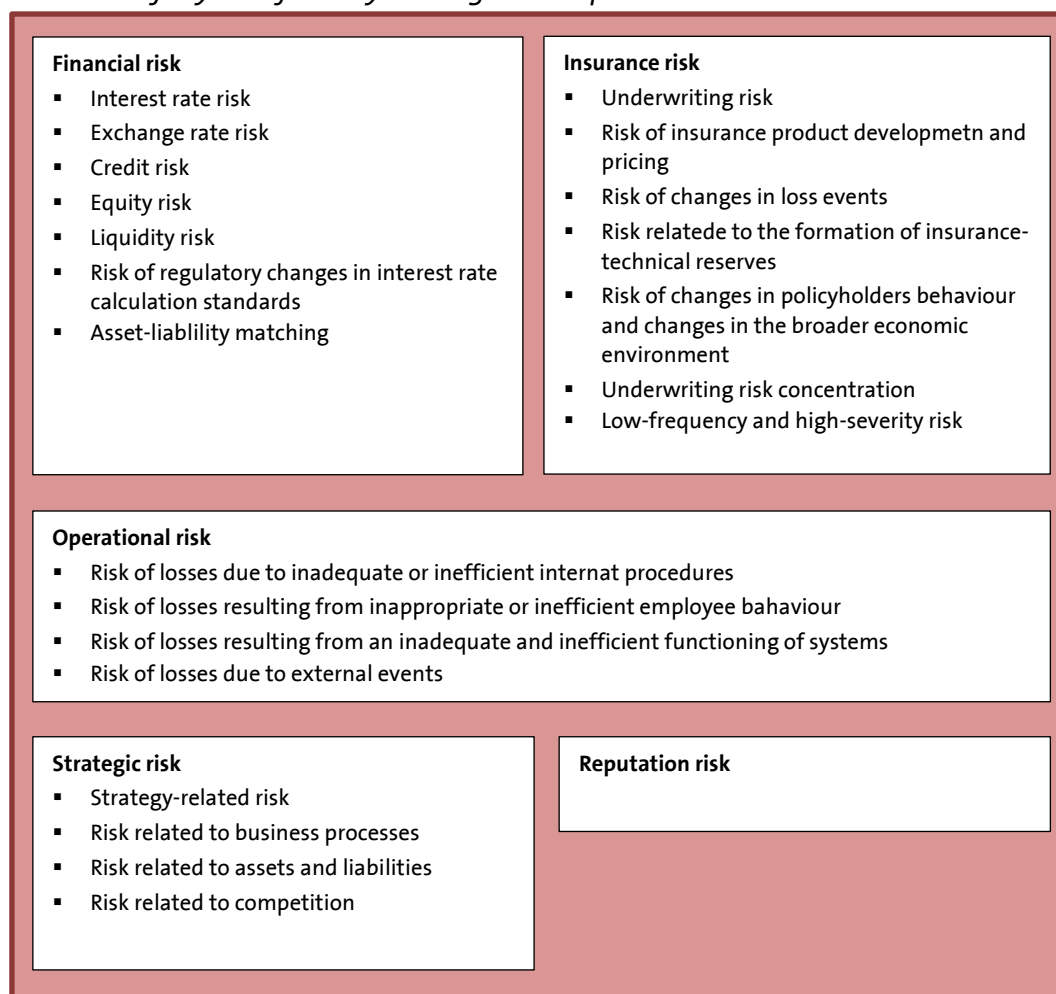
Credit ratings of Zavarovalnica Triglav, the Triglav Group and Pozavarovalnica Triglav Re as at 31 December 2013

	Standard & Poor's	A.M. Best
Triglav Group	Financial strength rating »A-« / stable medium-term outlook	
Zavarovalnica Triglav d.d.	Financial strength rating »A-« / stable medium-term outlook	Financial strength rating »A-« and issuer credit rating »A-« / stable medium-term outlook
Pozavarovalnica Triglav Re d.d.	Financial strength rating »A-« / stable medium-term outlook	Financial strength rating »A-« and issuer credit rating »A-« / stable medium-term outlook

11.3 Overview of key risks faced by the Triglav Group

The most significant and extensive among the risk types managed by the Group are insurance and financial risks. The Group is also exposed to operational risk, strategic risk and reputation risk. The chart below shows the key risks faced by the Triglav Group, followed by a detailed description of how each risk type is managed.

Overview of key risks faced by the Triglav Group



11.4 Financial risk

In the management of long-term business funds and assets backing liabilities, in reinsurance operations and in all funding operations undertaken as part of capital management, the Group is exposed to the following financial risks:

- equity risk and interest rate risk,
- credit risk, and
- liquidity risk.

The investment policies of individual long-term business funds and assets backing liabilities take into account the nature and characteristics of the Group's liabilities and aim for an optimum asset diversification and optimum return.

The Group's investment policies are based on analyses of the sources of risk and returns, i.e. on the assessment of the relationship between risk and return for the main asset management categories (long-term business funds, assets backing liabilities, own resources). Investment policies are regularly updated and adapted to trends and changes on financial markets, which ensures that the Group's investment policies reflect the relationship between risk and return and are consistent with the Group's vision and strategic objectives. In 2013, the investment policies of all subsidiary insurance companies were updated and adapted to market trends in order to optimise their portfolios with a view to achieving lower capital requirements,

providing more security and higher profitability and avoiding any mismatches with the liabilities of the Group subsidiaries.

Further details on financial risk assessment can be found in *Section 4.3 of the accounting part of the Annual report*.

11.4.1 Market risks and assets-liability management in insurance portfolio

In assets and liabilities management, the Group is most exposed to interest rate and equity risks on the assets side. To a lesser extent, the Triglav Group is also exposed to the risk of potential regulatory changes in the minimum standard for the calculation of applicable technical interest rate for evaluating mathematical provisions for the existing insurance portfolio.

The aim of market risk management is to ensure an appropriate profitability of the investment portfolio, while maintaining an acceptable level of risk defined in terms of risk appetite.

Among other things, the exposure to market risks is determined by the net balance of assets and liabilities. The Group monitors and manages market risks by applying several techniques, such as optimum strategic asset allocation with regard to the nature of liabilities and the effect of the external economic environment, regular monitoring of the current ratios of long-term business funds and assets backing liabilities, regular monitoring of capital adequacy on the basis of models and hedging against certain risks with derivative financial instruments. The Group's life insurance portfolio includes unit-linked insurance policies, where most of the financial risk is borne by the policyholders; however, the very nature of these insurance policies and policyholders' views entail a reputation risk exposure.

One of the central tools used for managing market risk lies in portfolio diversification which is applied to the portfolios of subsidiaries and of the entire Triglav Group. This includes diversification across various industries, across different types of securities as well as across issuers of geographically diverse origin. In order to manage concentration risk, results of capital models are analysed at Group level. This analysis serves as the basis for measures such as exposure limits for individual business segments or changes to the Group's investment policies. Appropriate and advanced investment policies (*described in Section 11.4*) are another tool for successful market risk management. Furthermore, the Group also conducts a range of different stress tests, sensitivity analyses and cash-flow matching, which are instrumental in the elaboration of investment policies, optimising portfolios and hedging market risks.

The goal of the asset-liability management process is to ensure an optimum return on assets with respect to the nature of insurance liabilities. Regulatory requirements currently in force make insurance liabilities insensitive to the fluctuations of market parameters. Therefore, the process of optimising asset-liability management takes into account the static nature of insurance liabilities as an input parameter and aims at improving investment policies by optimising the ratio between the market sensitivity of the balance sheet and the return on assets. To the extent permitted by applicable legislation, this process also incorporates the results of other capital adequacy measurement models (Standard & Poor's, Solvency II).

By means of this optimisation process, investment policies are determined for long-term business funds and assets backing liabilities, specifying the strategic asset allocation for every portfolio. These policies are approved by the Assets and Liabilities Committee, which also regularly monitors the current ratios for all long-term business funds and assets backing liabilities.

11.4.2 Interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the value of interest-sensitive assets, as well as the risk that interest-sensitive assets and interest-sensitive liabilities reach their maturity at different times at different values.

Interest rate risk is managed by undertaking a thorough analysis of the credit ratings of security issuers for each investment. For the purpose of interest rate risk management, the Group also uses sensitivity analyses of interest rate risk which is applied to all interest-sensitive financial assets.

In the case of interest-sensitive assets yielding coupons in the period up to maturity, the Group is also exposed to reinvestment risk.

A detailed presentation of interest rate risk including a sensitivity analysis can be found in *Section 4.3.2 of the accounting part of the Annual report*.

11.4.3 Equity risk

The Triglav Group manages the equity risk of securities in its portfolio through exposure limits as well as through geographical and sectorial investment diversification. It invests most of its assets within the European Union, and spreads its investments to other geographic areas only in order to hedge the risks and the profitability of its equity portfolio. To a large extent, the investment portfolio consists of debt securities and this diversification results in a slightly lower equity risk. Another important factor affecting any investment decision is the liquidity of shares. Due to the diverse market-related (development of capital markets) and local statutory limitations in the Adria region, each subsidiary of the Group in the region pursues an investment policy that is adapted to its individual market. The portfolios of these subsidiaries contain smaller shares of equity securities compared to the portfolios of other subsidiaries, and collectively only represent a small percentage of the Group's portfolio.

Details on the exposure to equity risk are discussed in *Section 4.3.3 of the accounting part of the Annual report*.

11.4.4 Liquidity risk

The risk or threat of a liquidity mismatch, i.e. the mismatched maturity of assets and liabilities, may cause liquidity problems or a shortage in liquidity needed to settle due liabilities. The aim of liquidity risk management is to ensure that at any point in time, the Group has sufficient liquid assets available to settle all outstanding obligations in due time.

Liquidity risk is offset against the volume of highly liquid securities and the regular monitoring of projected and actual cash flows from assets and liabilities. In order to obtain additional liquidity when needed, the Group makes use of a number of credit lines with domestic and foreign banks.

Liquidity risk is further discussed in *Section 4.3.4 of the accounting part of the Annual report*.

11.4.5 Foreign exchange risk

The Group's exposure to foreign exchange risk is minor, as most of its assets are denominated in euros.

In terms of the foreign exchange risk structure, the highest exposures are to the currencies of the countries of the former Yugoslavia, which in total represent no more than 5% of the portfolio. Despite the limited exposure, the Group manages foreign exchange risk using derivatives.

11.4.6 Credit risk

The Group's main exposures to risk of loss due to a counterparty's failure to meet its obligations arise from debt security holdings and insurance operations (reinsurance credit risk, credit risk of default on receivables from insurance operations). The aim of credit risk management is to establish procedures for minimising the likelihood of loss resulting from a debtor's financial difficulties.

The Triglav Group manages its exposure to credit risk through a system of exposure limits. In order to guarantee a timely and suitable response to any adverse developments in the financial markets, the Group's exposures to individual issuers and changes in their credit ratings are subject to constant monitoring.

The aim of credit risk management is to achieve an optimum diversification of the credit portfolio and the desired credit rating for each individual company. For Zavarovalnica Triglav the target average portfolio credit rating is »BBB«, which is still an investment grade rating. At the level of subsidiaries, the target average portfolio credit rating is related to the credit rating of the country where the subsidiary is established. In all cases, the target average portfolio credit rating must exceed the credit rating of the country where the insurance company operates.

For further details on credit risk, see also *Section 4.3.6 of the accounting part of the Annual report*.

11.5 Insurance risk

The risks in this category are associated with insurance perils arising from individual insurance classes and specific work processes related to performing insurance operations. These risks are inherent in the process of risk underwriting, i.e. in the assumption of risk, in the development of insurance products and their pricing, as well as in changes in loss events, in the allocation of insurance technical provisions, in changes in policyholders' behaviour and in changes in the broader economic environment. The main objective of credit risk management is to achieve and maintain a high quality of the insurance portfolio that provides for stable and sound operations while also generating maximum returns.

The primary responsibility for the active management of underwriting risk lies with individual insurance companies within the Triglav Group. Clearly structured competences and powers include the segregation of duties, underwriting limits and an authorisation system. In addition, underwriting risks are managed using a set of actuarial techniques applied in product pricing and allocations of insurance technical provisions. The Group also conducts regular performance monitoring, verifications of insurance technical provisions and optimisation of reinsurance schemes. Furthermore, insurance risk is managed through the establishment of an appropriate internal process for evaluating capital requirements for insurance risk.

Reinsurance is one of the basic hedging tools used for managing underwriting risk. Insurance companies within the Triglav Group are cosignatories of a joint reinsurance contract according

to which net retained lines are based on the tables of maximum net retained lines of Zavarovalnica Triglav. Annual reinsurance schemes include:

- calculated retained lines by individual class of insurance;
- table of maximum coverage based on retained lines; and
- procedures, bases and criteria for establishing the highest probable loss arising from individual risks underwritten.

The choice of suitable reinsurers depends to a great extent on their credit rating, enabling more stable business operations for the Group, which are reflected in more stable cash flows.

11.5.1 Underwriting risk concentration³⁰

The aim of underwriting risk concentration management is to establish procedures for reducing risk and limiting losses arising from concentration at the level of Zavarovalnica Triglav and the Triglav Group.

The concentration of underwriting risk is managed by adequate re-insurance schemes, used as the basis for the tables of maximum net retained lines. Underwriting risk concentration occurs due to the concentration of an insurance operation in a geographic area, an industry or an insurance peril. It may also occur as a result of a correlation between individual insurance classes. Even a single event in a business segment or industry may have a material impact on re-payment capacity.

Particular attention is paid to events with a low frequency and a high impact, such as storms, hail and floods. Over the previous five years, the Group sustained an average of two major natural disasters a year, which triggered reinsurance policies covering natural events. Past events have shown that the reinsurance scheme is suitable, as the Group has been able to discharge its obligations arising from insurance contracts without exposure to increased liquidity or capital adequacy risk.

Based on the experience from previous years, an increase in the frequency of such disasters with high impact is expected and the Group's reinsurance schemes are being modified accordingly.

Over the past years, the Triglav Group has actively adapted its business to climate change by tailoring its products and exercising greater prudence in the process of risk underwriting.

In the future, reinsurance schemes of this kind are expected to become increasingly costly and coverage increasingly narrower.

See also Section 4.5.1 of the accounting part of the Annual report.

11.5.2 Geographical and sectorial concentration

The Triglav Group's business is concentrated in the Republic of Slovenia and countries of the former Yugoslavia, only a minor part of its business activities are located in the neighbouring EU countries. The Group also provides "fronting" services, ceding most of the business to the parent company.

Based on past experience, the Group believes that suitable reinsurance cover is provided for all potential risk concentrations.

³⁰ GRI DMA, G4-EC2

In terms of business segments, the Group's primary focus is motor vehicle insurance, with motor liability insurance accounting for the largest share in this insurance class. As motor liability insurance is characterised by high risk dispersion, this segment does not entail any risk concentration for the Group. However, a potential threat of segment concentration does exist in comprehensive car insurance. This insurance risk is suitably covered by catastrophe reinsurance coverage, which has previously proven to be adequate.

As one of the three insurance companies in Slovenia to offer supplemental health insurance, with a 20.9% market share, the Group is exposed to concentration risk. Furthermore, it is also one of two reinsurers in the country, holding 42.6% of the market (data for first three quarters of 2013). The concentration risk arising from the reinsurance portfolio is managed through geographical diversification of risk arising from transactions outside the Group and with adequate retrocession for transactions related to the Triglav Group. Supplemental health insurance risk, however, is well dispersed, so there is no exposure to insurance risk concentration in this segment.

11.5.3 Low frequency and high-severity risk

Reinsurance protection against earthquakes and other natural disasters is adequately arranged, given the high level of potential claims in the Republic of Slovenia. Thus far, no earthquake of catastrophic proportions has been recorded.

A potentially catastrophic loss occurrence could arise from the nuclear peril that the Company has assumed from the Slovenian Nuclear Pool. Such a loss occurrence is characterised by an extremely low frequency, as no major loss event has been reported in 25 years, and a low or zero-rate correlation with other potential liabilities arising from the same loss event.

For further details on these risk types, see *Section 4.5.2 of the accounting part of the Annual report*.

11.6 Operational risk

Operational risk is defined as the risk of loss due to:

- inadequate or inefficient internal procedures (disruption of work procedures, client complaints, lack of reliable information for the management, disruptions to business continuity, improper cost management, poor change management, inconsistent or incomplete process documentation, etc.);
- inappropriate or inefficient employee behaviour (inadequate human resource management, key staff turnover, lack of know-how and skills, inappropriate employee attitude, etc.);
- inadequate and inefficient functioning of systems (obsolete software and/or infrastructure, lack of documented audit trails in software, inadequate control of system operability, etc.);
- fraud (details on fraud risk are provided in the following section); or
- external events (changes in legislation, natural disasters, competition, fraud, etc.).

The efficient management of the above risks requires efficient and high quality internal controls, which is a priority of the Triglav Group.

For detailed explanations on operational risk, see *Section 4.6 of the accounting part of the Annual report*.

11.6.1 Fraud risk management³¹

In general, insurance companies have a large potential exposure to insurance fraud. The Triglav Group has a zero-tolerance policy against fraud. In Zavarovalnica Triglav, fraud prevention, detection and investigation is comprehensively managed at by a specialised department (Fraud Prevention, Detection and Investigation Department, hereinafter: FPDID) that reports directly to the Management Board. Services specialising in fraud also exist in Triglav Group subsidiaries abroad.

The FPDID deals with all types of fraud, which mostly manifests itself as the following types of conduct:

- unlawful appropriation of insurance company property;
- acts of corruption;
- falsification of accounts.

The FPDID operates in accordance with the guidelines of leading international anti-fraud organisations such as the Association of Certified Fraud Examiners and the International Association of Insurance Supervisors (ICP 27). FPDID employees have the appropriate expertise and certificates (e.g. CFE – Certified Fraud Examiner).

Regular fraud risk assessments and targeted controls allow the FPDID to identify existing risks and deficiencies in the system of key internal controls. Based on these findings, more efficient internal controls are designed in cooperation with other departments and other relevant recommendations are drafted.

The use of an advanced IT-solution that monitors key fraud indicators and notifications received via the fraud suspicion reporting line enable the Group to detect high-risk cases or transactions. These are investigated by analysts in the Fraud Analysis Centre who also turn to detectives, investigators, forensics and other experts for expertise. The findings of these investigations serve as a basis for proposing appropriate measures and making recommendations for systematic improvements, if necessary.

In addition to fraud risk assessment, targeted controls and the processing of detected suspicions of fraud, the tasks of the FPDID also entail:

- design and keeping of registers and regular testing of key fraud indicators and key internal controls;
- due diligence audits in the field of fraud in takeover procedures and candidate selection processes;
- participation in the drafting of the Code of Good Business Practices of the Triglav Group (see *Section 12.3*);
- maintaining and ensuring the operation of the hotline for notifying suspicions of fraud and fraud-related assistance;
- organising fraud-related education and training for Triglav Group employees;
- record-keeping on the increased fraud risk of individuals;
- drafting reports on conducted investigations and reporting on key findings of investigations into individual cases;
- reporting to the Management Board (quarterly) and the Audit Committee of the Supervisory Board (semi-annual) on the implementation of the annual work programme; reporting to the Risk Management Committee (semi-annual) on the register of key internal controls, the testing of these controls and the materialised fraud risks;

³¹ GRI G4-DMA

- drafting and implementation of the strategy for fraud prevention, detection and investigation in the Triglav Group;
- providing expertise and assistance in the field of fraud prevention, detection and investigation to companies within the Triglav Group;
- implementation of the tasks of the Anti-Money Laundering and Counter-Terrorism Financing Compliance Officer in relation to the subsidiaries of the company Triglav INT d.d.

Activities in 2013 were carried out in accordance with the annual work programme. Targeted controls were conducted in the field of confidential information and business secret handling and disclosure to the general public and in the field of procurement of property, plant, equipment, material and services. The FPDID prepared a project proposal for the implementation of an advanced IT-solution for fraud detection and investigation in subsidiary insurance companies of the Triglav Group. In cooperation with the Compliance Office, the FPDID has started drafting the Triglav Group Code of Good Business Practices (for further details, *see Section 12.3*). In 2013, 527 cases of suspected fraud were investigated in Zavarovalnica Triglav, of which 214 cases of fraud were confirmed (an increase of 44% compared to 2012). In Triglav Group insurance companies abroad, 139 cases of suspected fraud were investigated, of which 105 cases of fraud were confirmed.³²

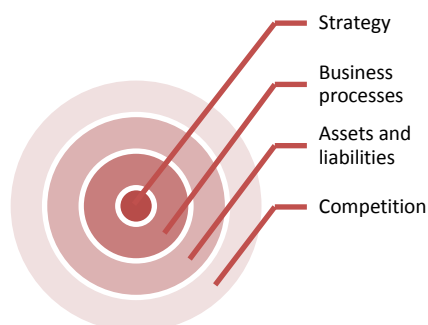
11.7 Strategic risk

The Triglav Group pays a great deal of attention to the management of strategic risk, as it can significantly influence the attainment of strategic goals of the Group. Strategic risk is identified and addressed at the very beginning of strategic planning. This approach was also applied when drafting the updated Triglav Group Strategy for the 2013-2017 period. The strategies of individual Group members are aligned with one another and with the strategy of the Triglav Group.

Strategic risk is monitored via internal controls, the competences and responsibilities of all bodies involved in strategic risk management are clearly defined. The Group monitors indicators related to the broader economic environment, the implementation of strategic goals and the compliance with capital requirements using state-of-the-art models and tools and good business practice.

In order to successfully manage strategic risk, the Group monitors indicators related to the broader economic environment and market, the implementation of its strategic objectives, the meeting of capital requirements, and uses state-of-the art models, tools and good business practice.

Sources of strategic risk



³² GRI G4-SO3, G4-SO5

Strategy

The Strategy of the Triglav Group clearly defines objectives, tools and implementation processes. The same is true of the strategies all of other insurance companies. All strategies follow trends in the industry and reflect regulatory and legal developments as well as the micro- and macro-environments. Good business results achieved in spite of the economic crisis and effects of unpredictable weather and other events show that the implementation of the strategy has been successful and efficient in counteracting strategic risk.

Business processes

Integrated internal controls enacted to monitor operational and other risks (see *Section 11.6*) foster better employee decision-making and implementation and thus facilitate the attainment of insurance company and Group goals.

Assets and liabilities

Due to the nature of their operations, members of the Triglav Group employ different assets and liabilities management systems. The Triglav Group has progressively established a high quality asset and liabilities management system that encompasses the active monitoring of liabilities, premium inflow, and of the state of real property, investments and developments in financial and all other markets.

Competition

RISK TYPE	LEVEL	SITUATION
Buyer risk	Medium	The Group is affected by changes in consumer behaviour due to the influence of the economic situation on their purchasing power and due to technological development that is affecting the provision of information and resulting in new consumer behaviour models.
Supplier risk	Low	Enables transparency of the procurement process and suppliers. The Triglav Group is focused not only on procurement-related cost effectiveness, but also on transparency and due implementation of procurement processes.
Competition risk	Medium	Insurance company is successfully facing intensive competition, as proven by its market share.
Product risk	Low	By designing new and upgrading existing products, analysing competitive products and making a portfolio selection in line with its strategic orientation, the Triglav Group is continuously improving its product portfolio, creating increasingly attractive and high quality products.
Regulatory risk	Low	For a long period of time, the Company has been preparing for the Solvency II Directive and phase 2 of the IFRS 4.

11.8 Reputation risk

Reputation risk can be the result of a number of factors, ranging from the inability to provide a sufficiently high standard of product and service quality to unethical business practice, failure to attain the set financial objectives, employee strike, causing environmental pollution, to acts of unfair competition, any of which can have a detrimental effect on the reputation of the entire sector.

11.9 Internal audit

The Internal Audit Department (IAD) is an independent organisational unit directly accountable to the Management Board that is responsible for internal audits in Zavarovalnica Triglav. The IAD conducts systematic and methodical assessments and prepares recommendations for improvements in relation to risk management, control processes and corporate governance.

The IAD provides independent and impartial audit and advisory services, which help the Management Board achieve the set objectives. It acts in accordance with the Insurance Act and other statutory rules and adheres to the professional and ethical standards of internal audit adopted by the USA-based Institute of Internal Auditors and the Slovenian Institute of Auditors as well as internal audit-related acts.

In addition to audits of departments where major risks have been identified, the tasks of the IAD also include:

- drawing up IAD's medium-term and annual audit plans (based on the risk assessment of individual departments), which are submitted to the Management and Supervisory Boards for review and approval;
- providing advisory services in agreement with the management and the Management Board;
- regular monitoring of the implementation of recommendations made by internal and external auditors;
- cooperation with external auditors and other supervisory bodies;
- quarterly reporting to the Management and Supervisory Boards on the performed internal audit tasks and the implementation of recommendations made by internal and external auditors;
- annual reporting to the Management and Supervisory Boards on the implementation of its annual audit plan, the adequacy of internal auditing tools and significant findings of internal audits performed;
- quarterly and annual reporting to the Management and Supervisory Boards on its impartial assessment (assurance) of the adequacy and efficiency of the internal control system for the management of key risks arising in the business operations of the insurance company;
- adopting measures aimed at eliminating any deficiencies identified in regular internal audits and periodic external quality assessments;
- transferring internal auditing know-how and good practices to other Group members.

In 2013, the activities of the Internal Audit Department were carried out in accordance with its annual audit plan. The IAD conducted 17 audits of the operations of the parent company as well as 7 audits of the operations of other subsidiaries of the Triglav Group. The implementation or conclusion of 4 planned audits has been postponed to 2014.

12. SUSTAINABLE DEVELOPMENT IN THE TRIGLAV GROUP

- The corporate compliance policy was amended and sub-committee for ethical issues established.
- The internal and external awareness about the harmful effect of insurance frauds was increased and more than 90 additional fraud indicators established.
- Vse bo v redu, zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti (Everything will be alright – Institute of Zavarovalnica Triglav for corporate social responsibility) was established and opened first intergenerational centre in Slovenia "To Triglav to Change the World" (Na Triglav spreminjat svet).
- Adverse effects on the environment were mitigated and public awareness raised.

12.1 Sustainable Business and Corporate Social Responsibility

The long-term dimension of our development was discussed in the process of amending the development strategy, into which social, economic and environmental influence of the company activity was integrated. Zavarovalnica Triglav and the Triglav Group view their corporate social responsibility as the tenet of sustainable development.

By examining the influence of the Company's activities on the environment the key sustainable development aspects reported on in the previous and this section were identified.

Major sustainable development aspects of Zavarovalnica Triglav and the Triglav Group:³³

Economic impact	<ul style="list-style-type: none"> ▪ Economic performance ▪ Indirect economic impacts 			
Environment	<ul style="list-style-type: none"> ▪ Energy ▪ Waste and water management ▪ Transport 			
Social aspects	Traineeships and dignified work <ul style="list-style-type: none"> ▪ Employment ▪ Safety and health at work ▪ Education and training ▪ Employment complaint procedures 	Human rights <ul style="list-style-type: none"> ▪ Investment ▪ Non-discrimination ▪ Human rights complaint procedures 	Company <ul style="list-style-type: none"> ▪ Local communities ▪ Anti-corruption behaviour ▪ Protection against unfair competition ▪ Compliance 	Product liability <ul style="list-style-type: none"> ▪ Product and service labelling ▪ Marketing communication ▪ User privacy ▪ Compliance

Information on sustainable development:³⁴

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³³ GRI G4-19

³⁴ GRI G4-31

Key guidelines and objectives of the 2013 Corporate Social Responsibility Strategy

Key objectives and implemented results in 2013

OBJECTIVES 2013	STATUS	RESULTS 2013
<ul style="list-style-type: none"> Maintenance of a stable credit rating. 	Achieved.	<ul style="list-style-type: none"> Zavarovalnica Triglav maintained a stable »A-« credit rating.
<ul style="list-style-type: none"> Drafting and implementing the Code of Conduct of the Triglav Group. 	Partly achieved.	<ul style="list-style-type: none"> Implement workshops with the Triglav Group employees. The Triglav Group Code of Conduct has been drafted. It shall be published in the first half of 2014 in parallel with conducting the workshops for the employees.
<ul style="list-style-type: none"> Supporting activities and goals of the Ethos group. 	Achieved.	<ul style="list-style-type: none"> Specialised departments of Zavarovalnica Triglav actively participated in this field.
<ul style="list-style-type: none"> Establishing at least 100 additional key fraud indicators. 	Partly achieved.	<ul style="list-style-type: none"> More than 90 additional key fraud indicators were established. In total there are 130 in use.
<ul style="list-style-type: none"> Training and communication on health promotion in the framework of the Triglav.smo project. 	Achieved.	<ul style="list-style-type: none"> In all regional regional units of Zavarovalnica Triglav preventive measurements of cholesterol, blood pressure and body weight were conducted (760 employees participated) and breathing exercise workshops for managing stress at the workplace. At 12 regional units the Nordic Walking workshops were successfully conducted.
<ul style="list-style-type: none"> At least 10% membership of employees in the Triglav Sports Club as encouragement for a healthy free-time life style of the employees. 	Achieved.	<ul style="list-style-type: none"> The Triglav Sports Club has 538 members representing almost 23% of the employees.
<ul style="list-style-type: none"> Launch of intranet in Zavarovalnica Triglav. 	Not achieved.	<ul style="list-style-type: none"> The project was temporarily halted due to other priority activities.
<ul style="list-style-type: none"> Implementing measures for zero tolerance to discrimination, harassment or mobbing at the workplace. 	Achieved.	<ul style="list-style-type: none"> Measures for protecting dignity at the workplace are available to the employees in order to provide fast and active resolution of situations involving situations and feelings related to intolerance, discrimination or mobbing.
<ul style="list-style-type: none"> Organisation of at least one event to educate the general public about the insurance sector. 	Partly achieved.	<ul style="list-style-type: none"> The guidelines and the tender documentation are prepared for selecting the partner to implement the project.
<ul style="list-style-type: none"> Improving accessibility in at least 5% of the sales points. 	Achieved.	<ul style="list-style-type: none"> An analysis was conducted and improvements made at sales points and the web page regarding the accessibility of services of physically disabled, the hearing-impaired, and the visually impaired persons. The report is in <i>Section 6</i>.³⁵
<ul style="list-style-type: none"> Application of the measure of corporate socially responsible conduct in the process of supplier selection. 	Achieved.	<ul style="list-style-type: none"> A questionnaire on corporate socially responsible conduct is used in the process of selecting supplier.
<ul style="list-style-type: none"> Integration of the culture of road safety in communication activities. 	Achieved.	<ul style="list-style-type: none"> The awareness of primary school students about the significance of road safety is raised in partnership with the institute "I still drive but I don't walk". The Triglav mascot Watch Out Doggy helps educating children about the road safety in the framework of the project Children of Triglav – Safe on Roads.
<ul style="list-style-type: none"> Implementation of at least 10 preventive actions for children with the mascot Watch Out Doggy within the project Children of Triglav – Safe on Roads. 	Achieved.	<ul style="list-style-type: none"> At the beginning of September the mascot Watch Out Doggy visited 55 primary schools in Slovenia.
<ul style="list-style-type: none"> At least 10 percent of the employees participating in volunteering work and activities. 	Achieved.	<ul style="list-style-type: none"> In the event of Triglav Group employees meeting – "Our Day" 1,038 or over 43% of the employees contributed for a hot meal for children from socially underprivileged families at the primary school Koper. They volunteered to reform and make playgrounds (the project "Children of Triglav – Carefree at Play, in Harmony with Nature", and We give back to the society. In the Christmas period food and toiletries were given to children from 150 families.
<ul style="list-style-type: none"> Take at least 3,000 children to the ski jumping event in Planica. 	Achieved.	<ul style="list-style-type: none"> Over 3,300 children were taken to the ski jumping event in Planica.
<ul style="list-style-type: none"> Organisation of the Triglav Run with at least 1,000 active participants. 	Achieved.	<ul style="list-style-type: none"> Over 1,000 active participants took part in the second Triglav Run at Brdo pri Kranju.
<ul style="list-style-type: none"> Participation in the project "Children of Triglav – Carefree at Play, in Harmony with 	Achieved.	<ul style="list-style-type: none"> Two playgrounds (kindergarten Mežica and primary school Stražišče) were renovated, and 4 playgrounds built anew

³⁵ GRI G4-FS14

OBJECTIVES 2013	STATUS	RESULTS 2013
Nature" by renovating at least three playgrounds.		(Golo, Škrilje, Visoko, Zapotok).
<ul style="list-style-type: none"> ▪ Installing waste sorting bins in all business units that allow individual disposal of waste fractions. ▪ Making biodegradable waste bags available in at least 20 new mountain huts. ▪ Decreasing energy product consumption in the Ljubljana Regional Unit by a minimum of 5%. ▪ Preparing and launching of the implementation of at least 5 measures for reducing greenhouse gas emissions. 	<ul style="list-style-type: none"> Achieved. Achieved. Not achieved. Achieved. 	<ul style="list-style-type: none"> ▪ Waste sorting bins are installed in all regional and business units that allow individual disposal of waste fractions. ▪ Biodegradable waste bags were provided to 20 new mountain huts. They are available in almost 60 mountain huts and cottages in Slovenia. ▪ Heating and cooling convectors were replaced in June only on one business facility (Regional Unit Ljubljana). The energy consumption is lower by 3%.³⁶ ▪ All employees in Zavarovalnica Triglav have their own coffee cup, in the coffee machine there is a button "without cup" available. In addition, three regional units have bicycles for the employees. Water at meeting at the Headquarters is served in pitchers. In one building of the Ljubljana Regional Unit the convectors for heating / cooling of offices were replaced. Electronic ordering of material and services was introduced. ▪ An analysis of conditions and effects of the green insurance product is underway.
<ul style="list-style-type: none"> ▪ Implementation of at least one green insurance product. 	Achieved.	

Key guidelines and objectives of the 2014 Corporate Social Responsibility Strategy

Key guidelines and objectives of the 2014 Corporate Social Responsibility Strategy

GUIDELINE		OBJECTIVES 2014
Management of the organisation	<ul style="list-style-type: none"> ▪ Credit rating. 	<ul style="list-style-type: none"> ▪ Maintenance of stable credit rating.
Fair business practice	<ul style="list-style-type: none"> ▪ Implementation of the Declaration on Fair Business. ▪ To increase the amount of work in cases of suspected fraud detected by key fraud indicators. ▪ Continuing with activities in the anti-corruption working group operating under the auspices of the UN Global Compact Slovenia. 	<ul style="list-style-type: none"> ▪ Drafting and implementing the Code of Conduct of the Triglav Group. ▪ Increase the number of processed cases detected by key fraud indicators by at least 100%. ▪ Active participation and support to the program UNGC for increasing fair business practice standards.
Recruitment and work practices	<ul style="list-style-type: none"> ▪ Using preventive measures to contribute to healthy working conditions. ▪ Employee training. 	<ul style="list-style-type: none"> ▪ Training and communication on health promotion in the framework of the Triglav.smo project ▪ Better accessibility to knowledge by putting in practice new web training courses. ▪ Each employee has the possibility to take part in at least one training.
Human rights	<ul style="list-style-type: none"> ▪ Zero tolerance for discrimination, harassment or mobbing at the workplace. 	<ul style="list-style-type: none"> ▪ Continuation of implementing measures of zero tolerance for discrimination, harassment or mobbing at the workplace.
Responsibility to clients and suppliers	<ul style="list-style-type: none"> ▪ Insurance education. ▪ To make the services of the insurance company available to the disabled people. 	<ul style="list-style-type: none"> ▪ Launch of the insurance education campaign. ▪ Designation of the sales point accessibility for various types of disability. ▪ Implementation at least measure aimed to improve access to insurance services.
Engagement in the community and its development	<ul style="list-style-type: none"> ▪ Child safety in traffic. ▪ Volunteering of the employees in local communities. ▪ Continuation of the Triglav Generations in Planica drive. 	<ul style="list-style-type: none"> ▪ Organisation of at least 10 prevention campaign for children with the Watch Out Doggy mascot in the framework of the Children of Triglav – Safe on Roads ▪ At least 10% employees as active volunteers ▪ Take at least 3,000 children to the ski jumping event in Planica of those for at least 100 children with special needs; raising awareness of the

³⁶ GRI G4-EN6

GUIDELINE		OBJECTIVES 2014
	<ul style="list-style-type: none"> ▪ 3rd Triglav Run. ▪ Continuation of the "Children of Triglav – Carefree at Play, in Harmony with Nature" project. ▪ Prevention activity promotion. 	<ul style="list-style-type: none"> participants regarding environmental responsibility. ▪ Organisation of the Triglav Run with at least 1,000 active participants; implementation of at least one measure for mitigating the environmental impact of the event ▪ Participation in the renovation of at least 2 playgrounds ▪ Designing an application for warnings regarding dangerous points at home.
Mitigating adverse effects on the environment	<ul style="list-style-type: none"> ▪ Waste management. ▪ Let's Clean the Mountains and Hills. ▪ Reducing greenhouse gas emissions. 	<ul style="list-style-type: none"> ▪ Awareness campaign among the employees regarding correct waste sorting. ▪ Upgrading waste sorting bins at the headquarters of regional units. ▪ Cooperation with at least one organisation in addition to the Alpine Association of Slovenia. ▪ At least one activity aimed at the elderly and children. ▪ To build and maintain an active fan community of the Triglav Group in social media. ▪ Raising awareness of the employees regarding rational energy consumption. ▪ Implementation of a pilot relating to central document printing. ▪ Implementing at least one additional measure for mitigating adverse effects on the environment. ▪ Carbon footprint calculation for at least three headquarters of the Triglav Group subsidiaries.

Framework objective: Good practices of and guidelines for corporate social responsibility will be transferred to subsidiaries.

Awards and prizes

In 2013, the companies of the Triglav Group received the following awards and prizes in different areas:

- **European Excellence Award 2013:** the in-house newsletter "Obzornik" was ranked among five best European publications for employees.
- **Best Annual Report:** the Slovene financial daily Finance, in cooperation with the Finance Business Academy, honoured Zavarovalnica Triglav with an award for the best annual report amongst financial institutions for 2012 in terms of reporting on sustainable development and reporting on communication.
- **TOP 10 Training and Education Management:** for the fifth consecutive year, the Company has received an award for companies that invest the most in knowledge, education and training of their employees and that do so using a systemic approach (the award is granted by Planet GV and the Sofos Institute of Training Management).
- **WEBSI 2013 Award:** the second place for the i.Triglav online branch in the commercial websites category, the Triglav Toča hail warning application in the mobile applications category, and the "Let's Clean the Mountains and Hills" campaign in the socially corporate responsible projects category.
- **POMP 2013:** Award for the content marketing for Obzornik international in the category the best in-house medium.
- **ARC Awards 2013:** the golden award for the 2011 Annual Report from the International Annual Report Competition (ARC) Awards, honouring outstanding achievement in annual reports

- **Trusted brand 2013:** for the seventh consecutive year, Zavarovalnica Triglav was at the top of the list of the most trusted insurance companies in Slovenia.
- **EMerald Excellence 2013:** The recipients of the awards are the "Let's clean the mountains" project in the social media programs category, and "New Dimensions" project - designed for the Triglav Group Annual Report 2011 and commissioned by Zavarovalnica Triglav - in the multi-audience category.
- **The advertiser of the year 2012:** award given by the Slovenian Advertising Chamber at the Slovenian Advertising Festival.
- **Best financial expert of 2012:** the President of the Management Board Matjaž Rakovec was awarded the title of best financial expert as selected by the publishing house Založba Kapital.
- **Gold Quill:** the award given for communication excellence by the International Association of Business Communicators (IABC) for the annual Reports of Zavarovalnica Triglav and the Triglav Group for 2011.
- **Gold Quill:** the regional European award of the International Association of Business Communicators EMerald Award for the campaign "Let's Clean the Mountains and Hills".

Commitments to external initiatives³⁷

The Company complies with the Insurance Code of the Slovenian Insurance Association that lays down the basic standards of professional business practice in the Triglav Group.

In accordance with its guidelines for social responsibility, the Triglav Group supports initiatives fostering business practices that are ethically, environmentally, socially and economically sustainable in the long term.

It also follows the recommendations of the Slovene Consumers' Association for improving financial literacy, notably by strengthening its e-business. Last year the i.Triglav web application and the entire web page www.triglav.si were again upgraded (transparency of insurance policies, a simple and unified access to insurance services, a wide range of advice). Quick response to client problems is crucial. More emphasis is put on providing information about preventive activities for risk reduction in the counselling section (safe skiing, advice on cycling, fire protection etc.).³⁸

In the area of compliance Zavarovalnica Triglav takes an active part in the initiative Ethos, the working group within the UN Global Compact Slovenia. It was among the first Slovenian signatories of the Declaration on fair business practices which binds it to raise the awareness regarding the significance of fair business practices at the national level (influence on the competitiveness and social welfare) and the implementation of the compliance programs modelled after international practices and standards of fair practice (more in *12.3 Fair Business Practice*). Zavarovalnica Triglav representatives took an active part at both public presentations of the Fair Business Conduct Declarations in 2013.

Membership in associations³⁹

Zavarovalnica Triglav is an active member in several industry associations and economic groupings and other associations, including the Slovenian Insurance Association, the Chamber of Commerce and Industry of Slovenia, the Marketing Association of Slovenia, the Public Relations Society of Slovenia, the Ethos anti-corruption working group operating within the UNGC Slovenia, the Institute for the Development of Social Responsibility (IRDO), The social

³⁷ GRI G4-15

³⁸ GRI G4-FS14

³⁹ GRI G4-16

responsibility network of Slovenia (MDOS), the Association of Employees' Councils of Slovenian Companies, the Supervisors Association of Slovenia, and the American Chamber of Commerce of Slovenia Subsidiaries outside Slovenia are members of industry associations and economic groupings in their relevant countries.

Triglav Osiguranje, Belgrade, is a member of both the Chamber of Commerce and Industry of Serbia and Belgrade Chamber of Commerce, Triglav Osiguranje, Zagreb, of the Croatian Chamber of Economy, Lovćen Osiguranje of the Chamber of Commerce of Montenegro and Triglav Osiguruvanje, Skopje, is a member of the Chamber of Commerce of Macedonia.

Report parameters⁴⁰

A step forward was made in the reports for 2013 by providing even more integrated information on the economic, social and environmental aspects of business operations in sections other than Sustainable Business. Financial and non-financial aspects of business operations are presented by means of measurable indicators and a comprehensive review of operations.

The International Financial Reporting Standards (IFRS) and the international sustainability reporting guidelines drafted by the **Global Reporting Initiative G4 (GRI)** are adhered to by the Company by following the specific guidelines for the financial sector. Data are collected by business divisions of the parent company, which, as the entity in charge of reporting, also reports on all aspects of sustainable development. Monitoring of indicators pursuant to the GRI guidelines has been introduced also to subsidiaries, whereby effectiveness is higher in the area of social impact. In the document corporate communication predominantly pertains to the parent company. In cases when it refers to the Group, this is specifically indicated.

The reporting on sustainable development is a part of the annual reports. It refers to the individual business and calendar year.⁴¹

The drafting of the report is done by specialised departments, stakeholders have not been included in the process so far. The most recent report was published in 2012 pursuant to the GRI G3.1 guidelines.⁴² Data on the calculation methodology for individual indicators are given in the text and the notes, when relevant. There have been no significant changes in the data provided in previous reports that have affected the current state of affairs, individual smaller changes are explained in the notes.⁴³

A decision about a comprehensive external evaluation of the sustainable reporting has not yet been made, it is intended to be made in the future.

In 2013, the external examiner within the project European Green Office analysed the Company's activities relating its attitude towards the environment and issued a certificate regarding the progress in mitigating adverse effects on the environment.

⁴⁰ GRI G4-18

⁴¹ GRI G4-28, 30

⁴² GRI G4-29

⁴³ GRI G4-22, G4-23

12.2 Key stakeholders⁴⁴

Key stakeholder groups and corporate governance

The mission of the Triglav insurance group and parent company is building a safer future. Financial security of its clients is the aim of its products and services and is based on the financial stability and profitability of its business operations. In the long term they can be achieved only by recognizing the interests of key shareholders and their integration into the operations and achievement of the Group's mission.

The key stakeholder groups of Zavarovalnica Triglav are defined in the Corporate Social Responsibility Strategy, which specifies active cooperation with each individual stakeholder group. Based on the business strategy and the corporate social responsibility strategy, the cooperation with individual stakeholder groups is specified in annual plans for individual functional areas and departments, such as Human Resource Management, Insurance Sales, Marketing Department, Insurance Marketing and Distribution Division, Risk Management, Legal Office, Compliance Office, Claims Division, Accounting Division, Strategic Planning and Controlling Department, Finance Division, etc.).

The identified key shareholders are: the employees, investors, existing and potential clients, regulators, media, suppliers, non-governmental organisations in the field of prevention, sustainable development and local communities. In 2013, special attention was paid to an active and open relationship with them. The interests of the Company's shareholders have been taken into account in developing the business operations of the Company, whereby the key tenet is a comprehensive and two-way communication.

Communication took place at several levels and included a wide spectrum of the Triglav Group activities. It comprised regular and active management of relations with the employees, media, and the financial public at the corporate and product level.

In managing relations with clients their satisfaction is examined, praise and complaints by clients are actively managed, focus groups are studied etc. Communication with individual groups of stakeholders takes place in person and in writing, the Company actively participates in different local and national associations.⁴⁵

In line with the business strategy the reputation of the Triglav Group in the stakeholder environment was strengthened, while high communication standards were transferred from the parent company to subsidiaries in line with the Triglav Group Communication Code.

Relations with shareholders, investors and other financial public are disclosed in section 5 *Share capital and shareholders of Zavarovalnica Triglav*, section 5.6 *Communication with investors*. Client communication is included under section 12.7.1, communication with suppliers under section 12.8., and relations with local communities under section 12.9 *Responsibility to the social environment*.

⁴⁴ GRI G4-24, G4-25, G4-26, G4-27

⁴⁵ GRI G4-26

12.3 Fair business practice⁴⁶

Zavarovalnica Triglav as a member of the Slovenian United Nations sustainable development associations – UN Global Compact Slovenia and the signatory of the Declaration on Fair Business has anti-corruption clause in all contracts surpassing the value of EUR 10,000.

The compliance system is in place for regular monitoring and adjusting to any changes in the legal environment, to provide technical support to services, departments, and subsidiaries.

In 2013, the Compliance Policy was amended and aproved in November by the Supervisory Board. Its key new feature is the establishment of the Ethics Subcommittee following international good practice in the area of compliance and integrity. The subcommittee that shall start working in 2014 will take position to ethical dilemmas in providing compliance and protecting the company reputation. By other policy amendments higher standards of the compliance system operation are provided. They refer to a higher level of the compliance function independence, more in-depth reporting on compliance, including reporting to the Supervisory Board. By increasing the scope of the compliance function in the insurance sector the business functions representing the second defence line against risks (see also section 11. *Risk Management*) are strenghtened, in addition the rights and interests of the insured, policy holders and beneficiaries are protected. Such policy shall facilitate the establishment of the compliance function at the level of the Triglav Group and the upgrading of the management system in line with the European directive *Solvency II*. The establishment of the solvency function at the Triglav Group level is one of the key tasks for 2014, the first consultation of the Group on compliance was organized in 2013.

On the basis of the Code of Good Business Practice the system for direct reporting of non-compliance functions, whereby contacts are provided of competent human resource and legal departments, the department for the prevention, detection and investigation of fraud, and the compliance department. By taking this route the Compliance Office in 2013 receied two notices. The majority of non-compliance instances are detected by regular monitoring of compliance, the submitted notices and complaints, and the control procedures and incident examination. In 2013, the implementation of 11 compliance recommendations was monitored and 5 compliance examination procedures performed.⁴⁷

Three requests were obtained for information on own personal data pursuant to the Personal Protection Act (ZVOP-1). On the basis of two notices submitted to the Information Commissioner, the investigation was launched. An internal support mechanism for a more detailed monitoring of this complaint group is being prepared. In 2013, the Company did not receive any decision for the violation of personal protection data, other sanctions were also not imposed.⁴⁸

Regarding compliance in 2013 the first e-training on the protection of personal data was conducted for all employees, of which 89% successfully completed the course. The training material encouraged many to ask additional questions and use mentorship when learning.⁴⁹

In 2013, 87% of all employees in Zavarovalnica Triglav took part in at least one training regarding human rights and related procedures that are important for the insurance business. In total 3,638 training hours on human rights policy were organized.⁵⁰

⁴⁶ GRI G4-56

⁴⁷ GRI G4-SO8

⁴⁸ GRI G4-PR8, G4-DMA

⁴⁹ GRI G4-HR2

⁵⁰ GRI G4-HR2

Zero tolerance to discrimination in relationships among employees and with the clients has been put in place, which is reported on in *section 12.4*. Suspicions of fraud are dealt with in the continuation.

Fraud risk⁵¹

The fraud risk, which is managed by the Fraud Prevention, Detection and Investigation Department (SPORP) in the parent company, is reported under Risk management *section 11.6*. The register of fraud scheme facilitates regular monitoring of fraud exposure considering the findings of the Fraud Prevention, Detection and Investigation Department examinations and focus, the change of key internal controls and results of testing. A comprehensive assessment of this risk is conducted in Zavarovalnica Triglav every two years, the next one is planned for 2014. There were 98 fraud schemes comprising corruption risks identified. For 8 schemes the inherent risk was assessed as high, for 38 as medium, for 40 schemes as low and for 12 as very low. For inherently high risks in 2012 and 2013 recommendations were adopted regarding key internal controls put in place to provide a low corruption risk for the remaining part.

In 2013, the fraud risk for the companies in the Triglav Group was assessed, the assessment is expected to be finished in 2014.

Communication and training for anti-corruption policy and procedures⁵²

In 2013, the Company started to raise awareness of fraud harm, including corruption risks among the employees of Zavarovalnica Triglav. An intranet page dedicated to fraud issues was put in place, data were disseminated about the telephone line for reporting fraud suspicion (internet, intranet, in-house newsletter, posters etc.). The employees were informed about the policy of zero tolerance to fraud and the Fraud Prevention, Detection and Investigation Department, the project Ambassadors of honesty was launched. At workshops in all regional units of Zavarovalnica Triglav 143 persons or 6% of all employees took part, including all managerial staff.

Out of all employees, 98% noticed the awareness activities, of which 94% assessed them as adequate, while 77% of employees learnt to use the application for anonymous reporting of fraud suspicions. Instructions were issued for the protection against retaliatory measures of those reporting fraud in good faith (identity protection, high security of notice, immediate assistance in the case of direct threats, assistance to specialised departments in the case of illegal retaliatory measures, monitoring of reporters). The instructions envisage additional measures of transfer to other equal posts, free legal assistance, assistance in reporting to the police and prosecution authorities, and special security measures. The employees were informed about the instructions in the internal publications.

The Fraud Prevention, Detection and Investigation Department and the Compliance Department prepared draft Code of Good Business Practice for the Triglav Group. At 13 workshops employees from the majority of the Triglav Group companies took part. Special workshops were organized for directors of regional units, representatives of specialised departments and members of the Executive Group Manager's team.

⁵¹ GRI G4-DMA

⁵² GRI G4-SO4

Examples of corruption and measures taken⁵³

The Fraud Prevention, Detection and Investigation Department in 2013 dealt with 23 cases where corruption risks were detected in relation to Zavarovalnica Triglav. In 5 cases the fraud suspicions were confirmed. Depending on the nature of established fraud, the Management Board adopted adequate measures. In three cases the employment of the responsible persons was terminated, in one case a warning was issued prior the termination of the employment contract, in one case a criminal complaint was filed, while in one case a proposal for the licence withdrawal for insurance agent was submitted to the Insurance Supervision Agency.

In the Triglav Group the Fraud Prevention, Detection and Investigation Department took part in dealing with 3 large cases where corruption suspicions were detected. In 2 cases criminal proceedings were launched against the competent persons, in all discussed cases recommendations were adopted for establishing key internal controls.

The value of all contributions to political parties by recipients, the lobbying policy

Due to an over 25 share of state ownership in the equity, Zavarovalnica Triglav is prohibited from financing political parties pursuant to the Political Parties Act.⁵⁴

12.4 Human resources management / Recruitment and work practises

The human resources management policy is the basis for managing the relations and adopting decisions about the employees in Zavarovalnica Triglav and is based on the company values. It focuses on the employees as individuals contributing to the culture of the Triglav Group with their efforts, knowledge and loyalty.

Strategic guidelines for human resources management

Strategic guidelines in the field of human resources management are based on the fundamental objectives of Zavarovalnica Triglav and the Triglav Group. The focus is on the employees upgrading their technical knowledge professional skills and sharing them with colleagues. The Company puts its employees' ability to achieve their professional and personal goals at the top of its agenda. The motivation and high professional skills of the employees are of key importance for the implementation of the Triglav Group's objectives.

- The number and composition of employees were adjusted to the renovation and optimization of business processes, special emphasis was put on the development and retention of key and perspective members of staff.
- Employment flexibility in the Triglav Group was promoted and the unification of the human resource management processes strengthened to put it in line with the organizational culture of the Group.
- The best available human resources were employed. First steps were made to establish own evaluation centre for the employment selection.
- An inter-generational cooperation system was designed and the strategy of managing senior employees developed.
- Innovative proposals by the employees were successfully promoted and encouraged.
- The culture of creativity and cooperation was promoted (workshops, team building events, projects Triglav.smo, family-friendly company, health promotion), and the system of awards and non-monetary motivation upgraded.

⁵³ GRI G4-SO3, G4-SO5

⁵⁴ GRI G4-SO6

- Regular measurement of organisation atmosphere was conducted and adequate measures taken.

Recruitment policy

The recruitment policy based on the company values dictates a sound selection of best human resources in the case of new employments, carefully selected and determined career and personal goals, nurturing of talent, professional skills and motivation of the employees. The development potential of the Triglav Group provides opportunities to both the young and experienced experts.

Absenteeism⁵⁵

The rate of absenteeism in Zavarovalnica Triglav continues to drop. In comparison to the previous year it dropped by 0.06 percentage points and was 0.44 percentage points below the national level reported for the Republic of Slovenia (data for January-September 2013). The absenteeism rate amounted to 2.46% for men and 4.55% for women.

Temporary absence from work due to illness or injury is measured by the number of lost working days in a year. By law, sickness benefits are divided into two categories: those reimbursed by the employer (medical leave up to 30 days) and those reimbursed by the Health Insurance Institute of Slovenia (ZZZS) (medical leave longer than 30 days, sick-nursing, accompanying a sick person). In comparison to 2012, the share of work days lost due to sick leave reimbursed by Zavarovalnica Triglav decreased by 0.01 percentage points, while the share of work days lost due to sick leave reimbursed by the Health Insurance Institute of Slovenia was by 0.04 percentage point lower.

Absenteeism rates in Zavarovalnica Triglav and Slovenia by year and type of sick leave

Year	in %			
	Paid by Zavarovalnica Triglav	Reimbursed by ZZZS	Rate of absenteeism in Zavarovalnica Triglav	Rate of absenteeism in Slovenia ⁽¹⁾
2008	2.34	2.05	4.39	3.69
2009	2.36	1.74	4.10	4.00
2010	2.23	1.58	3.81	4.17
2011	1.98	1.73	3.71	4.19
2012	1.90	1.66	3.56	4.06
2013	1.89	1.62	3.50	3.94 ⁽²⁾

⁽¹⁾Source: Health Insurance Institute of Slovenia – sick leave database

⁽²⁾Data from January to September 2013

Staff turnover⁵⁶

Staff turnover decreased from 4.6% in 2012 to 3.2% in 2013. Anew were recruited 47 employees, while 79 left. Both trends continued. Among leavers, the main reason was the retirement of staff in the oldest age group (above 56 years of age), and among newly employed the majority were between 26 and 30 years old. In contrast to the previous year, men prevailed both among newly recruited employees (59.6%) and leavers (55.7%).

⁵⁵ GRI G4-LA6

⁵⁶ GRI G4-LA1

Number of leavers and newcomers in Zavarovalnica Triglav in 2013 by their age⁵⁷

Age group	Newcomers		Leavers	
	Number	as a %	Number	as a %
20–25	6	12.8	1	1.3
26–30	15	31.9	16	20.3
31–35	6	12.8	10	12.7
36–40	8	17.0	8	10.1
41–45	7	14.9	6	7.6
46–50	3	6.4	4	5.1
51–55	2	4.3	8	10.1
56 and over	0	0.0	26	32.9
Total	47	100.0	79	100.0

Number of leavers and newcomers in Zavarovalnica Triglav in 2013 by gender⁵⁸

Gender	Newcomers		Leavers	
	Number	as a %	Number	as a %
Men	28	59.6	44	55.7
Women	19	40.4	35	44.3
Total	47	100.0	79	100.0

12.4.1 Recruitment and employee structure

Recruitment activities were carried out according to the recruitment plan and in line with the business and strategic objectives, with an emphasis on integrated cost management.

As at 31 December 2013, there were 5,351 employees in the Triglav Group, which is 28 less than the year before.

⁵⁷ GRI G4-LA1

⁵⁸ GRI G4-LA1

Number of employees in the Triglav Group as at 31 December 2013

The Triglav Group subsidiaries	Number of employees			Difference
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	2013-2012
Zavarovalnica Triglav d.d., Ljubljana	2,373	2,405	2,400	-32
Pozavarovalnica Triglav Re d.d., Ljubljana	42	41	37	1
Triglav, Zdravstvena zavarovalnica d.d., Koper	81	77	78	4
Triglav Osiguranje d.d., Zagreb	554	532	518	22
Triglav Osiguranje d.d., Sarajevo	243	242	234	1
Triglav Pojišt'ovna a.s., Brno	121	123	116	-2
Lovćen Osiguranje a.d., Podgorica	264	283	264	-19
Triglav Osiguranje a.d.o, Belgrade	406	449	488	-43
Triglav Penzijski fondovi a.d., Belgrade*	0	5	5	-5
Triglav Osiguranje a.d., Banja Luka	80	81	84	-1
Triglav Osiguruvanje a.d., Skopje	232	168	150	64
Triglav Skladi d.o.o., Ljubljana	42	37	36	5
AS Triglav d.o.o., Ljubljana	28	31	31	-3
Triglav Svetovanje d.o.o., Domžale	81	73	75	8
Triglav nepremičnine d.o.o., Ljubljana	28	49	5	-21
Triglav Naložbe d.d., Ljubljana	6	6	5	0
Slovenijales d.d., Ljubljana	125	132	196	-7
Golf Arboretum d.o.o., Volčji potok	10	11	11	-1
Gradis IPGI d.d., Ljubljana	1	1	1	0
TRI-PRO BH d.o.o., Sarajevo	19	16	16	3
Unis automobili i dijelovi d.o.o., Sarajevo	32	33	33	-1
Autocentar BH d.o.o., Sarajevo	53	45	47	8
Triglav INT d.d., Ljubljana	4	5	4	-1
Lovćen životna osiguranja a.d., Podgorica	13	8	6	5
Sarajevostan d.d., Sarajevo	122	121	126	1
Triglav Auto d.o.o., Banja Luka	0	0	0	0
Lovćen auto a.d., Podgorica	101	114	98	-13
Avrigo d.o.o., Nova Gorica	201	202	0	-1
Integral Notranjska d.o.o., Cerknica	16	16	0	0
Integral Zagorje d.o.o., Zagorje ob Savi	47	47	0	0
Integral Stojna Kočevje d.o.o., Kočevje	26	26	0	0
Alptours d.o.o., Bovec	0	0	0	0
Total	5,351	5,379	5,064	-28

*Triglav Penzijski fondovi was liquidated.

The educational structure improved in the reporting year. The number of employees with higher education or university degrees, as well as with secondary school diploma, masters or doctoral degrees increased, while the number of staff with elementary school decreased.

Employees of the Triglav Group as at 31 December 2013 by education level

Level of education	2013		2012		2011	
	Number	Percentage	Number	Percentage	Number	Percentage
Level I-IV	1,445	27.0	1,624	30.2	1,105	21.8
Level V	1,549	28.9	1,502	27.9	1,849	36.5
Level VI	593	11.1	567	10.5	596	11.8
Level VII	1,606	30.0	1,549	28.8	1,399	27.6
Masters and PhD	158	3.0	137	2.5	115	2.3
Total	5,351	100.0	5,379	100.0	5,064	100.0

The average total years of work of the employees in Zavarovalnica Triglav amounted to 21.20 years, while the average years of work only in Zavarovalnica Triglav totalled 15.35 years.

The number of full-time employees in Zavarovalnica Triglav was 2,277 (96.0%) or approximately as many as in 2012, while 96 (4.0%) were part-time employees.

Employees in Zavarovalnica Triglav as at 31 December 2013 by employment type (full-time, part-time)⁵⁹

	2013		2012		2011	
Type of employment	Number	Percentage	Number	Percentage	Number	Percentage
Part-time	96	4.0	92	3.8	90	3.8
Full-time	2,277	96.0	2,313	96.2	2,310	96.3
Total	2,373	100.0	2,405	100.0	2,400	100.0

The number of fixed-term employees in Zavarovalnica Triglav was 59 (2.5%), while 2,314 employees (97.5%) were in permanent employment. The share of fixed-term employees decreased by 2.5 percentage points.

Employees in Zavarovalnica Triglav as at 31 December 2013 by employment type⁶⁰

	2013		2012		2011	
Type of employment	Number	Percentage	Number	Percentage	Number	Percentage
Fixed-term	59	2.5	121	5.0	86	3.6
Permanent	2,314	97.5	2,284	95.0	2,314	96.4
Total	2,373	100.0	2,405	100.0	2,400	100.0

In the groups up to 40 years of age, the share of employees decreased, whereas the share of employees above 56 years of age increased. The average age of persons employed in Zavarovalnica Triglav is slightly higher than in previous years, i.e. 44.35 years (43.61 years in 2012).

Employees of Zavarovalnica Triglav as at 31 December 2013 by age⁶¹

	2013		2012		2011	
Age group	Number	Percentage	Number	Percentage	Number	Percentage
From 20 to 25	16	0.7	19	0.8	31	1.3
From 26 to 30	133	5.6	177	7.4	183	7.6
From 31 to 35	267	11.3	290	12.1	349	14.5
From 36 to 40	398	16.8	429	17.8	428	17.8
From 41 to 45	454	19.1	439	18.3	477	19.9
From 46 to 50	457	19.3	449	18.7	416	17.3
From 51 to 55	373	15.7	370	15.4	351	14.6
56 and over	275	11.6	232	9.6	165	6.9
Total	2,373	100.0	2,405	100.0	2,400	100.0

In terms of gender, the employee structure shows no significant changes over the longer time period and is comparable to the gender ratio in the Slovene general population.

⁵⁹ GRI G4-10

⁶⁰ GRI G4-10

⁶¹ GRI G4-LA12

Employees of Zavarovalnica Triglav as at 31 December 2013 by age⁶²

	2013		2012		2011	
Gender	Number	Percentage	Number	Percentage	Number	Percentage
Men	1,159	48.8	1,175	48.9	1,171	48.8
Women	1,214	51.2	1,230	51.1	1,229	51.2
Total	2,373	100.0	2,405	100.0	2,400	100.0

As at the end of the year, 2,217 or 93.4% of all staff in Zavarovalnica Triglav were employed under the collective agreement. The remaining 6.6% are top management with individual agreements (156 employees).⁶³

Benefits are the same for both regular full-time employees and temporary or part-time employees.⁶⁴

The share of women in top management of Zavarovalnica Triglav reached 22.2% (24.1% in 2012) and in middle management 41.2%. The share of women in the Management and Supervisory Boards was 7.7%. The basic salary for women was equal to that of men in all staff categories, locations and activities.⁶⁵ In Slovenia, the Equal Opportunities for Women and Men Act (Official Gazette of the RS, No 59/02 and 61/07 – ZUNEO-A) is in force, and a draft revised act is still under discussion. According to the Labour Force Survey results (source: Statistical Office of the Republic of Slovenia), in Q3 2012 the salaries of women compared to the salaries of men were lower by 4.6%, on average.⁶⁶

Violations on grounds of discriminations

In 2013, no formal cases of discrimination were recorded in Zavarovalnica Triglav, whereas one report was filed by a subsidiary employee in line with the Code of Good Business Practices of Zavarovalnica Triglav.⁶⁷

The number of complaints and reports filed with respect to human rights and cases solved through formal complaint procedures

Being aware of the employer's responsibility to provide a safe and healthy work environment, the Company was bound by the Code of Good Business Practices of Zavarovalnica Triglav and by the Rules on Protecting Employees' Dignity at Work. Activities for identifying conflict situations were encouraged; however, no formal procedures due to unwanted conduct were initiated in 2013 in line with the Rules. Success in personal relationships is a result of intensive prevention activities and conflict resolution in its earliest stages.⁶⁸

⁶² GRI G4-LA12

⁶³ GRI G4-11

⁶⁴ GRI G4-LA2

⁶⁵ GRI G4-LA13

⁶⁶ The average monthly gross salary of women with a low education level was lower than that of men with the same education level by 13.5%, of women with secondary education by 10.6% and of women with tertiary education by 18.4%, on average.

⁶⁷ GRI G4-LA16

⁶⁸ GRI G4-DMA, G4-HR3, G4-HR12, G4-DMA

12.4.2 Staff training and development

12.4.2.1 Training

Professionalism of employees is a condition for the implementation of strategic objectives of the Triglav Group, thus training is mainly focused on improving the competences of individual employee groups. In 2013 efforts were made for every employee to participate in at least one form of training. Employees were trained in line with job needs and the development process. Staffing structure by gender corresponded to the general staffing structure of the Company.

In cooperation with educational institutions and external lecturers, many in-house training courses were organised. In addition, in-house specialists and supervisors held lectures, even though there were slightly fewer in-house courses organised than in 2012. In contrast, the number of external training courses increased.

Zavarovalnica Triglav implemented the adopted personnel plans and invested in the development of its scholarship holders. High school and university students were enabled to gain work experience. The Company cooperated with schools and university departments and ensured the transfer of practical knowledge and experience to young people. The number of trainees was adapted to recruitment needs.

Partial or full funding of work study was provided to nearly 10% of employees. The number of employees involved in work study was again slightly lower than in previous years, but many employees successfully completed their studies.

Number of training participants in Zavarovalnica Triglav in 2013, 2012 and 2011

Type of training	2013	2012	2011	Index	
				2013/2012	2012/2011
Scholarship	23	27	28	85	96
Work study	226	252	253	90	100
Probationers	10	14	14	71	100
Work experience	34	48	57	71	84
External training	536	450	503	119	89
In-house training	9,526	9,806	9,150	97	107
Total	10,355	10,597	10,005	98	106

The majority of training courses was accounted for by specialist insurance topics, focusing on strengthening sales and communication skills. Sales staff took part in the Sales Academy programme, while training of managers continued in the Management School. Several managers also participated in individual coaching. Apart from that, in-house group courses in foreign languages and IT were held. Over 2,000 employees obtained basic training in personal data protection through e-learning.⁶⁹

Number of functional training hours in 2013, 2012 and 2011⁷⁰

	2013	2012	2011	Index	
				2013/2012	2012/2011
Total number of functional training hours	63,458	75,045	75,373	85	100
Number of hours of in-house training	55,424	67,680	66,139	82	102
Number of hours of external training	8,034	7,365	9,234	109	80
Number of functional training hours per employee	27	31	31	87	100

⁶⁹ GRI G4-HR2

⁷⁰ GRI G4-LA9

Numerous professional consults organised by business divisions of the parent company, three-week specialised in-house training in the parent company and the 2nd Triglav International Business Academy are some of the educational forms used for strengthening knowledge transfer among Triglav Group employees.

Many external colleagues also participated in the Company's training programmes. A lot of interest was primarily expressed in the training programme to obtain a licence to perform insurance operations.

Training was carried out cost-efficiently. Compared to 2012, the training costs were slightly lower, also on account of fewer participants.

Training costs of Zavarovalnica Triglav in 2013, 2012 and 2011

	2013	2012	2011	Index	
				2013/2012	2012/2011
Total*	1,286,069	1,412,347	1,295,396	91	109
Costs per employee	542	587	540	92	109
Costs per participant	124	133	129	93	103

*Data include both direct (scholarships, grants, tuition fees, work study costs, probationer pay and payments to external and in-house trainers) and indirect training costs (travel expenses in Slovenia and abroad, subsistence and overnight stay allowances related to training).

12.4.2.2 Management by objectives and annual development interviews

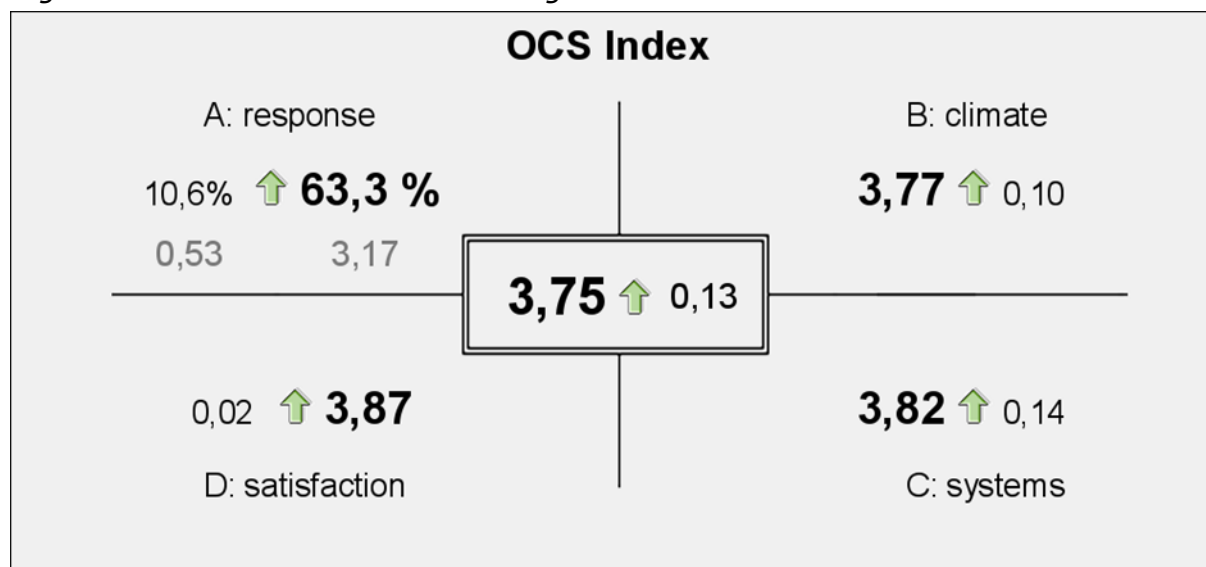
All employees were included in the management-by-objectives system, except insurance agents and call centre clerks (who, due to the nature of their work, are subject to other forms of remuneration), i.e. 70% of all employees. The management-by-objectives system is implemented by using the CIVODEU software application. At the annual interviews, the employees, in cooperation with their superiors, set their objectives for the current business year, which they monitor and update through interviews every three months. Such monitoring and feedback are essential for a personal relationship between a superior and their employee, which contributes to better performance.

12.4.2.3 Measurement of organizational climate

The results of organisational climate measurement are explained using four basic indexes, i.e. responsiveness, organisational climate, management and development systems, and satisfaction, which were combined into an aggregate OCS index.

According to the results of the sixth consecutive organisational climate measurement, all four indexes are improving. Responsiveness to the survey, which equalled 63.3% and was higher by 10.6 percentage points compared to 2012, improved the most. Consequently, the aggregate OCS index increased, totalling 3.75, which is 0.13 point more than in 2012 and by 0.21 point higher than in 2011.

Organisational climate in Zavarovalnica Triglav



Employees of Zavarovalnica Triglav (similar as in 2012) positively assessed stability and performance and expressed their loyalty to the Company. They are also of the opinion that the Company has a clear mission and vision and is one of the most successful companies in Slovenia. Positive improvement trends can be seen in the assessment of training possibilities, while the scores of the management-by-objectives system and work performance assessment significantly improved.

Therefore, the challenges for improvement remain approximately the same as the previous year: quality, clarity and reality of the set goals and their coordination among organisational units. However, there are challenges for improvement with respect to mutual cooperation (between divisions and co-workers) and communication, which received a low score. There is also room for improvement in both the remuneration system and career development.

Together with the results of the survey, measures for improvement adopted by the Management Board were presented to the employees. So as to improve the organisational climate, the Human Resource Management Division met for the first time with the heads of organisational units, in which the score was below Company average.

In the Triglav Group, an organisational climate survey is conducted every two years and was therefore not performed in 2013. During the last measurement in 2012, the OCS index equalled 3.65 or slightly more than in 2011. The challenges remain similar to those in the parent company, the key advantages being a positive attitude and strong loyalty of employees.

12.5 Safety and health at work

In the effort to continually improve safety and health at work, great importance is placed on preventive actions. The Company's long-term goal is to provide a safe work environment free from injuries, health damage and psychosocial risks.

Numerous activities were carried out to enhance the culture of safety. Educational materials were prepared, practical training in disaster management was organised for employees, and personal protective equipment and first aid measures were provided. Defibrillators at individual locations were included in the AED national database and the latest guidelines in

ergonomics were followed, ensuring the related safety in providing safe work conditions (also see *Section 6.2.4 Investment in real property and equipment*).

Fire safety

Efforts were directed towards achieving a high level of fire safety, which is why prevention measures, among others, are aimed at:

- carrying out regular training and raising employee awareness,
- performing regular annual on-site fire safety inspections in compliance with legal requirements.

Support for employees in the event of workplace violence

For the exercise of the employees' right to safe and healthy work, a plan of prevention measures was prepared in the case of a third party assault or workplace violence within the company. So as to identify these issues, a reporting system and a system for dealing with such incidents were developed.

Provision of safety at work conditions⁷¹

Safe work conditions and employee safety at all organisational levels are ensured by active participation of employees in the safety and health at work process. Support provided by in-house specialists for safety and health at work as well as fire safety is complemented by close cooperation with local coordinators of all regional units.

Safety and health at work are regulated in the Safety Statement, including a risk assessment, where risks by job groups and threats are specified as well as periodic medical check-ups. The Safety Statement is adopted with the consent of the Works Council and based on a prior opinion from representative trade unions at the employer.⁷²

Injuries at work

In 2013, the Company registered 14 work-related injuries. Due to changes in legislation, as of 2013 commuting accidents are no longer deemed as work accidents, which is why the total number of all accidents decreased. Most injuries at work occurred in the group of insurance agents and appraisers who work in the field. There were no fatal injuries.⁷³

Injuries at work in 2013, 2012 and 2011

	2013		2012		2011		Index	
	Number	Percentage	Number	Percentage	Number	Percentage	2013/2012	2012/2011
At work	14	100.0	8	34.8	17	70.8	175	47
On business trips	0	0.0	2	8.7	1	4.2	0	200
Commuting to/from work	0	0.0	13	56.5	6	25.0	0	217
Total	14	100.0	23	100.0	24	100.0	61	96

In accordance with the legislation, the Company reports all dangerous occurrences that caused or could cause:

- pecuniary loss,
- a threat to employee's health or life, or
- an accident which would render an employee unfit for work.

⁷¹ G4 DMA

⁷² GRI G4-LA8

⁷³ GRI G4-LA6

In 2013 one dangerous occurrence was recorded. Sliding glass doors came off the hinges and shattered upon hitting the floor. No one was injured, there was only some material damage.

As an employer, the Company is required to report every discovered occupational disease to the Labour Inspectorate of the Republic of Slovenia. Thus far no occupational diseases were identified.

Lost work days due to injuries at work in 2013, 2012 and 2011

	2013	2012	2011	Index	
				2013/2012	2012/2011
Lost work days due to injuries at work	103	365	485	28	75

12.6 Care for employee satisfaction

The "Harmony of Life and Work: Triglav.smo" Project contributes to the well-being and personal health of employees, thus boosting their satisfaction, loyalty and creativity. In the project, which mostly included lectures on preserving health, a part of activities within the "Family-Friendly Enterprise" first certificate was incorporated. In 2013, employees were familiarised with relaxation techniques for reducing stress. As many as one third of employees participated in the prevention measurements of risk factors (measurements of blood sugar and cholesterol levels, etc.). In addition, lectures on a healthy lifestyle were held at all regional units.

In the brochure "Good Day, Health", external specialists presented in their articles the key impacts on the quality of life of every individual (healthy diet and exercise, raising awareness of exposure to psychosocial risks, demonstration of physical exercises). Nordic walking courses organised at regional units encouraged the employees to participate in a simple but healthy exercise.

Art exhibitions of talented employees and travelogues became an integral part of the *Triglav.smo* project. Special morning events to greet the changing seasons and a visit of Santa Claus for children are well received by the employees.

"Family-Friendly Enterprise" certificate

Zavarovalnica Triglav has been the holder of the "Family-Friendly Enterprise" first certificate (hereinafter: FFE) since the end of 2012. This is a voluntary commitment to a set of measures for easier reconciliation of work and family life. How the employees deal with this in their everyday life is regularly monitored within the framework of annual organizational climate measurement.

The measures include more intensive training of managers for the reconciliation of work and family life of employees, to be upgraded with the management standards. At the beginning of 2014, flexible working hours with late arrival to work and child bonus time (transitioning of children into kindergarten after maternity leave) were introduced as well as one additional day off work for parents of first graders on the first school day. By amending the Collective Agreement, additional extraordinary leave in the case of a child's stay at hospital was made possible (more below). The managers' attitude toward employees balancing work and family is evaluated and special attention is paid to employees resuming work after a long period of absence (return from maternity leave or long-term sick leave). Regular communication with employees on FFE topics is performed via various internal channels. Furthermore, employees receive a good wishes card on the birth of their child and a Happy Birthday card.

Additional benefits for employees

All employees are given the following insurance advantages:

- for all employees, group accident insurance premiums are paid;
- favourable insurance terms are available for additional accident insurance to employees and their family members;
- additional accident insurance is provided for all business trips;
- after one year of employment, all employees may opt for supplemental voluntary pension insurance and voluntary pension insurance.⁷⁴

Zavarovalnica Triglav pays 89.8% of its employees a supplemental pension insurance premium amounting to 4% of their gross salary.⁷⁵

Parental leave or part-time work in 2013⁷⁶

	Women	Men	Total
Maternity leave, child care leave	103	5	108
Father's leave of 15 days (in the period up to the child's age of six months)	0	39	39
Father's leave of 75 days (up to the child's age of three years)	0	5	5
Option to work part-time	28	0	28

All employees (of either gender) who used parental leave had the right to resume work or their position.

Return to work and retention rate after using parental leave in 2013⁷⁷

	Women	Men	Total
The number of employees who returned to work after parental leave	103	49	152
The number of employees who returned to work after parental leave (by gender) and who stayed employed in the Company after 12 months	103	49	152
Return rate after parental leave	100%	100%	100%
Retention rate after parental leave	100%	100%	100%

In certain circumstances, employees can also take unpaid leave in agreement with their superiors. In 2013, six employees took short unpaid leave.

As many as 109 employees took a day off work on the first school day and 17 employees took paid leave to care for a close family member in the total duration of 61 days.

Cooperation with employees – trade union

In Zavarovalnica Triglav, three representative trade unions are organised, with which a special agreement was concluded. Before adoption, every act specifying the rights and obligations of workers is submitted to the trade unions to give their opinion. Mutual collaboration is well regulated.

In line with the Worker Participation in Management Act and the Agreement on Worker Participation in Management, the Company informs the Works Council of any changes in Company's operations at least 10 days prior to adopting such a decision.⁷⁸

⁷⁴ GRI G4-EC3

⁷⁵ GRI G4-EC3

⁷⁶ GRI G4-LA3

⁷⁷ GRI G4-LA3

⁷⁸ GRI G4-LA4

Care for employees outside working hours

Various forms of social and sports activities are available to employees to actively spend their free time. Already traditional events include the Triglav Group Day – Our Day, Sports Games of Financial Organisations (ŠIFO) and gatherings with retired Triglav employees. Very popular are also the fairly new organisations – the Mountaineering Association and the Sports Association. In 2013, the set goal was achieved as more than 10% of employees were members of the Triglav Sports Association.

12.7 Responsibility to clients and suppliers

12.7.1 Clients⁷⁹

To achieve long-term and sustainable relationships with policyholders, emphasis is put on transparent, intelligible and accessible insurance products. The Company follows these guidelines already in the development phase of insurance products and sales channels (see *Section 6. Development and sales activities*), taking into account the needs of policyholders and international trends. In *Section 6*, the expansion of online range of insurance products and services and the operation of the i.triglav web application are presented.

Policyholders place special importance on insurance services in case of a loss event or insurance claim. The Group keeps to the principle of fair and fast loss adjustment. To report claims whenever and wherever, a mobile application was introduced. Such applications are also suitable for prevention activities, as evidenced by the applications Triglav Toča (Triglav Hail) for hail alerts and Gorski priročnik (Mountaineering Guide) (more details are provided in *Section 12.9.1*).

Measuring client satisfaction⁸⁰

Complaints and compliments are regularly analysed and resolved according to previously defined procedures, which also serve as the basis for introducing improvements and corrective measures as well as the basis for further activities in customer care and for increasing customer satisfaction. In 2013, 1,502 claims were recorded or 2% less compared to the previous year. The majority of complaints were made with respect to the content (85.4%), complaints related to non-life insurance accounted for 63.8% of all complaints, 33.8% referred to life insurance and 2.4% to other segments. The most common reason for filing a complaint related to life insurance was the amount of insurance benefits, while with respect to non-life insurance most complaints were filed against the decision of the Company that there were no grounds for the payment of damages or insurance benefits. In the reporting year, 14.7% of total resolved complaints were founded and 12.6% were partly founded. Apart from that, 62 compliments were received.

So as to determine client satisfaction and behaviour, the surveys Insurance Monitor (international research conducted on an annual basis since 2000, the last one included 18 countries), "Purchasing Factors for Individual Insurance Products" and "Mystery Shopper" were used. All were carried out in 2013.

⁷⁹ GRI G4-DMA

⁸⁰ GRI G4-PR5

Communication with clients

Sales officers are the first point of contact with Triglav, not only when buying insurance policies but also when seeking information on claim procedures. Their education and training are presented in *Section 6. Development and sales activities*, including direct marketing campaigns for upgrading existing insurance policies and informing policyholders of benefits.

Clients can receive information on insurance products, various services and claims procedures by calling the toll free number 080 555 555 or, if they need roadside assistance, a special hotline 080 2864 (+386 2222 2864 for calls from abroad). The www.triglav.si web portal is becoming an increasingly important communication channel, which features a user-friendly and simple way to become acquainted with Triglav's products and services, safely buy insurance products, report claims, manage policies or find advice. The website provides internet-literate clients with reduced mobility with equal accessibility to Triglav's range of products. In all information materials, the Company strives for simplicity and transparency that enable the easy understanding of its financial products (the internet, printed media or audio-video contents).⁸¹

The i.triglav web application is continually upgraded, enabling the users an overview of all concluded insurance policies and related events. The transfer of web application in Croatia was initiated.

12.8 Suppliers⁸²

Centralised procurement processes in Zavarovalnica Triglav provide for greater cost efficiency, better negotiating positions, and the uniform implementation and transparency of the processes.

Criteria for supplier selection

Five obligatory criteria are considered when selecting suppliers and examining bids: price, corporate social responsibility, average premium in the past three years, loss ratio and capital ties. Other criteria that depend on the type of transaction (references, previous experience, etc.) are also taken into account.

No special training or benefits for suppliers were provided in 2013, as it was not necessary to do so due to the nature of supply.

Efforts are made to include as many local (regional) suppliers as possible in the procurement process for the needs of regional units. Due to the characteristics of Zavarovalnica Triglav's operations and the wide dispersion of regional units, local suppliers cannot be included in certain procurements for the needs of central areas (e.g. office supplies), while in some places their inclusion is not reasonable because of the quality of procurement conditions.⁸³

Communication with suppliers

For certain types of procurement or particular locations, the Company appointed persons responsible – administrator, who the suppliers can contact in case of any inquiries, complaints or other issues connected with the delivery of materials or services. The manner of

⁸¹ GRI G4-FS14

⁸² GRI G4-12

⁸³ GRI G4-EC9

communication with suppliers in Zavarovalnica Triglav is determined in advance and agreed with every supplier separately.

Verification of suppliers with regard to appropriate work practices, environmental protection, social impact and respect of human rights

Supplier verification is performed in the process of obtaining bids (tender), where all invited suppliers complete a questionnaire about their corporate social responsibility. The latter also includes questions on recruitment policies and the work environment (discrimination in employment, safety and health at work, provision of mandatory work practice/internship to students, etc.) and environmental protection (waste sorting, electronic commerce).⁸⁴

Enabling fair competition

Zavarovalnica Triglav was not informed of any legal actions filed against the Company before the Slovenian Competition Protection Agency with respect to unfair competition.⁸⁵

The Company's conduct regarding fair competition is rooted in the Protection of Competition Act and the Prevention of Restriction of Competition Act. The competitiveness of suppliers is checked in public tenders and random offers. In this way, prices are controlled and price rigging by suppliers is prevented. Agreements with Zavarovalnica Triglav include provisions on conflict of interest prevention and anti-corruption clauses. All agreements contain a clause specifying an agreement administrator who is responsible for the observance and implementation of contractual provisions.⁸⁶

Remuneration of insurance agencies and their sales staff

Zavarovalnica Triglav sells its services through contracted points of sale, such as insurance agents and brokers, roadworthiness test providers, leasing agencies, car sellers, tourist agencies (non-life insurance), specialised agencies and banks (life insurance). Contracted partners are carefully selected. The precondition for signing a contractor's agreement is the authorisation to perform insurance operations in accordance with the Insurance Act.

Attractive terms and conditions and an inclusive attitude are the basis for quality relationships with external sales network partners. In addition to stimulating remuneration (fees), the Company places great importance on competitive products, effective business processes, training courses and programmes, and invitations to social events (more in *Section 6*).

12.9 Responsibility to social environment

One of the ways in which the Triglav Group implements its corporate social responsibility is by cooperating with and participating in the development of the local environment and the wider community.

⁸⁴ GRI G4-EN32, G4-LA14

⁸⁵ GRI G4-SO7

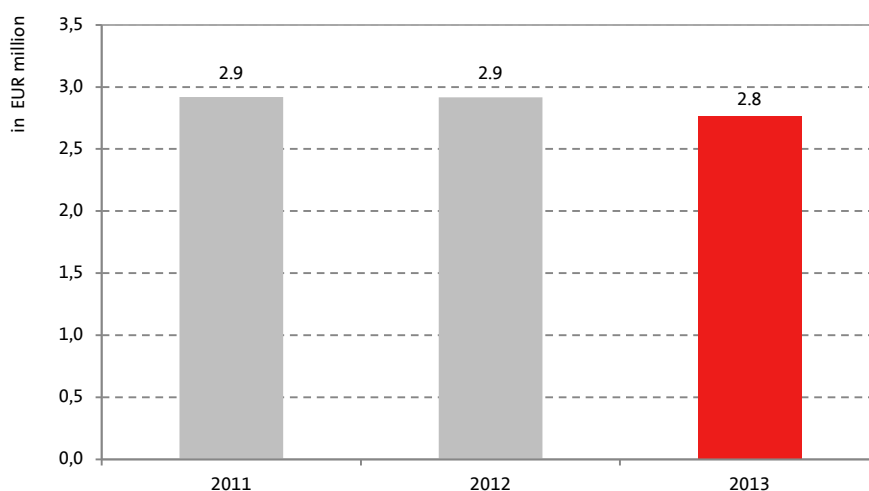
⁸⁶ GRI G4-DMA

12.9.1 Prevention activities⁸⁷

Promotion of prevention activities and mitigation of various risks are part of the fundamentals of corporate social responsibility in insurance business, which has more than a century of tradition in the Triglav Group. Principles and development guidelines are laid down in the Rules on Prevention and Suppression Activities of Zavarovalnica Triglav.

The amount of funds allocated to the prevention of damage and hazards is determined in the percentage of insurance premiums for every insurance separately. In 2013, a total of EUR 2.8 million or 5% less than the preceding year was allocated to prevention activities of the Triglav Group, partly reflecting the trend in total written premiums. The funds were spent mostly on improving traffic and fire safety.

Amount of funds allocated for prevention activities in 2011, 2012 and 2013



Prevention activity projects⁸⁸

Within the framework of the traditional accompanying of first graders to school, Zavarovalnica Triglav donated 22,000 yellow neckerchiefs for safer participation of children in traffic. In more than 55 elementary schools in 12 Slovene towns, Triglav's mascot Watch Out Doggy accompanied elementary school children on their way to school and taught them the rules of road safety as well as reminded the drivers to be extra careful.

In cooperation with the Slovenian Traffic Safety Agency and Mladinska knjiga, an art contest entitled "The Road is not a Pretzel" (Cesta ni preta) was organised, in the scope of which children drew their route to school. Before the start of the school year, Slovene nursery schools were invited to participate in the contest and 80,000 children were presented with reflective Watch Out Doggy tags. Artworks from more than 100 nursery schools were entered into contest. As many as 50 rewarded nursery schools received 1,250 reflective vests for the safe participation of children in traffic during walks and trips.

In the partnership with the "I still drive, but I don't walk" Institute (Še vedno vozim, vendar ne hodim), awareness of secondary school students was raised on the importance of traffic safety. Members of the Institute are car accident victims, who present the significance of prevention activities through their own experience. By testing the Fatal Vision goggles, pupils had the

⁸⁷ GRI G4-DMA

⁸⁸ GRI G4-EC7

chance to experience how various degrees of drunkenness affect our senses, thus gaining the experience in a safe environment.

In cooperation with the Safe Journey (Varna pot) and "I still drive but I don't walk" institutes, children's road safety workshops were organised at the safe driving range accompanied by policemen and the Watch Out Doggy mascot.

At the Vransko Safe Driving Centre, 28 workshops in safe driving were held for new drivers. The Safe Driving Days were attended by 1,164 drivers from all Slovenia. With the support of safe driving instructors, young drivers gained significant experience in simulated situations that could prevent road accidents, injuries and material damage. After passing the safe driving training, young drivers receive a discount on the extra charges payable on car insurance for young drivers.

In cooperation with the Malum Association of Traffic Victims (Združenje žrtev v prometu Malum), Triglav Osiguranje, Zagreb organised an educational campaign to increase traffic safety in Croatia and to improve the culture of drivers, mostly focusing on young drivers.

To increase safety and reduce damage to the Ljubljana Jože Pučnik Airport, Zavarovalnica Triglav supported the ecological study of birds at the airport and the surroundings, conducted by the Knowledge Society and Values of Nature Foundation.

By investing in fire safety, the Company assists in maintaining and purchasing the equipment of fire brigades, upgrading fire protection systems in companies and installing fire alarms and burglary protection systems.

The parent company funded the filming of a documentary on safe alpine skiing entitled "Proper Skiing Techniques – Safe Skiing!" (Smučaj pravilno – smučaj varno!) and, as for many years now, co-financed the purchase of water rescue equipment for Slovene bathing sites. Automatic defibrillators for saving lives in case of a heart attack were installed in all regional units' head offices in Slovenia.

The mobile application Triglav Toča (Triglav Hail) provides free information on hail alerts for the entire Slovenia, based on the data from the Slovenian Environment Agency. Its main features are up-to-date information, interactivity and personalisation.

For increased safety of visitors to the mountains, the mobile application Gorski priročnik (Mountaineering Guide) was upgraded for use on smartphones. The application was developed within the framework of the "Let's Clean the Mountains and Hills" Drive, providing advice on safe visit to the mountains and tips and information in crisis situations. It is available as a free download at www.ocistiomogore.si.

12.9.2 Sponsorships and donations⁸⁹

To ensure greater transparency and efficiency, Zavarovalnica Triglav continued its policy of allocating funds of sponsorships and donations through calls for tender. In 2013, four open calls for tender for sponsorships and donations were published on www.triglav.eu via an online application, attracting 3,025 applications. A total of 29.1% of all applications were accepted. The partners responded very positively to the system for allocating funds of sponsorships and donations, launched in 2012.

⁸⁹ GRI G4-DMA, G4-EC7

Zavarovalnica Triglav supports the development of non-profit organisations, associations and clubs active in sport, culture, education, health care, humanitarian projects and other socially responsible activities. Sponsored projects are rewarded through partnership cooperation and efforts are made to promote sustainable activities.

The sponsorship and donation applications received via the online application are reviewed and evaluated based on pre-defined criteria. The projects with the highest point score and complying with the Company's identity and its corporate social responsibility strategy are selected.

Sponsorship and donation funds⁹⁰

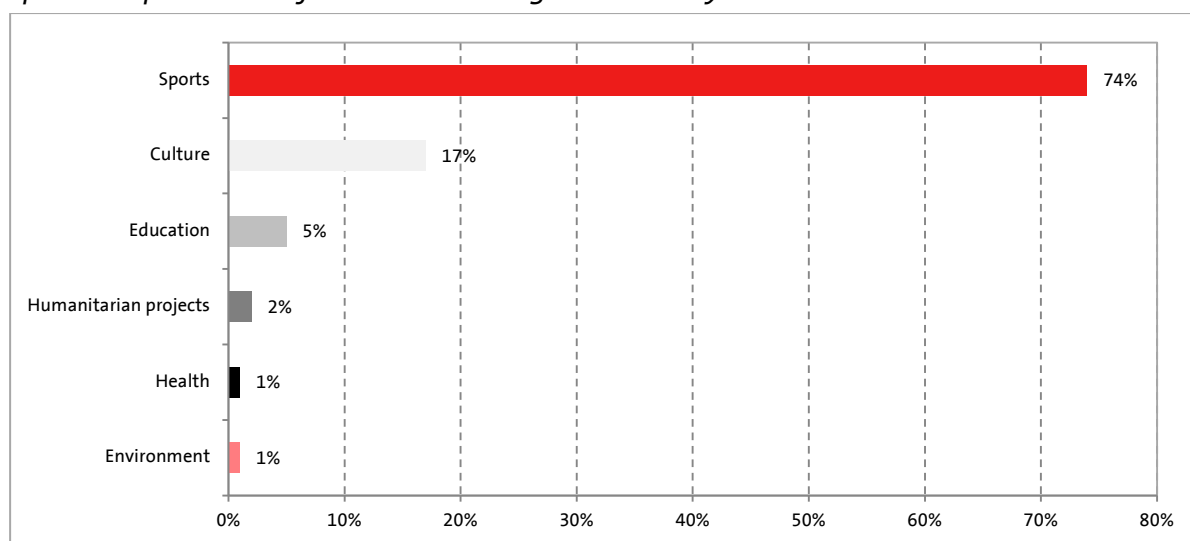
In 2013, the Triglav Group allocated EUR 3.7 million for sponsorships, or 2% less than the previous year, and EUR 260 thousand for donations. The largest portion of these funds was granted to sports and recreational activities, followed by partnerships in culture, education, humanitarian activities, health care and environmental protection.

Amounts for sponsorships and donations in 2011 – 2013

	2013	2012	2011	Index	
				2013/2012	2012/2011
Sponsorships	3,723,156	3,804,641	4,397,911	98	87
Donations*	259,652	370,586	381,175	70	97

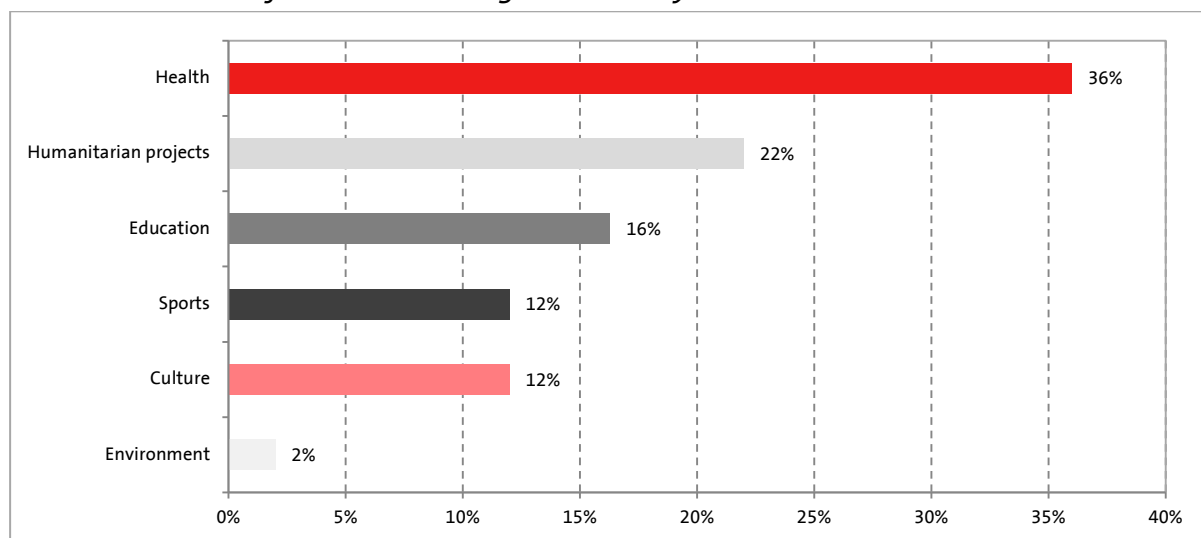
*Donations also include the investment of Zavarovalnica Triglav in the form of start-up capital for the Zavod Vse bo v redu (Institute "Everything Will Be Alright", equalling EUR 100 thousand. The Institute carries out socially responsible activities.

Sponsorship structure of Zavarovalnica Triglav in 2013 by sector



⁹⁰ GRI G4-EC1

Donation structure of Zavarovalnica Triglav in 2013 by sector



Major sponsorships and donations

Sports

Sport is a traditional and a very important recipient of the Company's sponsorship activities, enabling Slovene athletes to achieve top-notch results. Support is provided to both top-level athletes and the development of sports activities in a regional environment.

The Triglav Group supported the European basketball championship – **EuroBasket 2013** with the first joint marketing campaign "Thousands of Fans, One Insurer" (Nešteto navijačev, ena zavarovalnica), increasing the popularity of basketball and sport in all its markets. Long-term partnerships connect the Zavarovalnica Triglav with the Union Olimpija and Krka Novo Mesto basketball clubs, the ACH Volley and Salonit Anhovo volleyball clubs, the Celje and Trimo Trebnje handball clubs, the Ajdovščina Women's Handball Club and many other local clubs. In addition, support was provided to the Puconci Women's Volleyball Club for the training of young volleyball players.

Zavarovalnica Triglav is a loyal sponsor of the **Ski Association of Slovenia** and the **golden sponsor of the Slovene Nordic skiing and biathlon teams**. For more than 25 years, the Company has provided the opportunity for Slovene pupils to watch the **World Cup Ski Jumping final in Planica**. In 2013, more than 3,300 children were taken to the final in Planica, joined by the residents of the Dobrna Training, Work and Care Centre and 12 large families.

Partnership cooperation was continued with the snowboarder Žan Košir and the Novinar Sports Club, providing support to the skier Saša Farič. Support also went to the Ski Jumping World Cup Ladies in Ljubno and to the traditional Vitranc Cup in Kranjska Gora. In cooperation with the Albatros Disabled Athlete Association, support has been provided to the disabled skier Gal Jakič for several years. The Company's many other partnerships are also of a long-term nature, such as cooperation with the Ice Hockey Federation of Slovenia, the Adriatic Water Polo League and the Adria Mobil, Rog and Sava Kranj cycling clubs, to which support is provided at the largest cycling races, e.g. Tour of Slovenia and the Franja Marathon.

In 2013, the Company cooperated with Hribovski tekači Sports Club (Hill Runners) and the ultra-marathon runner David Kadunc.

The insurance companies outside Slovenia also support numerous sports activities in their environments:

The Triglav Group subsidiary	Sports sponsorship
Triglav Osiguranje, Banja Luka	<ul style="list-style-type: none"> ▪ The FIS CUP alpine skiing races at Mt. Jahorina ▪ The ATP tennis tournament Challenge Banja Luka
Lovćen Osiguranje, Podgorica	<ul style="list-style-type: none"> ▪ Olympic Committee of Montenegro ▪ Football club Ločen - Cetinje ▪ Handball club Lovćen ▪ Women's handball club Jelena, Bar ▪ Sailing club Jelena Bar and Sailing club Delfin, Tivat ▪ Tennis tournament Montenegro open
Triglav Osiguranje, Zagreb	<ul style="list-style-type: none"> ▪ Women's Basketball club Novi Zagreb
Triglav Osiguruvanje, Skopje	<ul style="list-style-type: none"> ▪ Basketball club MZT Aerodrom ▪ Macedonia basketball team, EuroBasket 2013 ▪ Alpine skiing tournament Šarplanina Cup (Šarplaninski kup)
Triglav Osiguranje, Sarajevo	<ul style="list-style-type: none"> ▪ Street basketball tournaments for elementary and primary pupils ▪ Basketball club Play off
Triglav Osiguranje, Belgrade	<ul style="list-style-type: none"> ▪ Handball club BMS Milenium ▪ Football clubs Bežanja and Brodac ▪ Karate club Partizan

Cooperation with local communities

Prevention activities aimed at providing support to fire brigades and traffic safety constitute an important part of the Company's cooperation with the local environment as well as participating in cultural, educational and humanitarian projects.

Below are presented the initiatives, in which Zavarovalnica Triglav's employees took an active role.

Corporate volunteering of Zavarovalnica Triglav's employees

Initiative	Employee volunteering
"Children of Triglav – Carefree at Play, in Harmony with Nature" Project	In cooperation with the local communities, the Company helped renovate the children's playgrounds in the Mežica kindergarten and the Stražišče Elementary School. Within the framework of the project, support for the construction of new playgrounds was provided in the Golo, Škrilje, Visoko and Zapotok villages. Dino Murić, Union Olimpija basketball player, became the project's new ambassador, promoting love for outdoor activities and sport among young people. In the renovation and constructing of playgrounds, employees participated by painting and setting up playground equipment and planting ornamental plants.
Installation of bird feeders in the Štajerska region along nursery schools and homes for the elderly	The Company provided funding, while its employees socialised with the locals.
Corporate Voluntary Week "Giving Back to the Community", organised by the American Chamber of Commerce	Landscaping work at the Ciciban day care centre in Ljubljana and the surroundings as well as outdoor equipment for the Malči Belič youth home.

Culture

Long-term partnership connects Zavarovalnica Triglav with the Ljubljana Summer Festival, at which the Company supported the musical Grease, and with the Cankarjev dom Cultural and Conference Centre (season tickets for the Music of the World concert cycle), while in the Ljubljana Puppet Theatre the Company supported performances for children.

On Prešeren Day, the Slovene cultural holiday, the Company donated a CD with poems by Dr France Prešeren recited by Slovene theatre actors to elementary schools in Slovenia. By providing funds, the Company helped in organising many cultural activities and events in the local environment as well as cultural events in Croatia, Montenegro and Macedonia.

With the support of Lovćen Osiguranje, the Tivat cultural centre supported the »Purgatorije Tivat« International Festival of Mediterranean Theatre and the winter carnival in Kotor. Triglav Osiguranje, Zagreb is a supporter of Benkovačko Cultural Year, which develops and preserves culture in a remote area.

Triglav Osiguruvanje, Skopje, is a traditional sponsor of the popularity prizes for the "Zlatna bubamara" (Golden Ladybird).

Education

In cooperation with the Ypsilon Institute, the first intergenerational centre in Slovenia – "To Triglav to Change the World" (Na Triglav spreminjat svet) – was opened in 2013. The centre connects all generations in one place and provides space for socialising, creating and acquiring new skills, meeting and exchanging knowledge from different generations. Thus, young people introduce the world of computers and other innovations to the elderly, while they share their language skills, playing of instruments and other skills with young people.

In 2013, Triglav continued to support the Cici Vesela Šola project. Triglav Osiguranje, Zagreb continued to participate as a partner in the experimental programme called "Bistriči" (Smarties) for encouraging the development of talents of pre-school children and for monitoring the findings during adolescence, while Triglav Osiguranje, Belgrade took over the sponsorship of the Kopaonik Business Forum. In Montenegro Lovćen Osiguranje supported the organisation of the Economic Forum in Milocer and the publication of a driving test guide.

Humanitarian activity

In 2013, Zavarovalnica Triglav founded Zavod Vse bo redu ("Everything Will Be Alright" Institute) for the management and implementation of socially responsible activities with the help of external partners and employees. The Institute mostly provides help to the weakest members of the society and raises awareness on the importance of corporate social responsibility for sustainable development. In the first year of its operation, the Institute implemented the "Youth Is the Safety of Our Future" Project and awarded scholarships to young athletes and a female musician.

Within the framework of humanitarian activities in Slovenia, support was provided to mountain rescue services, a rescue dog guide club, occupational activity centres, homes for the elderly, healthcare institutes, local libraries, associations of the blind and visually impaired, associations of the deaf and hard of hearing, and many other local societies and associations that improve the quality of life in local communities.

Below are presented other forms of humanitarian aid provided by the Triglav Group:

Department of Neurosurgery, Ljubljana University Medical Centre, Slovenia	<ul style="list-style-type: none"> The 2nd Triglav Run was held for a charitable cause – the purchase of a surgical microscope for the Department of Neurosurgery, with the support of Slovene athletes sponsored by Zavarovalnica Triglav, e.g. David Kadunc, Žan Košir, Teja Gregorin and Jakov Fak.
Postojna Gynaecology and Obstetrics Hospital, Slovenia	<ul style="list-style-type: none"> Co-funding of a new incubator.
Paediatric Clinic in Ljubljana, Slovenia	<ul style="list-style-type: none"> The Company supported the purchase of a pump organiser for MRI scans for children using anaesthesia. In cooperation with the Klnodvor Cinema, children who were being treated in the Paediatric Clinic had the opportunity to see a Christmas film.
Publisher of the Hanina želja (Hanna's wish) picture book, Slovenia	<ul style="list-style-type: none"> Co-funding of the picture book, where a part of the proceeds from the book's sale is allocated to the purchase of a swing for movement-impaired children in the Prekmurje region.
Koper Elementary School, Slovenia	<ul style="list-style-type: none"> 2,500 meals for socially disadvantaged children, for whom funds were raised at the meeting of all Triglav Group's employees (Our Day event) in Izola.
Unicef Foundation, Slovenia	<ul style="list-style-type: none"> Education of volunteers in working at safe points for children.
Slovenian Society for Dog Assisted Therapy – Tačke Pomagačke (Helping Little Paws)	<ul style="list-style-type: none"> Support to the Society for promoting reading literacy and communication skills of children with developmental disorders or after an accident.
Slovenian Association of Friends of Youth	<ul style="list-style-type: none"> Company's employees collected food and hygiene products for children from 150 socially disadvantaged families at the end of the year.
Bijela Centre from Kotor, Montenegro	<ul style="list-style-type: none"> Funds for orphans of the Bijela Centre provided through the humanitarian campaign "Donate Energy for Aid".
Cetinje Health Care Institute, Montenegro	<ul style="list-style-type: none"> Purchase of a mammograph.
Pljevlja Health Care Institute, Montenegro	<ul style="list-style-type: none"> Purchase of an ambulance.
Elementary schools, Montenegro	<ul style="list-style-type: none"> Purchase of school backpacks for children from socially disadvantaged families.
Elementary schools, Macedonia	<ul style="list-style-type: none"> Purchase of school backpacks for children from socially disadvantaged families.
Blood Donation Centre, Macedonia	<ul style="list-style-type: none"> Renovation and purchase of equipment.
Open championship of Serbia in athletics for persons with special needs	<ul style="list-style-type: none"> Organisation of the athletics championship for persons with special needs.
Humanitarian campaign "With love from brave hearts", Republic of Srpska	<ul style="list-style-type: none"> Financial aid for children with autism.
Sarajevo Medical Centre, BiH	<ul style="list-style-type: none"> Launch of the project for the manufacture of femur and tibia implants for reducing disability.
Humanitarian campaign for the fight against breast cancer, BiH	<ul style="list-style-type: none"> Funds for raising awareness and early detection of breast cancer.
Elementary schools, BiH	<ul style="list-style-type: none"> Funds for the purchase of IT equipment.
Road traffic victim, Serbia	<ul style="list-style-type: none"> Funds for treatment.
The Tinker Bell Association (Zvončica), Serbia	<ul style="list-style-type: none"> Funds for children with cancer.

Information on sponsorships and donations:

Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana
E-mail: sponzorstva@triglav.si

12.10 Responsibility to the natural environment⁹¹

Products and services

Zavarovalnica Triglav promotes a responsible attitude to the natural environment and encourages locally grown food supply through insurance products and services, especially in agriculture insurance.

- Through quick loss adjustment procedures, agricultural producers are offered effective support in cases of increasingly frequent natural disasters.
- Through annual agricultural insurance policies offered by Zavarovalnica Triglav, agricultural producers are guaranteed economic security, which enables them to invest in the long-term and thus increase the production volumes of high-quality and safe food at the national level.
- Premium policy is designed to encourage the policyholders to invest in active protection through the use of anti-hail nets, greenhouses, tunnels, and irrigation and sprinkler systems for spring frost protection. They are informed and trained in this regard. Compared to inactive policyholders, they are given up to an 80% discount for the same or even better insurance cover of the same crops.
- They are also made aware of the likelihood of extreme loss events (natural disasters including hailstorms, windstorms, floods, frosts, droughts, etc.), which may require them to gradually discontinue certain crops in individual more exposed areas. This is additionally encouraged by new insurance products, such as index insurance, which will prompt farmers to rethink whether growing certain crops in drought-ridden areas is a viable decision.⁹²
- Zavarovalnica Triglav promotes active defence against insurable and uninsurable risks through the use of anti-hail nets, greenhouses, tunnels, and irrigation and sprinkler systems for spring frost protection.⁹³
- The Company encourages less intensive animal production, which is not only environmentally friendlier but also involves fewer insurance risks, by amending insurance covers or premium price of animal insurance.⁹⁴
- A range of insurance products at a reduced price is being prepared for entrant young farmers, thereby helping to rejuvenate agriculture as well as to preserve the population and increase the size of cultivated land in the Slovene rural area, which is consistent with the interests of the European Common Policy and the Slovene agricultural policy.⁹⁵

Protection of the environment in work processes

In 2013, Zavarovalnica Triglav adopted many measures to reduce the negative effects on the environment. Within the framework of the European Green Office Project, an external assessment of the progress in reducing environmental pollution was performed, for which the Company received the European Green Office certificate. An Eco Team was set up, who prepared the first set of proposals for reducing environmental impact, particularly in energy efficiency. Energy efficiency guidelines were also implemented in urgent renovation of existing business premises. The new convectors in the business premises in Ljubljana have built-in EC motors with stepless regulation (extremely low energy consumption), the Koper branch has high thermal isolation windows (heat transfer coefficient $U_w = 1.2 \text{ W/m}^2\text{K}$) and its façade

⁹¹ GRI G4-DMA

⁹² GRI G4-FS8

⁹³ GRI G4-FS8

⁹⁴ GRI G4-FS8

⁹⁵ GRI G4-FS7

cladding complies with low-energy construction standards.⁹⁶ To this end, 596 chairs were replaced with those having better ergonomic features.

To decrease emissions into the atmosphere, bicycles were purchased for short-distance work-related travel at three regional units. Zavarovalnica Triglav purchased 10 company vehicles. One of the purchase criteria was CO₂ emissions, which is in compliance with the guidelines of the European Commission, setting the maximum CO₂ emission target of 95 g/km by 2020.

To reduce plastic packaging waste, all employees of Zavarovalnica Triglav received their own cup, which they can use for the purchase of warm beverages at a vending machine instead of plastic cups.

The supplier of hygiene and sanitary supplies was replaced and the toilet supplies dispenser system upgraded, thus lowering its consumption. The procurement system of supplies and services was upgraded, which is mainly carried out electronically. Lower paper consumption is also achieved by electronic evaluation in the selection of suppliers, and in 2014 it is planned to redesign the tender system, which will enable electronic sending, receiving and processing of tenders.⁹⁷

The environmental criteria were included in the supplier selection procedures (see *Section 12.8 Suppliers*).

Carbon footprint calculation⁹⁸

Environmental impacts are systematically measured in Zavarovalnica Triglav; the goal however is to spread the corporate social responsibility guidelines to subsidiaries. In 2013, carbon footprint calculations were for the first time performed for all locations of Zavarovalnica Triglav, while in 2012 they were made only for its Headquarters and the Ljubljana Regional Unit. All regional units' head offices and the Headquarters were included in the calculation of electricity consumption and energy used for heating and cooling.

The carbon footprint calculation was performed using the methodology based on the Greenhouse Gas Protocol. The greenhouse gas calculation included direct emissions from heating with natural gas and fuel oil at regional units' head offices and the Headquarters as well as the emissions due to the Company's vehicle fleet, which is exclusively used for work-related travel. Indirect emissions included electricity used for cooling, lighting, heating and the operation of electrical and electronic equipment as well as district heating emissions. In addition to direct and indirect emissions, emissions due to the use of paper and emissions due to work-related travel using employees' own vehicles or public transport (train, bus, plane) were taken into account. Commuting to/from work was not considered in the calculation.

⁹⁶ GRI G4-EN6

⁹⁷ GRI G4-13

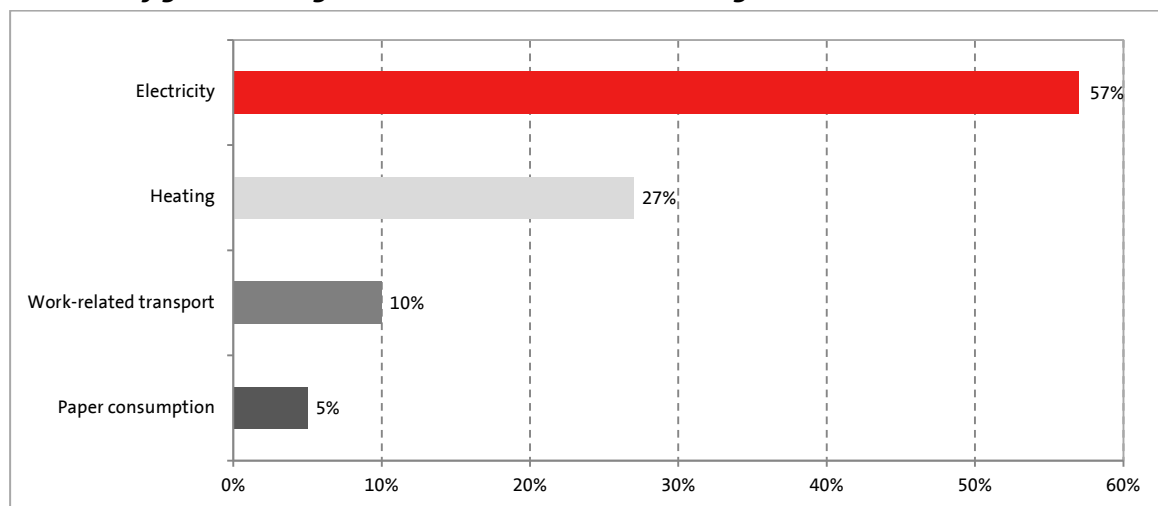
⁹⁸ GRI G4-EN15, G4-EN16, G4-EN17

Carbon footprint results of Zavarovalnica Triglav in tons equivalent CO₂ by location

Location	Carbon footprint		Electricity consumption and heating in m ²	
	2013	2012	2013	2012
Headquarters	965	1,065	0.077	0.077
Ljubljana Regional Unit	1,863	1,891	0.099	0.100
Celje Regional Unit	392		0.057	
Koper Regional Unit	88		0.085	
Kranj Regional Unit	456		0.100	
Krško Regional Unit	99		0.042	
Maribor Regional Unit	164		0.064	
Murska Sobota Regional Unit	339		0.092	
Nova Gorica Regional Unit	235		0.052	
Novo mesto Regional Unit	140		0.083	
Postojna Regional Unit	472		0.235	
Slovenj Gradec Regional Unit	80		0.054	
Trbovlje Regional Unit	126		0.079	
Total	5,419		0.087	

The bulk of greenhouse gas emissions is accounted for by emissions due to electricity consumption and heating, followed by work-related transport, while the smallest share is due to the use of paper.

Structure of greenhouse gas emissions in Zavarovalnica Triglav in 2013



Total emissions due to work-related travel using the Company's vehicle fleet, public transport or employees' own vehicles totalled 557 tons of CO₂ in 2013.

The share of CO₂ emissions caused by office paper is very small compared to the use of energy products and transport; it serves, however, as a measurable indicator of the ecological awareness and environmentally responsible behaviour of office employees. In 2012, an average employee at the Headquarters used 15 sheets of paper a day, while the Ljubljana Regional Unit used 12 sheets of paper per employee a day. For the reporting year, the manner of data capture was changed. Therefore, by using the same manner of data capture as for 2013, an average employee at the Ljubljana Regional Unit used 11 sheets of paper a day in 2012, while the Headquarters used 56 sheets of paper per employee a day. Compared to the previous year, the use of paper at the Ljubljana Regional Unit was the same, while at the Headquarters it was halved to 28 sheets of paper a day. The reason for such a substantial decrease was not found. The average use of A4 printing and copy paper in 2013 was 27.1, while in the preceding year it was 27.6 sheets of paper per employee a day.

Use of energy products and water

Zavarovalnica Triglav started to pursue an active policy on the energy performance of buildings and commissioned energy audits on the premises at Verovškova 60b in Ljubljana, even though with respect to its core business it is not obligated to observe the energy legislation. It is expected that appropriate organisational and investment measures will lower energy consumption by around 10%.

Use of energy products of Zavarovalnica Triglav in 2013 and 2012⁹⁹

Use of energy products	2013	2012	Index
Warm water (MWh)	2,857.00	3,155.80	91
Fuel oil (l)	57,446.00	85,000.00	68
Gas (m ³)	154,555.00	135,000.00	114
Electricity (MWh)	5,621.11	6,443.85	87

In 2013, 37,875.04 gigajoules (GJ) of electricity were used for heating, cooling, lighting and for the operation of electrical and electronic equipment, assuming that 10 kWh of electricity are generated from one litre of fuel oil and 9.5 kWh from a m³ of natural gas.

Zavarovalnica Triglav does not yet keep records of its electricity consumption, but estimates its structure to be comparable to the structure of energy resources at the national level. According to the latest available data (from 2011), the largest energy resource in Slovenia is nuclear energy (39%), followed by solid fuels (33%), while renewable sources of energy accounted for 24% of the total.¹⁰⁰

Waste disposal policy

In 2013, the Company's waste sorting project, which started in 2011, was completed. Thus, waste sorting is carried out in all regional units and in most branches. Paper, packaging and mixed municipal waste are collected separately.

The quantity of waste is systematically monitored by the Headquarters as shown in the table below:¹⁰¹

Waste type	The quantity of waste in m ³			Index	
	2013	2012	2011	2013/2012	2012/2011
Mixed waste	47	362	955	13	38
Packaging	94	96		98	
Paper	96	168		57	
Total	237	626	955	38	66

Disused IT equipment is disposed of in accordance with applicable legislation and internal regulations. In 2013, 1,390.70 kg of disused IT equipment was disposed of, including disused mobile phones. The equipment was handed over to the services responsible for waste management. Toner and ink cartridges are disposed of separately. In the reporting year, 790.6 kg of empty cartridges were given to charity.

⁹⁹ GRI G4-EN3, G4-EN8, G4-EN30

¹⁰⁰ Source: Ministry of Agriculture and the Environment, Slovenian Environment Agency, Environmental Indicators in Slovenia, http://kazalci.arso.gov.si/?data=indicator&ind_id=456

¹⁰¹ GRI G4-EN23

Care for the broader natural environment

Zavarovalnica Triglav Osiguranje, Zagreb contributed funds for the marine clean-up drive on the Brač Island. The Slovenia-wide "Let's Clean the Mountains and Hills" Drive was organised for the fourth year in a row. Over four years, Zavarovalnica Triglav provided more than 100,000 biodegradable rubbish bags to almost 60 cottages and mountain stations across Slovenia. In 2013, around 20 additional mountain huts and stations were supplied with rubbish bags and approximately 20,000 waste bags were distributed. It is estimated that about 20 tons of rubbish had been collected and taken down to the valley by mountain lovers.

Online communication was expanded from Facebook to new social media channels, including Twitter, Instagram and Pinterest. The interactive website www.ocistimogore.si had 6,473 visitors and 9,482 visits. Compared to 2012, a 31% increase in visitors and 41% more visits were recorded.

Within the framework of the Pure Victory Project (Čista zmaga) in cooperation with Umanotera, the Slovenian Foundation for Sustainable Development, Zavarovalnica Triglav committed to organising sports events in line with the sustainable development principles. The events Triglav Generations in Planica and the 2nd Triglav Run were analysed in terms of environmental pollution. The former received the highest scores from an external independent evaluator at the venue under the Ponce Mountains. The latter mostly focused on reducing the generation of unnecessary waste and raising awareness of waste sorting and disposal.

13. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No events occurring after the balance sheet date were material to the consolidated financial statements for the year 2013.

Events after the reporting date that are important for the operations in 2013 are the following:

- On 28 January 2014 Zavarovalnica Triglav d.d. started a new legal action against the company Skupna pokojninska družba d.d., Ljubljana, claiming EUR 360,844.00 in dividend payments which fell due in 2013. Skupna pokojninska družba d.d. in support of its failure to make that dividend payments alleges the existence of an outstanding counterclaim of EUR 817,738.96 as at 31 December 2013, arising from an agreement on making supplementary pension payments under a pension scheme set up in 2000. Zavarovalnica Triglav d.d. denies the existence of that counterclaim.
- On 27 January 2014, the Insurance Supervision Agency (the ISA) sent Zavarovalnica Triglav a request to review its operations, in order to inspect whether the Company's operations are compliant with the Insurance Act and the pertaining secondary legislation. The ISA started the review on 3 February 2014.
- In February 2014, the Management Board of Zavarovalnica Triglav adopted decisions and started relevant capital increase procedures in Pojišť'ovna a.s., Brno, and Triglav Osiguranje a.d.o., Belgrade, which are Group members.
- Zavarovalnica Triglav considers its future presence in the Czech market, where the subsidiary Triglav Pojišť'ovna a.s., Brno operates, in dependence of the adopted strategy, business activities for increasing the value of the Triglav Group and the efficient corporate governance of the companies in the Group.

14. INFORMATION ON THE TRIGLAV GROUP AS AT 31 DECEMBER

Insurance

ZAVAROVALNICA TRIGLAV D.D.

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Fax:	++ 386 (1) 432 63 02
E-mail address:	info-triglav@triglav.si
Website:	www.triglav.si, www.triglav.eu

POZAVAROVALNICA TRIGLAV RE D.D.

Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 79 00
Fax:	++ 386 (1) 433 14 19
E-mail address:	mail@triglavre.si
Website:	www.triglavre.si
Activity:	Reinsurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	4,950,000 EUR / 4,950,000 EUR

TRIGLAV, ZDRAVSTVENA ZAVAROVALNICA D.D.

Address:	Pristaniška ulica 10, 6000 Koper, Slovenia
Phone:	++ 386 (5) 662 20 00
Fax:	++ 386 (5) 662 20 02
E-mail address:	info@zdravstvena.net
Website:	www.zdravstvena.net
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	25,822,144 EUR / 25,822,144 EUR

TRIGLAV OSIGURANJE D.D., ZAGREB

Address:	Antuna Heinza 4, 10000 Zagreb, Croatia
Phone:	++ 385 (1) 563 27 77
Fax:	++ 385 (1) 563 27 99
E-mail address:	centrala@triglav-osiguranje.hr
Website:	www.triglav-osiguranje.hr
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 99.76%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 99.76%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	- / 16,672,046 EUR

TRIGLAV POJIŠT'OVNA A.S., BRNO

Address:	Novobranska 544/1, 602 00 Brno, Czech Republic
Phone:	++ 420 (5) 424 250 00
Fax:	++ 420 (5) 422 179 10
E-mail address:	triglav@triglav.cz
Website:	www.triglav.cz
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	- / 13,263,239 EUR

LOVČEN OSIGURANJE A.D., PODGORICA

Address:	Ulica Slobode 13a, 81 000 Podgorica, Montenegro
Phone:	++ 382 (20) 404 400
Fax:	++ 382 (20) 665 281
E-mail address:	info@lo.co.me
Website:	www.lo.co.me
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 94.95%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 94.95%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	- / 16,172,602 EUR

TRIGLAV OSIGURANJE D.D., SARAJEVO

Address:	Dolina 8, 71000 Sarajevo, Bosnia and Herzegovina
Phone:	++ 387 (33) 252 110
Fax:	++ 387 (33) 252 179
E-mail address:	info@triglav.ba
Website:	www.triglav.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 68.94%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 78.71%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	- / 2,929,127 EUR

TRIGLAV OSIGURANJE A.D., BANJA LUKA

Address:	Trg srpskih junaka 4, 78000 Banja Luka, Bosnia and Herzegovina
Phone:	++ 387 (51) 215 262
Fax:	++ 387 (51) 215 262
E-mail address:	info@triglavrs.ba
Website:	www.triglavrs.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	- / 2,845,566 EUR

TRIGLAV OSIGURANJE A.D.O., BELGRADE

Address:	Milutina Milankovića 7a, 11070 Novi Beograd, Serbia
Phone:	++ 381 (11) 330 51 00
Fax:	++ 381 (11) 312 24 20
E-mail address:	office@triglav.rs
Website:	www.triglav.rs
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 99.15%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 99.15%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	- / 9,401,523 EUR

TRIGLAV OSIGURUVANJE A.D., SKOPJE

Address:	Bulevar 8-mi Septemvri 16, 1000 Skopje, Republic of Macedonia
Phone:	++ 389 (2) 510 22 22
Fax:	++ 389 (2) 510 22 97
E-mail address:	info@triglav.mk, pr@triglav.mk
Website:	www.triglav.mk
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 73.38%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 73.38%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	- / 2,204,574 EUR

Asset management**TRIGLAV SKLADI D.O.O.**

Address:	Slovenska cesta 54, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 300 73 00
Fax:	++ 386 (1) 300 73 50
E-mail address:	info@triglavskladi.si
Website:	www.triglavskladi.si
Activity:	Management of mutual funds
Equity stake of Zavarovalnica Triglav / the Triglav Group:	67.50% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	563,345 EUR / 834,585 EUR

TRIGLAV NALOŽBE, FINANČNA DRUŽBA D.D.

Address:	Slovenska cesta 54, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 434 55 40
Fax:	++ 386 (1) 434 55 50
E-mail address:	info@triglav-fd.si
Website:	www.triglav-fd.si
Activity:	Asset management
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	43,231,211 EUR / 43,231,211 EUR

TRIGLAV NEPREMIČNINE, UPRAVLJANJE, SVETOVANJE IN TRGOVANJE Z LASTNIMI NEPREMIČNINAMI D.O.O.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 44 40, 430 41 50
Fax:	++ 386 (1) 242 06 93, 231 31 70
E-mail address:	info@triglav-nepremicnine.si
Activity:	Asset management
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	23,050,320 EUR / 23,050,320 EUR

Other**TRIGLAV INT, HOLDINŠKA DRUŽBA D.D.**

Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 73 52
E-mail address:	triglavint@triglav-int.si
Activity:	Holding company
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	88,598,008 EUR / 88,598,008 EUR

TRIGLAV SVETOVANJE, ZAVAROVALNO ZASTOPANJE D.O.O.

Address:	Ljubljanska cesta 86, 1230 Domžale, Slovenia
Phone:	++ 386 (1) 724 66 50
Fax:	++ 386 (1) 724 66 75
E-mail address:	info@tri-pro.si
Website:	www.triglav-svetovanje.si
Activity:	Insurance brokerage
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	8,763 EUR / 8,763 EUR

AS TRIGLAV - SERVIS IN TRGOVINA D.O.O.

Address:	Verovškova 60b, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 580 68 72
Fax:	++ 386 (1) 580 68 75
E-mail address:	info@as-triglav.si
Activity:	Maintenance and repair of motor vehicle
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	43,663 EUR / 43,663 EUR

*AS Triglav, Servis in trgovina d.o.o., changed its name to Triglav Avtoservis, družba za storitve in trgovino d.o.o., abbreviated Triglav Avtoservis d.o.o.

SLOVENIJALES D.D.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 42 92
Fax:	++ 386 (1) 231 77 85
E-mail address:	info@slovenijales.si
Website:	www.slovenijales.si
Activity:	Trade
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	11,417,293 EUR / 11,417,293 EUR

GRADIS IPGI*

Address:	Industrijska cesta 2, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 541 19 97
Fax:	++ 386 (1) 541 19 98
E-mail address:	info@gradis-ipgi.si
Website:	www.gradis-ipgi.si
Activity:	Construction
Equity stake of Zavarovalnica Triglav / the Triglav Group:	56.95% / 85.66%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	56.95% / 85.66%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	455,980 EUR / 685,851 EUR

*Note: On 10 January 2014 Gradis IPGI changed its name to Triglav, Upravljanje nepremičnin d.d., Dunajska cesta 22, 1000 Ljubljana, Phone: ++ 386 (1) 47 44 440, Fax: ++ 386 (1) 231 77 85, E-mail: info@triglav-upravljanje.si, www.triglav-upravljanje.si, Activity: Real estate management.

HOTEL GRAD PODVIN D.D.

Address:	Miklošičeva cesta 19, 1000, Ljubljana, Slovenia
Phone:	++ 386 (4) 474 74 76
Fax:	++ 386 (4) 474 74 69
Activity:	Tourism
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / the Triglav Group:	750,984 EUR / 750,984 EUR

VSE BO V REDU, ZAVOD ZAVAROVALNICE TRIGLAV ZA DRUŽBENO ODGOVORNE AKTIVNOSTI

Address:	Miklošičeva cesta 19, 1000, Ljubljana, Slovenia
E-mail address:	vsebovred@triglav.si
Website:	www.vsebovred.si
Activity:	Humanitarian and charity activities
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Zavarovalnica Triglav / the Triglav Group initial capital:	100,000 EUR / 100,000 EUR

15. SALES NETWORK OF THE TRIGLAV GROUP

The registered office of Zavarovalnica Triglav is where the management, developmental and coordinating functions are performed. Products and services offered by Zavarovalnica Triglav can be easily and quickly accessed through its network of 12 regional offices throughout Slovenia.

The Triglav Group's own sales network is expanded by insurance agencies and insurance brokerage firms. Agency contracts for selling insurance products are concluded with companies carrying out motor vehicle roadworthiness tests. Moreover, the Group's range of products is also available in banks and travel agencies, while several services on the web portal of Zavarovalnica Triglav and mobile applications are available to growing number of users of modern technology.

15.1 Insurance and reinsurance

■ ZAVAROVALNICA TRIGLAV D.D., HEADQUARTERS – REGISTERED OFFICE

Regional units :

- Celje
- Koper
- Kranj
- Krško
- Ljubljana
- Maribor
- Murska Sobota
- Nova Gorica
- Novo mesto
- Postojna
- Slovenj Gradec
- Trbovlje

■ POZAVAROVALNICA TRIGLAV RE, D.D., LJUBLJANA – REGISTERED OFFICE

■ TRIGLAV, ZDRAVSTVENA ZAVAROVALNICA D.D., KOPER – REGISTERED OFFICE

Triglav, Zdravstvena zavarovalnica has its agencies in all 12 regional units of Zavarovalnica Triglav and health insurance outlet at its registered office.

■ TRIGLAV OSIGURANJE D.D., ZAGREB – REGISTERED OFFICE

Branch offices:

- Čakovec
- Koprivnica
- Pula
- Rijeka
- Zagreb
- Osijek
- Split
- Varaždin

- Zadar

▪ **TRIGLAV OSIGURANJE D.D., SARAJEVO – REGISTERED OFFICE**

Branch offices:

- Bihać
- Tuzla
- Mostar
- Zenica
- Travnik
- Goražde

▪ **TRIGLAV POJIŠT'OVNA A.S., BRNO – REGISTERED OFFICE**

Branch offices:

- Brno
- Praga (3 outlets)
- České Budejovice
- Ostrava
- Pardubice
- Plzeň
- Liberec
- Olomouc

▪ **LOVČEN OSIGURANJE A.D., PODGORICA – REGISTERED OFFICE**

Branch offices:

- Podgorica
- Nikšić
- Berane
- Pljevlja
- Bijelo Polje
- Kotor

Offices and agencies:

- Andrijevica
- Bar
- Ulcinj
- Danilovgrad
- Kolašin
- Tuzi
- Žabljak
- Plav
- Rožaje
- Mojkovac
- Budva
- Tivat
- Herceg Novi
- Cetinje
- Šavnik
- Plužine

▪ **TRIGLAV OSIGURANJE A.D.O., BELGRADE – REGISTERED OFFICE**

Branch offices:

- Beograd
- Novi sad

Offices and agencies:

- Bor
- Bečej

- Kruševac
- Niš
- Valjevo
- Kikinda
- Subotica
- Šabac
- Kragujevac
- Čačak
- Jagodina
- Vranje

- Novi Pazar
- Negotin
- Vršac

▪ **TRIGLAV OSIGURANJE A.D.O., BANJA LUKA – REGISTERED OFFICE**

Branch offices:

- Banja Luka
- Laktaši
- Prijedor
- Novi Grad
- Kozarska Dubica
- Kostajnica
- Gradiška
- Prnjavor
- Srbac
- Mrkonjić Grad
- Doboj
- Bijeljina
- Zvornik
- Vlasenica
- Pale
- Derventa
- Teslić
- Modriča

▪ **TRIGLAV OSIGURUVANJE A.D., SKOPJE – REGISTERED OFFICE**

Offices, outlets and agencies:

- Skopje
- Bitola
- Ohrid
- Gostivar
- Tetovo
- Kumanovo
- Veles
- Gevgelija
- Negotino
- Resen
- Prilep
- Kičevo
- Radoviš

- Kočani
- Štip
- Kavadarci
- Strumica
- Kruševo
- Berovo
- Delčevo

15.2 Asset management

- **TRIGLAV SKLADI D.O.O., LJUBLJANA – REGISTERED OFFICE**
- **TRIGLAV NALOŽBE, FINANČNA DRUŽBA D.D., LJUBLJANA – REGISTERED OFFICE**
- **TRIGLAV, UPRAVLJANJE NEPREMIČNIN D.D., LJUBLJANA – REGISTERED OFFICE**

Accounting report

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APPENDIX

I. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board herewith confirms the consolidated financial statements for the year ended 31 December 2013, and the accompanying accounting policies and notes to the accounting policies.

The Management Board is responsible for preparing the Annual Report so that it is a true and fair presentation of the Group's assets and the results of its operations for the year ended 31 December 2013.

The Management Board additionally confirms that the appropriate accounting policies were consistently used and that the accounting estimates were prepared according to the principles of prudence and good management. The Management Board furthermore confirms that the consolidated financial statements, together with the notes are prepared on a going concern basis and that they comply with the applicable legislation and International Financial Reporting Standards, as adopted by the EU.

The Management Board confirms that the Business Report includes a fair presentation of the development and financial position of the Group, including a description of the major risks to which Zavarovalnica Triglav as the parent company and its consolidated subsidiaries are exposed to as the Group.

The Management Board is also responsible for appropriate accounting practices, for the adoption of appropriate measures for the protection of property, and for the prevention and identification of fraud and other irregularities or illegal acts.

Local tax authorities may review the operations of the group companies after the reporting period, which may result in additional tax liabilities, default interest and penalties related to corporate income tax and/or other taxes or levies. The Management Board of the Company is unaware of any circumstances that could potentially result in any such significant liability.

Andrej Slapar

Member of the Management Board



Stanislav Vrtunski

Member of the Management Board



Benjamin Jošar

Member of the Management Board



Marica Makoter

Member of the Management Board



Ljubljana, 18 March 2014

INDEPENDENT AUDITOR'S REPORT

To the owners of Zavarovalnica Triglav d.d.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Group Zavarovalnica Triglav which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Group Zavarovalnica Triglav as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited consolidated financial statements.

Ljubljana, 18.3.2014


Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1


Primož Kovačič
Certified Auditor

III. CONSOLIDATED FINANCIAL STATEMENTS¹

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		in EUR	
	Notes	31 December 2013	31 December 2012
ASSETS		3,077,107,344	3,123,808,393
Intangible assets	6.1	71,724,243	66,878,286
Property, plant and equipment	6.2	122,850,884	130,350,482
Deferred tax receivables	6.16	23,696,799	34,434,717
Investment property	6.3	97,245,384	100,186,863
Investments in associates	6.4	10,204,674	14,384,184
Financial assets	6.5	2,432,183,379	2,445,878,652
Financial investments		1,994,515,763	2,026,996,736
- loans and deposits		199,264,326	273,278,022
- held to maturity		224,880,951	228,416,165
- available for sale		1,431,023,178	1,417,564,782
- recognised at fair value through profit and loss		139,347,308	107,737,767
Unit-linked insurance assets		437,667,616	418,881,916
Reinsurers' share of technical provisions	6.6	64,707,528	83,575,712
Receivables	6.7	196,328,781	194,850,052
- receivables from direct insurance operations		95,959,929	103,865,001
- receivables from reinsurance and coinsurance operations		43,322,539	42,942,784
- current tax receivables		14,724,095	9,331,709
- other receivables		42,322,218	38,710,558
Other assets	6.8	26,973,765	33,680,408
Cash and cash equivalents	6.9	29,068,558	17,251,420
Non-current assets held for sale	6.10	2,123,349	2,337,617
EQUITY AND LIABILITIES		3,077,107,344	3,123,808,393
Equity	6.11	590,537,457	574,563,757
Controlling interests		584,314,877	567,863,820
- share capital		73,701,387	73,701,392
- share premium		56,866,194	56,710,713
- reserves from profit		276,678,464	253,233,080
- treasury share reserves		452,880	364,680
- treasury shares		-452,880	-364,680
- fair value reserve		44,605,435	51,819,054
- net profit brought forward		90,083,115	86,769,095
- net profit/loss for the year		46,213,507	48,809,667
- currency translation differences		-3,833,225	-3,179,181
Non-controlling interests		6,222,580	6,699,937
Subordinated liabilities	6.12	28,244,484	37,025,550
Insurance technical provisions	6.13	1,826,231,310	1,887,920,781
- unearned premiums		258,066,669	268,424,573
- mathematical provisions		870,733,006	869,949,936
- claims provisions		674,436,244	723,176,114
- other insurance technical provisions		22,995,391	26,370,158
Insurance technical provisions for unit-linked insurance contracts	6.13	435,201,724	417,338,984
Employee benefits	6.14	11,401,382	10,573,673
Other provisions	6.15	16,218,730	19,621,552
Deferred tax liabilities	6.16	18,465,042	21,351,998
Other financial liabilities	6.17	34,790,998	39,380,566
Operating liabilities	6.18	56,325,533	58,150,107
- liabilities from direct insurance operations		20,247,893	20,811,717
- liabilities from reinsurance and co-insurance operations		35,338,592	36,744,115
- current tax liabilities		739,048	594,275
Other liabilities	6.19	59,690,684	57,881,425

¹ Notes on the pages 15 to 120 are integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

		in EUR	
	Notes	2013	2012
NET PREMIUM INCOME	7.1	837,642,667	884,367,872
- gross written premium		900,892,580	936,263,023
- ceded written premium		-70,920,674	-74,983,245
- change in unearned premiums		7,670,761	23,088,094
INCOME FROM FINANCIAL ASSETS	7.2	184,692,544	173,651,547
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES		63,423	5,754,725
- profit on equity investments accounted for using the equity method		39,532	1,720,451
- interest expense		0	0
- fair value gains	7.4	0	0
- realised gains on disposals	7.5	23,891	0
- other financial income		0	4,034,274
INCOME FROM OTHER FINANCIAL ASSETS		136,153,098	138,074,118
- interest income		76,142,863	82,502,711
- dividends		2,856,987	3,120,364
- fair value gains	7.4	22,249,328	17,616,160
- realised gains on disposals	7.5	28,643,036	29,270,460
- other financial income		6,260,884	5,564,423
NET UNREALISED GAINS ON UNLINKED LIFE INSURANCE ASSETS		48,476,023	29,822,704
OTHER INCOME FROM INSURANCE OPERATIONS	7.6	7,910,551	20,702,957
- fees and commission income		2,493,159	13,741,969
- other income from insurance operations		5,417,392	6,960,988
OTHER INCOME	7.7	76,614,124	76,039,900
NET CLAIMS INCURRED	7.8	571,663,099	578,938,271
- gross claims settled		627,508,334	613,765,178
- reinsurers' share		-35,840,696	-22,515,985
- changes in claims provisions		-27,985,203	-19,720,565
- equalisation scheme expenses for supplementary health insurance		7,980,664	7,409,643
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	7.9	2,651,409	-1,446,818
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	7.9	17,906,261	52,882,779
EXPENSES FOR BONUSES AND DISCOUNTS	7.10	6,539,195	8,647,771
OPERATING EXPENSES	7.11	199,362,100	198,477,965
- acquisition costs		128,032,778	127,960,690
- other operating costs		71,329,322	70,517,275
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	7.3	114,386,924	100,957,942
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES		1,417,909	2,104,247
- loss on investments accounted for using the equity method		986,250	2,104,247
- interest expense		0	0
- fair value losses	7.4	0	0
- realised loss on disposals		418,604	0
- loss on impairment of financial assets	7.3	1	0
- other expenses from financial assets and liabilities		13,054	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES		79,179,913	98,177,882
- interest expense		3,394,926	3,576,326
- fair value losses	7.4	23,209,947	18,768,643
- realised loss on disposals	7.5	15,744,740	24,081,742
- loss on impairment of financial assets	7.3	28,144,000	43,652,275
- other expenses from financial assets and liabilities		8,686,300	8,098,896
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS		33,789,102	675,813
OTHER INSURANCE EXPENSES	7.12	23,683,481	42,829,908
OTHER EXPENSES	7.13	87,026,356	83,803,046
PROFIT/ LOSS BEFORE TAX		83,641,061	89,671,412
Income tax expense	7.14	-13,790,058	-16,490,349
NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD		69,851,003	73,181,063
Net profit / loss attributable to the controlling company		69,541,096	72,512,985
Net profit / loss attributable to non-controlling interest holders		309,906	668,078

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		in EUR	
	Notes	2013	2012
NET PROFIT/LOSS FOR THE YEAR AFTER TAX		69,851,003	73,181,063
OTHER COMPREHENSIVE INCOME AFTER TAX		-7,833,344	48,810,646
Actuarial gains/losses for pension plans		-24,175	0
Net gains/losses from the re-measurement of available-for-sale financial assets		-11,408,076	85,240,369
- Gains/losses recognised in fair value reserve		-10,021,604	56,130,261
- Transfer from fair value reserve to profit/loss		-1,386,472	29,110,108
Net gains/losses from non-current assets held for sale		0	0
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	7.2	333,003	246,560
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	7.14	2,853,742	-23,745,609
Currency translation adjustment	6.11	-663,640	-638,532
Tax on other comprehensive income	7.14	1,075,802	-12,292,142
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX		62,017,659	121,991,709
Controlling interests		61,699,594	120,972,431
Non-controlling interests		318,065	1,019,278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY²

FOR THE YEAR 2013	Reserves from profit							in EUR							
	Share capital	Share premium	Contingency reserves	Treasury share reserves	Legal and statutory reserves	Credit risk reserves	Other reserves from profit	Fair value reserve	Net profit brought forward	Net profit/loss	Treasury shares	Currency translation differences	TOTAL EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY	Non-controlling interests	TOTAL
OPENING BALANCE FOR THE PERIOD	73,701,392	56,710,713	529,798	364,680	19,517,390	32,185,892	201,000,001	51,819,054	86,769,095	48,809,667	-364,680	-3,179,181	567,863,820	6,699,937	574,563,757
Comprehensive income for the year after tax	0	-1	0	0	0	0	0	-7,213,619	26,173	69,541,096	0	-654,056	61,699,593	318,063	62,017,656
Transfer to retained earnings	0	0	0	0	0	0	0	0	48,809,660	-48,809,660	0	0	0	0	0
Dividend payment	0	0	0	0	0	0	0	0	-45,404,032	0	0	0	-45,404,032	0	-45,404,032
Allocation to credit risk reserves	0	0	0	0	0	127,591	0	0	0	-127,591	0	0	0	0	0
Transfer of net profit to reserves from profit	0	0	4,568	0	113,225	0	23,200,000	0	-117,782	-23,200,000	0	0	11	-11	0
Change in methods and consolidation	0	118,328	0	0	0	0	0	0	0	0	0	0	118,328	-804,335	-686,007
Other	0	37,155	0	88,200	0	0	0	0	0	0	-88,200	0	37,156	8,925	46,081
CLOSING BALANCE FOR THE PERIOD	73,701,392	56,866,195	534,366	452,880	19,630,611	32,313,485	224,200,001	44,605,435	90,083,114	46,213,505	-452,880	-3,833,230	584,314,877	6,222,580	590,537,457

² For additional notes on equity see Section 6.11.

FOR THE YEAR 2012	Share capital	Share premium	Reserves from profit					Fair value reserve	Net profit brought forward	Net profit/loss	Treasury shares	Currency translation differences	TOTAL EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY	in EUR	
			Contingency reserves	Treasury share reserves	Legal and statutory reserves	Credit risk reserves	Other reserves from profit							Non-controlling interests	TOTAL
OPENING BALANCE FOR THE PERIOD	73,701,392	53,204,076	529,798	364,680	19,430,985	34,866,038	176,000,000	2,786,975	61,135,220	46,175,732	-364,680	-2,565,265	465,264,951	24,204,905	489,469,857
Comprehensive income for the year after tax	0	0	0	0	0	0	0	49,073,336	0	72,512,985	0	-613,890	120,972,431	1,019,278	121,991,709
Dividend payment	0	0	0	0	0	0	0	0	-15,904,095	0	0	0	-15,904,095	6,511	-15,897,584
Allocation to reserves from profit	0	0	0	0	86,405	0	25,000,000	0	-86,405	-25,000,000	0	0	0	0	0
Allocation to credit risk reserves	0	0	0	0	0	-2,680,146	0	0	0	1,296,682	0	0	-1,383,464	75,613	-1,307,851
Allocation to net profit/loss brought forward	0	0	0	0	0	0	0	0	46,175,732	-46,175,732	0	0	0	0	0
Transactions with non-controlling interest holders	0	3,506,637	0	0	0	0	0	0	0	0	0	0	3,506,637	-18,606,370	-15,099,733
Other	0	0	0	0	0	0	0	-41,257	-4,551,357	0	0	0	-4,592,614	0	-4,592,614
CLOSING BALANCE FOR THE PERIOD	73,701,392	56,710,713	529,798	364,680	19,517,390	32,185,892	201,000,000	51,819,054	86,769,095	48,809,667	-364,680	-3,179,181	567,863,820	6,699,937	574,563,757

CONSOLIDATED CASH FLOW STATEMENT³

		in EUR	
	Notes	2013	2012
A. OPERATING CASH FLOW			
Income statement items		36,421,523	45,877,945
Net written premium for the period	7.1	848,792,792	870,023,930
Investment income (excluding financial income) arising from:	7.2	23,175,868	23,934,772
- insurance technical provisions		17,226,999	20,759,650
- other sources		5,948,869	3,175,122
Other operating income (excluding revaluation and provisions reductions) operating revenues and financial income from operating receivables		83,429,712	107,126,416
Net claims paid	7.8	-601,205,876	-600,003,778
Bonuses and rebates paid	7.10	-8,468,746	-8,083,904
Net operating expenses excluding depreciation charge and changes in the accrued acquisition expenses	7.11	-194,022,280	-198,650,682
Investment expenses (excluding financial expenses) arising from:	7.3	-9,738,949	-48,570,963
- technical sources		-7,297,281	-10,064,141
- other sources		-2,441,668	-38,506,822
Other operating expenses excluding depreciation charge (except for revaluations and without increasing provisions)	7.13	-102,481,272	-85,565,697
Corporate income tax and other taxes excluded from operating expenses		-3,059,726	-14,332,149
Changes in net current assets-operating balance sheet items		-23,685,222	-9,804,340
Movements in receivables from insurance operations	6.7	914,247	-6,846,251
Movements in receivables from reinsurance operations		-1,897,625	181,594
Movements in other receivables from (re)insurance operations		6,729,455	-5,890,243
Movements in other receivables and assets		-7,058,274	3,101,504
Movements in deferred tax assets		63,331	2,337,454
Movements in inventories		722,094	1,879,031
Movements in debts from direct insurance operations	6.18	-1,944,453	11,410,478
Movements in debts from reinsurance operations		-3,191,418	-1,505,423
Movements in operating debts		-16,353,867	-16,822,070
Movements in other liabilities (excluding unearned premiums)		-760,469	-4,600,737
Movements in deferred tax liabilities	6.16	-908,243	6,950,323
Operating cash flow	8.5	12,736,301	36,073,605
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows from investing activities		2,738,674,286	2,712,442,552
Cash inflows from interest from investing activities and from:	6.5	84,623,552	79,822,024
- investment financed by insurance technical provisions		74654387	74,795,607
- other investment		9,969,165	5,026,417
Cash inflows from dividends received and profit sharing, arising from:	6.5	8,515,902	9,601,940
- investment financed by insurance technical provisions		2812918	1,612,124
- other investment		5,702,984	7,989,816
Cash inflows from the disposal of intangible assets financed by:	6.1	182,536	232,862
- insurance technical provisions		0	317,636
- other sources		182,536	-84,774
Cash inflows from the disposal of property, plant and equipment financed by:	6.2	979,728	6,104,632
- insurance technical provisions		47,741	2,479,264
- other sources		931,987	3,625,368
Cash inflows from the disposal of non-current investments financed by:	6.5	1,187,092,559	1,246,931,676
- insurance technical provisions		1,095,182,263	1,103,905,564
- other sources		91,910,296	143,026,112
Cash inflows from the disposal of current investments financed by:	6.5	1,456,444,249	1,369,749,418
- insurance technical provisions		1,284,593,660	1,195,426,053
- other sources		171,850,589	174,323,365
Cash inflows from the disposal of investments in group companies, financed by:	6.5	835,760	0
- insurance technical provisions		0	0
- other sources		835,760	0
Cash outflows from investing activities		-2,683,771,800	-2,727,253,065
Cash outflows for the purchase of intangible assets	6.1	-10,000,862	-8,515,221
Cash outflows for the purchase of property, plant and equipment financed by:	6.2	-10,925,815	-7,452,052
- insurance technical provisions		-1,156,461	-851,175
- other sources		-9,769,354	-6,600,877
Cash outflows for the purchase of non-current investments financed by:	6.5	-1,204,050,533	-1,385,444,793

³ For additional notes to the cash flow statement see Section 8.5.

		in EUR	
	Notes	2013	2012
- insurance technical provisions		-1,079,503,888	-1,251,414,012
- other sources		-124,546,645	-134,030,781
Cash outflows for the purchase of current investments financed by:	6.5	-1,458,108,584	-1,325,840,999
- insurance technical provisions		-1,302,947,035	-1,146,279,066
- other sources		-155,161,549	-179,561,933
Cash outflows for the investments in group companies:	6.4	-686,006	0
- insurance technical provisions		-686,006	0
- other sources		0	0
Total cash flow from investing activities		54,902,486	-14,810,513
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows from financing activities		39,263,813	33,413,521
Cash inflows from paid-in capital		0	0
Cash inflows from long-term loans received	6.12	7,751,222	5,735,970
Cash inflows from short-term loans received	6.17	31,512,591	27,677,551
Cash outflows from financing activities		-95,034,085	-59,716,158
Cash outflows for paid interest		-2,790,308	-2,822,301
Cash outflows for repayments of principal	6.17	0	0
Cash outflows for payments of long-term financial liabilities		-11,860,759	-3,390,936
Cash outflows for payments of short-term financial liabilities	6.12	-34,978,986	-37,604,980
Cash outflows from dividends paid and profit sharing	6.17	-45,404,032	-15,897,941
Total cash flow from financing activities		-55,770,272	-26,302,637
D. Opening balance of cash and cash equivalents	6.9	17,251,420	22,771,666
E1. Net cash flow for the period		11,868,515	-5,039,545
E2. Foreign exchange differences		-51,377	-480,702
F. Closing balance of cash and cash equivalents	6.9	29,068,558	17,251,419

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Company profile

Zavarovalnica Triglav d.d. (hereinafter: »Zavarovalnica Triglav« or »the controlling company«) with its subsidiaries and associated companies form the Triglav Group (hereinafter: »the Group«).

Zavarovalnica Triglav is a public limited company, with its registered office at Miklošičeva 19 in Ljubljana, Slovenia. The controlling interest in Zavarovalnica Triglav is held by the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije, hereinafter: »ZPIZ«) and the Slovene Restitution Fund (Slovenska odškodninska družba, hereinafter: »SOD«), which participate with 34.47% and 28.07% of the share capital, respectively.

Insurance is the core business of the Group, including a wide range of life, property and health insurance, as well as reinsurance products. In addition, the Group provides a variety of asset management, servicing and other financial services.

On 18 March 2014, the Management Board approved the issuance of the consolidated financial statements. Once the financial statements are issued, the shareholders are entitled to make amendments. Zavarovalnica Triglav also prepared separate financial statements in accordance with IFRS. The consolidated financial statements are available at the headquarters of Zavarovalnica Triglav and on its website.

1.2. Management and supervisory bodies

Supervisory Board

The Supervisory Board monitors and supervises the management and performance of Zavarovalnica Triglav. According to the Articles and Memorandum of Association, the Supervisory Board has nine members (six representatives of shareholders and three representatives of employees). Members of the Supervisory Board are given a four-year mandate and can be re-elected without limitation. In 2013, the Supervisory Board had the following members:

Name	SB	AC	ACC	SC	NC	Notes
Mihael Perman	P M		M			16 April 2013 – 11 June 2013 8 April 2013 – 11 June 2013 16 April 2013 – 11 June 2013
Jovan Lukovac	M	P, M P, M		M		13 June 2012 – 11 June 2013 21 June 2012 – 7 April 2013 16 April 2013 – 11 June 2013 16 April 2013 – 11 June 2013
Aleš Živkovič	M	M				8 April 2013 – 11 June 2013 16 April 2013 – 11 June 2013
Rok Strašek	M			P, M		8 April 2013 – 11 June 2013 16 April 2013 – 11 June 2013
Žiga Andoljšek	M	M				8 April 2013 – 11 June 2013 16 April 2013 – 11 June 2013
Blaž Šlemic	M					8 April 2013 – 11 June 2013

Name	SB	AC	ACC	SC	NC	Notes
			P, M			16 April 2013 – 11 June 2013
Peter Celar	M			M		since 30 May 2011
				M		30 May 2011 – 7 April 2013
				M		16 April 2013 – 11 June 2013
				M		since 1 July 2013
Branko Gorjan	M	M				since 30 May 2011
		M				30 May 2011 – 7 April 2013
		M				16 April 2013 – 11 June 2013
		M				since 1 July 2013
					M	20 December 2012 – 14 February 2013
Miran Krštinc	M					from 30 May 2011 on
			M			20 June 2011 – 7 April 2013
			M			16 April 2013 – 11 June 2013
			M			since 1 July 2013
Gregor Kastelic	DP					21 June 2012 – 7 April 2013
	DP					since 1 July 2013
	M					13 June 2012 – 7 April 2013
	M					since 12 June 2013
				P, M		21 June 2012 – 7 April 2013
				P, M		since 1 July 2013
Igor Mihajlovič	M					7 April 2009 – 7 April 2013
	P					21 June 2012 – 7 April 2013
			P			21 June 2012 – 7 April 2013
				M		10 February 2011 – 7 April 2013
					P, M	20 December 2012 – 14 February 2013
Vladimir Uršič	M					28 June 2010 – 7 April 2013
		M				17 October 2011 – 7 April 2013
Aljoša Valentinčič	M					7 April 2009 – 7 April 2013
		M				20 April 2009 – 7 April 2013
Adolf Zupan	M					12 June 2012 – 7 April 2013
			M			21 June 2012 – 7 April 2013
Srečko Jadek			M			4 May 2009 – 7 April 2013
Matjaž Jauk					M	20 December 2012 – 14 February 2013
Peter Ješovnik					M	20 December 2012 – 14 February 2013
Barbara Nose		M				20 April 2009 – 7 April 2013
		M				26 April 2013 - 11 June 2013
		M				since 22 August 2013 dalje
Anton Marolt			M			21 May 2013 – 11 June 2013
Matej Runjak	M					since 12 June 2013
	P					since 1 July 2013
			P			since 1 July 2013
Dubravko Štimac	M					since 12 June 2013
			M			since 1 July 2013
Mario Gobbo	M					since 12 June 2013
		P				since 1 July 2013
				M		since 1 July 2013
Rajko Stanković	M					since 12 June 2013
		M				since 1 July 2013
Matija Blažič	M					since 12 June 2013

Legend:

SB – Supervisory Board

AC – Audit Committee

ACC – Appointments and Compensation Committee

SC – Strategy Committee

NC – Nominations Committee

P - President

DP – Deputy President

M - Member

Management Board

The Management Board directs, represents and acts on behalf of Zavarovalnica Triglav, independently and on its own responsibility. In compliance with the Articles and Memorandum of Association, the Supervisory Board can appoint three to six members (the President and five members) to the Management Board. The President and members of the Management Board are appointed for a five-year term with the possibility of reappointment or early termination of office in the case of a serious breach of obligations. In 2013, the Management Board had the following composition:

- Andrej Slapar, president;
- Stanislav Vrtunski, member;
- Benjamin Jošar, member;
- Marica Makoter, member, employee representative.

1.3. Employees

Number of employees in Triglav Group and their educational structure are shown in the table below.

LEVEL OF EDUCATION	31 December 2013	31 December 2012
Primary and Vocational (I-IV)	220	260
Secondars School (V)	2,774	2,866
Post-Secondary Education (VI)	593	567
Higher Education and University (VII)	1,606	1,549
Masters and Doctorate (VIII-IX)	158	137
TOTAL	5,351	5,379
Average number of employees	5,433	5,406

1.4. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter: »IFRS«), the Companies Act (hereinafter: »ZGD-1«) and the Insurance Act (hereinafter: »ZZavar«).

1.5. Reporting basis

The consolidated financial statements of Triglav Group are compiled under the going concern assumption. These consolidated financial statements have been prepared on the historical cost basis, except in the following cases in which the fair value was used instead:

- derivative financial instruments, which are measured at fair value;
- financial assets measured at fair value through profit and loss;
- available-for-sale financial assets measured at fair value; and
- equity instruments in associates, which are accounted for using the equity method.

The methods used for measuring fair value are described in Section 2.3., 2.8 and 6.20.

For the preparation of the statement of financial position, the Group classifies individual items into groups of assets and liabilities depending on their nature, listed in the order of their liquidity and/or maturity. In additional disclosures, the Group posts current and non-current assets as well as current and non-current liabilities as separate items, depending on whether

they are expected to be paid or settled within 12 months of the balance sheet date (current) or after more than 12 months of the balance sheet date (non-current).

Financial assets and liabilities on the statement of financial position are offset only when the Group has a legal right to offset the amounts and intends either to settle them on a net basis, or to settle the asset and settle the liability simultaneously. Income and expenses on the income statement are offset only if so provided by the standards, explained in the notes or required by the accounting policies of the Group.

The consolidated annual report is adopted by the Management Board and approved by the Supervisory Board. In the event the Supervisory Board fails to approve the report, it is discussed by the General Meeting of Shareholders. The distribution of profits is discussed separately for each company of the Group by the General Meeting of Shareholders.

1.6. Basis for consolidation

The controlling company defines an entity to be its subsidiary based on an assessment whether it has control over the latter. The following conditions have to be met:

- the controlling company has influence over the entity based on rights that arise from voting rights attached to equity instruments;
- the controlling company is exposed to, or has rights, to variable returns from its involvement in the entity;
- through its power over the entity, the controlling party has the ability to affect those returns.

The entities in which the Group directly or indirectly holds more than half of the voting rights or otherwise has the power to exercise control over their operations (subsidiaries) have been fully consolidated. The subsidiaries are consolidated from the date on which effective control was transferred to the Group and are no longer consolidated from the date that such control ceases. The changes in the equity share of the controlling company which do not cause a loss of control are accounted for as equity transactions. The difference between the amount for which the non-controlling interests are adjusted and the fair value of paid or received consideration is recognised directly in equity and allocated to shareholders of the controlling company. In the case of a loss of control over the subsidiary, assets (including goodwill) and liabilities are derecognised by their carrying value as at the date of loss of control and the carrying amount of non-controlling interest is derecognised.

All intercompany transactions, balances and any income and expenses arising from intra-group transactions have been eliminated in the process of consolidation.

The subsidiaries' accounting policies are predominantly the same as the accounting policies of Zavarovalnica Triglav. Where necessary, the accounting policies for subsidiaries have been changed in order to ensure consistency with the policies adopted by the Group. In the consolidated statement of financial position, non-controlling interests are disclosed separately from the equity of the controlling company. Net profit / loss attributable to minority interests is disclosed separately in the statement of changes in equity and in the income statement.

In 2013 the following changes occurred in the ownership structure of the Group:

Purchase of shares of Slovenijales d.d., Ljubljana

Zavarovalnica Triglav d.d. purchased 5,744 shares of Slovenijales d.d. from non-controlling shareholders, which increased its shareholding to 100% of the company. The purchase price of the 2.02% equity stake equalled EUR 686,006. The difference between the amount for which the non-controlling interest is adjusted and the compensation received, totalling EUR 118,328, was recognized directly in equity (capital reserves).

The liquidation procedure of Triglav Penzijski fondovi a.d., Belgrade, concluded

On 24 December 2012 the Companies Register (Agencija za privredne registre) in the Republic of Serbia issued a decision to start a liquidation procedure for Triglav Penzijski fondovi a.d., Belgrade. This procedure was concluded on 3 October 2013 when the company was stricken off the Companies Register.

»Vse bo v redu« institute established

The Company established »Vse bo v redu« institute by paying in EUR 100,000. On the basis of immateriality the institutes is not fully consolidated.

Increase of share capital of Triglav Osiguranje, a.d.o., Belgrade

Triglav INT d.d. increased the capital of Triglav Osiguranje a.d.o., Belgrade, by EUR 4,601,220. The share capital was increased through an issue of 746,055 new shares with a nominal value of RSD 700 each, equalling RSD 522,238,500 or EUR 4,601,220 in total. As a result the equity holding of Triglav INT d.d. in the recapitalised subsidiary grew from 97.10% to 99.15%. The share capital increase was used to cover loss brought forward from previous years amounting to RSD 499,200,800 or EUR 4,356,870.

Increase of share capital of Integral Zagorje, d.o.o., Zagorje ob Savi

Avrigo d.o.o. increased the capital of its subsidiary Integral Zagorje d.o.o. by EUR 127,482.

Increase of share capital of Lovćen Auto, a.d., Podgorica

Lovćen Osiguranje a.d.o., Podgorica, increased the capital of its subsidiary Lovćen Auto a.d. by EUR 800,000.

Divestment from Polara Invest d.d., Banja Luka

Triglav Skladi d.o.o. divested from Polara Invest d.d., Banja Luka. The 100% holding was sold for EUR 168,728, following a previous dividend payment of EUR 1,267,103. The effect of this divestment disclosed in consolidated financial statements amounted to EUR 38,737 and was recognised in the income statement. In consolidated financial statements this investment was accounted for under the equity method on the basis of immateriality.

	COMPANY	ADDRESS	TAX RATE (in %)	ACTIVITY	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		VALUE OF EQUITY AS AT 31 DECEMBER	
					2013	2012	2013	2012	2013	2012
1	Pozavarovalnica Triglav RE d.d.	Miklošičeva 19, Ljubljana, Slovenia	17	Reinsurance	100.00	100.00	100.00	100.00	52,949,851	46,589,340
2	Triglav, Zdravstvena zavarovalnica, d.d.	Pristaniška 10, Koper, Slovenia	17	Insurance	100.00	100.00	100.00	100.00	15,770,657	10,401,682
3	Triglav Osiguranje d.d. Zagreb	Antuna Heinza 4, Zagreb, Croatia	20	Insurance	99.76	99.76	99.76	99.76	18,373,786	18,017,228
4	Triglav Osiguranje d.d. Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	10	Insurance	68.94	68.94	78.71	78.71	20,550,093	19,783,613
5	Triglav Pojišt'ovna, a.s.	Novobranska 544/1, Brno, Czech Republic	19	Insurance	100.00	100.00	100.00	100.00	2,993,549	6,952,409
6	Lovčen Osiguranje a.d.	Slobode 13a, Podgorica, Montenegro	9	Insurance	94.95	94.95	94.95	94.95	6,315,798	7,110,207
7	Lovčen životna osiguranja a.d.	Marka Miljanova 29/III, Podgorica, Montenegro	9	Insurance	94.95	94.95	94.95	94.95	1,994,182	1,824,479
8	Triglav Osiguranje a.d.o.	Milutina Milankovića 7A, Novi Beograd, Serbia	15	Insurance	99.15	97.10	99.15	97.10	2,682,819	3,230,342
9	Triglav penzijski fondovi a.d. - liquidated	Milutina Milankovića 7A, Novi Beograd, Serbia	15	Fund management	-	99.86	-	99.86	-	874,596
10	Triglav Osiguranje, a.d.	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Insurance	100.00	100.00	100.00	100.00	3,099,491	2,916,584
11	Triglav Osiguruvanje a.d.	Bulevar 8-mi Septemvri 16, Skopje, FRYOM	10	Insurance	73.38	73.38	73.38	73.38	9,750,988	8,700,278
12	Triglav Skladi, d.o.o.	Slovenska 54, Ljubljana, Slovenia	17	Asset management	67.50	67.50	100.00	100.00	30,947,128	27,778,617
13	AS Triglav, d.o.o.	Verovškova 60b, Ljubljana, Slovenia	17	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	51,297	44,394
14	Triglav Svetovanje, d.o.o.	Ljubljanska 86, Domžale, Slovenia	17	Insurance agency	100.00	100.00	100.00	100.00	491,809	392,813
15	Triglav INT, d.d.	Miklošičeva 19, Ljubljana, Slovenia	17	Holding company	100.00	100.00	100.00	100.00	48,743,687	64,710,526
16	Triglav Nepremičnine, d.o.o.	Dunajska 22, Ljubljana, Slovenia	17	Real estate management	100.00	100.00	100.00	100.00	12,886,962	18,297,105
17	Triglav naložbe, d.d.	Slovenska 54, Ljubljana, Slovenia	17	Holding company	100.00	100.00	100.00	100.00	42,187,319	44,024,326
18	Slovenijales d.d.	Dunajska 22, Ljubljana, Slovenia	17	Retail trade	100.00	97.90	100.00	97.90	34,459,129	38,025,661
19	Golf Arboretum d.o.o.	Volčji potok 43G, Radomlje, Slovenia	17	Sport facilities management	80.10	80.10	80.10	80.10	717,065	736,409
20	Gradis, IPGI, d.d.	Industrijska 2, Ljubljana, Slovenia	17	Construction	85.66	85.66	85.66	85.66	-3,848,616	-3,579,552
21	Slovenijales trgovina d.o.o.	Plemljeva 8, Ljubljana, Slovenia	17	Retail trade	100.00	97.90	100.00	97.90	6,609,658	8,655,871
22	TRI-PROBH d.o.o.	Topal Osman Paše 30, Sarajevo, Bosnia and Herzegovina	10	Insurance agency	89.57	89.57	89.57	89.57	-89,630	-122,515
23	Autocentar BH d.o.o.	Topal Osman Paše BB, Sarajevo, Bosnia and Herzegovina	10	Car retailer	68.49	68.49	78.71	78.71	1,473,185	1,397,407
24	Unis automobili i dijelovi d.o.o.	Ul. Mehmeda ef. Pandze Br. 13, Sarajevo, Bosnia and Herzegovina	10	Car retailer	81.85	81.85	64.42	64.42	781,956	946,317
25	Sarajevostan d.d.	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	10	Real estate management	49.80	49.80	49.80	49.80	3,402,595	3,392,562
26	Lovčen Auto a.d.	Novaka Miloševa 6/2, Podgorica, Montenegro	9	Maintenance and repair of motor vehicles	94.95	94.95	94.95	94.95	3,615	275,797
27	Triglav Auto d.o.o.	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	1,023	1,023
28	Salnal d.o.o.	Slovenska 54, Ljubljana, Slovenia	17	Real estate management	100.00	100.00	100.00	100.00	20,313,230	20,942,901
29	Pista d.o.o.	Ul.Milutina Milankovića 7a, Beograd, Serbia	15	Real estate management	100.00	100.00	100.00	100.00	4,575,282	4,567,657
30	Avrigo, d.o.o.	Kidričeva ul. 20, Nova Gorica, Slovenia	17	Transport	100.00	100.00	100.00	100.00	5,968,500	5,325,692
31	Integral - Zagorje, d.o.o.	Cesta zmage 4, Zagorje ob Savi, Slovenia	17	Transport	100.00	100.00	100.00	100.00	1,101,154	742,487
32	Integral Notranjska, d.o.o.	Čabranska ul. 8, Cerknica, Slovenia	17	Transport	100.00	100.00	100.00	100.00	2,474,639	2,250,020
33	Integral Stojna Kočevje, d.o.o.	Reška cesta 1, Kočevje, Slovenia	17	Transport	100.00	100.00	100.00	100.00	684,692	542,473
34	Alptours d.o.o.	Trg golobarskih žrtev 47, Bovec, Slovenia	17	Transport	97.66	97.66	97.66	97.66	-18,298	-15,710
35	PROF-IN d.o.o.	M. P. Sokolovića 15, Sarajevo, Bosnia and Herzegovina	10	Fund management	62.54	62.54	62.54	62.54	2,057,012	2,463,844
36	Polara Invest a.d.	Svetozara Markovića 5/5, Banja Luka, Bosnia and Herzegovina	10	Asset management	-	78.27	-	78.27	-	1,474,569
37	Zdravstveni center morje d.o.o. – v likvidaciji	Ljubljanska 6/a, Koper, Slovenia	17	Health services	69.84	69.84	69.84	69.84	17,494	23,547

	COMPANY	ADDRESS	TAX RATE (in %)	ACTIVITY	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		VALUE OF EQUITY AS AT 31 DECEMBER	
					2013	2012	2013	2012	2013	2012
38	Hotel Grad Podvin d.d.	Miklošičeva c. 19, Ljubljana, Slovenia	17	Tourism	100.00	100.00	100.00	100.00	959,808	1,326,515
39	Zavod Vse bo v redu	Miklošičeva c. 19, Ljubljana, Slovenia	17	Insitute for corporate social responsibility	100.00	-	100.00	-	100,000	-

The companies listed under numbers 1 to 34 have been included in the consolidated financial statements using the full consolidation method. The companies listed under numbers 35 to 38 have not been included using the full consolidation method, as they are not of importance to the Group. In 2012, the company listed under number 39 was wound up (in a simplified procedure without liquidation) and thus excluded from the Group. GRI G4-17

Shares of non-controlling interest holders in the operations and cash flows of Triglav Group

	COMPANY	PLACE OF BUSINESS	Non-controlling interest in capital (in %)	Voting rights of non- controlling interests (v %)	Net profit or loss for 2013 attributable to non- controlling interest holders	Retained earnings attributable to non- controlling interest holders
1	Triglav Osiguranje, d.d., Zagreb	Zagreb, Croatia	0.24	0.24	1,987	20,327
2	Triglav Osiguranje, d.d., Sarajevo	Sarajevo, Bosnia and Herzegovina	31.06	21.29	180,101	2,972,870
3	Triglav Osiguranje, a.d.o., Beograd	Belgrade, Serbia	0.85	0.85	-43,922	201,522
4	Triglav Osiguruvanje, a.d. Skopje	Skopje, FRYOM	26.62	26.62	296,822	1,426,944
5	Lovčen Osiguranje, a.d.	Podgorica, Montenegro	5.05	5.05	3,888	346,639
6	Lovčen životna osiguranja, a.d.	Podgorica, Montenegro	5.05	5.05	5,074	36,057
7	Golf Arboretum, d.o.o.	Radomlje, Slovenia	19.90	19.90	-3,849	141,059
8	Gradis IPGI, d.d.	Ljubljana, Slovenia	14.34	14.34	-38,584	-276,781
9	TRI-PRO BH, d.o.o.	Sarajevo, Bosnia and Herzegovina	10.43	10.43	5,005	-36,986
10	Unis automobili i dijelovi, d.o.o.	Sarajevo, Bosnia and Herzegovina	35.58	35.58	-71,617	19,286
11	Autocentar BH, d.o.o.	Sarajevo, Bosnia and Herzegovina	21.29	21.29	23,537	118,842
12	Lovčen Auto, a.d.	Podgorica, Montenegro	5.05	5.05	-54,131	-186,618
13	Alptours, d.o.o.	Bovec, Slovenia	2.34	2.34	-61	-428
14	Sarajevostan, d.d.	Sarajevo, Bosnia and Herzegovina	50.20	56.86	5,656	1,439,849
	TOTAL				309,906	6,222,582

2. MAIN ACCOUNTING POLICIES

2.1. The use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the amount of income and expenses in the reporting period. Although these estimates are based on the management's best knowledge of current events and activities, actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an on-going basis. A change in an accounting estimate is recognised for the period to which the estimate refers as well as for any future periods affected.

The most important uncertainty estimates and decisive judgments prepared by the management while applying the accounting principles and having the strongest impact on the figures in the financial statements are the following:

- Insurance technical provisions: Provisions are calculated on the basis of insurance contracts and past trends in occurred loss events and adjusted for future expectations. The accounting policies are presented in Section 2.19, the main assumptions in Section 3, and an analysis of changes in these provisions in Section 6.13. A liability adequacy test as at 31 December 2013 is also given.
- Calculation of the fair value of financial assets and impairment thereof: An estimate of the fair value of financial assets, the price of which cannot be determined in an active capital market, has been made on the basis of several assumptions. Possible changes in these assumptions are reflected in the amount or even the impairment of these assets. Due to the financial crisis, the assessed fair value is subject to greater uncertainty. The accounting policies are presented in Sections 2.3, 2.8 and 2.9. The parameters and assumptions applied in the valuation of non-quoted financial assets are presented in Section 6.20. The values of individual types of assets are reported in Sections 6.5. and 6.20. Sensitivity analysis for the calculation of fair values is presented in Section 4.3.

2.2. Functional and presentation currency

Items included in the separate financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the respective entity operates (functional currency). The consolidated financial statements are presented in euros, which is the presentation currency of the Group. In the consolidated financial statements, the amounts and disclosures are rounded to one euro.

Foreign exchange differences arising from changes in the amortised cost of monetary items, denominated in foreign currency and classified as available-for-sale financial assets, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as financial assets measured at fair value through profit or loss, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as available for sale financial assets, are recognised in equity as fair value reserve together with the effects of the measurement at fair value under other comprehensive income.

The financial statements of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the final exchange rate as at the balance sheet date; and
- income, expenses and costs at the average exchange rate for the year.

For the consolidation of equity items the historical exchange rate is used. Differences arising from the use of the historical exchange rate are disclosed as a separate equity item: currency translation differences.

2.3. Measuring fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction under current market conditions in the principal (or most advantageous) market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group measures all financial assets at fair value, except for loans and held-to-maturity financial assets which are disclosed in financial statements at amortised cost. The fair value of the latter two is disclosed under Section 6.20. The fair value of land and buildings used for insurance operations and of investment property is disclosed under Sections 6.2 in 6.3 and that of subordinated liabilities under Section 6.12.

The fair value of financial instruments traded on organised financial markets is measured on the basis of their prices quoted as at the reporting date. In the event no quoted price is available, the price offered by stock brokers is used as the reference price.

If there is no active market for a financial instrument, its fair value is measured by valuation techniques. These valuation techniques include: discounted cash flow method, listed company comparison approach and asset accumulation method. If there is a valuation technique commonly used by market participants for establishing instrument prices and if such a technique has yielded reliable estimates of prices used in actual market transactions, such a technique is applied by a member of the Group. The applied estimates and assumptions involve certain risks as to their future realisation. With the aim of reducing this risk, the assumptions and estimates applied are verified by different methods (by comparing assumptions and estimates against the industry average, individual traded companies, etc.). Moreover, a sensitivity analysis of the following value drivers is applied in order to estimate the value range of an individual investment: net sales income, the EBITDA margin, financial intermediation margin, rate of return on the financial asset portfolio, operating expenses to total assets, cash flow growth over a forecast period and the discount rate. In the discounted cash flow method, future cash flows and discount rates are applied as estimated by the management, reflecting interest rates on comparable instruments.

If the fair value of financial instruments cannot be reliably measured, the financial instruments are measured at cost (paid or received amount) increased by expenses incurred in the underlying transaction.

For purposes of disclosing the methods for measuring the fair value of financial assets, the following price level hierarchy was applied:

- Level 1: valuation through market prices quoted for identical assets in an active market (stock exchange prices and Bloomberg generic prices)).
- Level 2: valuation through comparable market data (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset;
- Level 3: valuation through valuation models, mostly using unobservable market inputs.

2.4. Intangible assets

Intangible assets are accounted for using the cost model. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Amortisation is calculated using the straight-line amortisation method.

	Annual amortisation rate
Software	20.00%
Other economic rights	1% - 20%

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each business year. If the expected useful life of an asset differs from previous estimates, the amortisation period is adjusted accordingly.

Intangible assets with an indefinite useful life are not amortised, but are subject to impairment tests on an annual basis. These assets are impaired if their carrying amount exceeds their recoverable amount.

Deferred acquisition costs for non-life insurance contracts, determined proportionally to unearned premiums, are also a part of intangible assets.

Deferred acquisition costs for life insurance contracts are considered in the calculation of mathematical provisions using the Zillmer method. Negative reserves after the application of this method are not capitalised. A change in the deferred acquisition cost of life insurance contracts is recognised as a change in the mathematical provision.

Decrease or increase in deferred acquisition costs is recognised as a change in unearned premium provision in the income statement, within net premium income.

Accounting policies regarding the impairment of intangible assets are described in Section 2.15.

Goodwill

Upon the acquisition of a subsidiary, goodwill can be recognized. Upon acquisition of a subsidiary or associated company, the difference between the Group's share in the fair value of assets and liabilities acquired and the fair value of the given consideration is calculated. Where the consideration exceeds the net assets acquired, goodwill is recognised.

2.5. Property, plant and equipment

Property, plant and equipment are accounted for using the cost model. The cost of an item of property, plant and equipment comprises its purchase price and any other costs directly attributable to bringing the asset to the location and the conditions necessary for it to be capable of operating.

After initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line depreciation method. Depreciation rates are given below.

	Annual depreciation rate
Buildings	1.5% - 5.0%
Transport vehicles	12.50%
Computers and hardware	50.00%
Office and other furniture	10% - 20%
Other equipment	6.7% - 25.0%

Depreciation of an asset begins when it is available for use. The depreciation charge for each period is recognised in profit or loss. Depreciation of an asset ceases as at the date that the asset is derecognised.

The residual value and useful life of an asset are reviewed as at the reporting date and adjusted in the event expectations differ from previous estimates.

The gain or loss from the derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is included in profit or loss when it is derecognised.

Maintenance and repair costs are recognised in the income statement as incurred. Further investments that increase future economic benefits increase the value of property, plant and equipment.

Accounting policies regarding the impairment of property, plant and equipment are described in Section 2.15.

2.6. Investment property

Investment property is property held to earn rentals. Property is classified as investment property if not used by the holder for performing its business activities or if only a minor part of the building is used for that purpose.

Investment property is accounted for using the cost model. The cost of purchased investment property comprises its purchase price and any directly attributable expenditure. After initial recognition, investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated and impaired using the same method as that used for property, plant and equipment described under 2.4.

Fair values for disclosure purposes are based on a valuation by an independent appraiser who holds a recognised and relevant professional qualification.

All income arising from investment property is rental income and is shown in the income statement under »Other income«. Expenses arising from investment property consist of the depreciation charges and maintenance costs of the investment property. In the income statement, they are disclosed under »Other expenses«.

Accounting policies regarding the impairment of investment property are described in Section 2.15.

2.7. Investments in associates

Associates are those entities in which the Group has a significant influence. In all associates this influence is based on a minimum of 20% voting rights held by the Group. In the consolidated financial statements, investments in associates (shares, equity stakes) are accounted for using the equity method. The part of the profit or loss of associates attributable to the Group is recognised in the income statement. The percentage of change in other comprehensive income of the associate is recognised in the other comprehensive income of the Group.

2.8. Financial assets (excluding operating receivables and cash)

Financial assets are classified into the following groups: financial assets at fair value through profit and loss, financial assets held to maturity, loans and receivables and available-for-sale financial assets. Their classification depends on the initial intent at the time of their purchase. Management decides on the classification of assets at the date of initial recognition.

At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset (allowances to agents, consultants, and brokers, fees paid to the Stock Exchange and other transfer related fees).

The trade date is used for the initial recognition of financial assets, except for loans and receivables, for which the settlement date is used.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are classified as available for sale and not classified as loans and receivables, financial assets held to maturity, or financial assets recognised at fair value through profit and loss.

After initial recognition, financial assets classified as available for sale are measured at their fair value, without deducting transaction costs that may occur in their sale or other disposal. Financial instruments not listed on a stock exchange are measured at fair value on the basis of their prices in the latest transactions (official price offers by stock broking firms or banks for certain securities) or using different pricing models (discounting of expected cash flow). Details on valuation models are described in Section 3.5. Equity instruments not quoted in an active market and for which the fair value cannot be reliably measured are measured at cost.

Changes in fair value are recognised directly in other comprehensive income as an increase (gain) or decrease (loss) in the revaluation surplus, with the exception of asset impairments and foreign exchange differences regarding monetary items, such as debt securities recognised in the income statement.

When available-for-sale financial assets are derecognised, the accumulated losses or gains, previously recognised under other comprehensive income, are transferred to the income statement.

Held-to-maturity financial assets

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group definitely intends to hold and is able to hold to their maturity.

Financial assets held to maturity are measured at amortised cost reduced for impairment.

Financial assets at fair value through profit and loss

This category is divided into two groups: financial instruments held for trading and financial instruments measured at fair value through profit and loss.

A financial asset is classified as such if the underlying purpose of its acquisition was for resale within a short period of time, if it forms part of a portfolio of financial instruments aimed at short-term profit generation or if this classification was decided on by the management. Derivative financial instruments are always classified as financial instruments held for trading.

A financial asset designated at fair value through profit and loss is an asset:

- held in long-term funds⁴ for the purpose of covering liabilities arising from insurance contracts, relating to a change in the fair value of these assets; such a classification eliminates or reduces any mismatches that might arise from the measurement of assets and liabilities or the recognition of gains and losses arising from various contracts; or
- managed and its performance measured based on fair value in accordance with the Group's investment policy.

After initial recognition, financial assets measured at fair value through profit or loss, excluding derivative financial markets not traded and not quoted on stock markets, are measured at fair value on the basis of prices quoted in an active market.

Gains and losses arising from a change in fair value are recognised in the income statement.

The category of financial assets designated at fair value through profit and loss also includes financial assets with embedded derivative financial instruments. These are measured at fair value through profit and loss.

Loans and receivables

Loans and receivables (excluding receivables from insurance operations) are non-derivative financial assets with fixed or determinable payments not listed in an active market.

After initial recognition, loans and receivables are measured at cost and later at amortised cost using the effective interest method. The impairments of loans and receivables are recognised if there is objective evidence that the receivable will not be recovered in accordance with the contractual terms.

⁴ Long-term business funds include the assets of insured persons arising from life insurance, supplementary voluntary pension insurance, supplementary voluntary pension insurance during the annuity pay-out period and unit-linked insurance.

Derivative financial instruments

After initial recognition, derivatives are measured based on their fair value, with effects recognised in the income statement. The fair value is determined on the basis of the price quoted in an active market. If the price is not known, the fair value is determined on the basis of the latest transactions or by using another pricing model (discounting of expected cash flow: the Black-Scholes option pricing model). Derivatives include financial instruments used for protecting cash flows against interest rate risk as well as for protecting the cash flows of individual financial instruments and other items. All of the documented gains and losses due to changes in fair value are recognised in profit or loss through financial income or expenses.

2.9. Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to cash flows from the financial asset expire;
- the Group retains the contractual rights to cash flows from the financial asset and assumes the obligation to pay cash flows to one or several payees by agreement;
- the Group transfers the contractual rights to cash flows from the financial asset, and:
 - has transferred all of the risks and benefits arising from the financial asset, or
 - has not retained or transferred the risks and benefits arising from the financial asset, but has transferred control over that asset.

2.10. Reinsurers' share of technical provisions

Reinsurers' share of technical provisions is an asset arising from reinsurance contracts.

The value of these assets is measured based on the expected losses, i.e. claims provisions for reinsured claims in accordance with reinsurance contracts and taking into account unearned premiums.

Assets from reinsurance contracts are derecognised when the rights from the underlying insurance contracts expire or are transferred to a third party.

2.11. Receivables from insurance operations

Receivables from insurance operations are recognised when insured persons are charged the premium. Receivables from active reinsurance are recognised based on estimates and calculations based on valid reinsurance contracts. After initial recognition, receivables are measured at fair value reduced by the impairment allowance, so as to show their expected recoverable amount.

Subrogation receivables are recognised when the first instalment is paid by the debtor, after a receivable has been tested in court or based on an agreement made with the subrogation debtor. In credit insurance, subrogated receivables are recognised upon occurrence.

2.12. Other assets

Other assets include inventories, deferred expenses and accrued revenue.

At initial recognition inventories are measured at cost. The cost of inventory comprises all costs of purchase. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula.

Short-term deferred expenses are amounts that will impact profit or loss in the following accounting periods. They are accrued in order to ensure their even impact on profit or loss, or to accrue prepaid expenses not yet incurred.

Accrued revenue refers to revenue earned in the current accounting period but that will be collected in a subsequent period.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash at bank and cash in hand.

2.14. Non-current assets held for sale

Non-current assets held for sale include assets that meet the criteria to be classified as such in accordance with IFRS 5. These assets are measured at the lower of the carrying amount and fair value less costs to sell. The same applies to subsequent measurement of these assets. In such subsequent measurements, it is necessary to recognise impairment losses arising from initial or subsequent write-offs of assets to their fair value, less costs to sell or profits resulting from a subsequent increase in fair value less costs to sell, which may not exceed any accumulated impairment losses.

2.15. Impairment

Intangible assets and property, plant and equipment

At the reporting date, the value of intangible assets is estimated to determine whether there are any objective signs of impairment. In the event there are objective signs of impairment, the recoverable amount is assessed. The recoverable amount of intangible assets with an indefinite useful life and of intangible assets not yet put into use is measured on an annual basis, irrespective of any objective signs of impairment.

The value of goodwill and contractual rights is tested as at the reporting date so as to ascertain if there are any objective signs of impairment. Impairment of goodwill and contractual rights is recognised for a cash generating unit, which represents an individual company. In the event signs of impairment are present, the recoverable amount of assets is estimated that represent its value in use.

Goodwill impairment testing is carried out in compliance with IAS 36, while testing of valuation techniques is carried out in compliance with the International Valuation Standards (IVS). The testing and the estimation of potential impairment is carried out in accordance with the estimated recoverable amount. The basis for the explicit forecast period are the available plans of the management and assessors' estimates of market convergence towards more developed ones, taking into account the forecasted economic convergence of international financial institutions and other EU regulators. The discount rate is calculated by applying the CAPM method and surpluses for specific risks. Goodwill impairment tests are carried out on an annual basis.

At the reporting date, the value of property, plant and equipment is estimated to determine whether there are any objective signs of impairment. In the event there are objective signs of impairment, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the recoverable amount exceeds the carrying value, the assets are not impaired.

If the carrying amount of an asset or group of assets exceeds their recoverable amount, an impairment loss is recognised in the amount equalling the difference between the two.

For material assets, impairments are assessed on an individual basis. The impairment of the remaining financial assets is carried out collectively, on the basis of the nature of their exposure to risk.

The previously recognised impairment losses of property, plant and equipment and intangible assets are reversed only if their recoverable amount increases and if this increase can be objectively related to an event occurring after the previous impairment was recognised. An impairment loss of an asset is derecognised only up to the amount of the carrying amount that would have resulted after the depreciation charge, if in previous periods no impairment loss had been recognised.

Investment property

The value of investment property is estimated on an annual basis in order to determine whether there are any objective signs of impairment. In the event of any sign of impairment of investment property, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the carrying amount of investment property exceeds its recoverable amount, an impairment loss is recognised in an amount equalling the difference between the two.

Financial assets

On quarterly basis, or at least at the end of every reporting period, it is verified whether there is objective evidence of impairment of an individual financial asset or group of financial assets. When such evidence exists, impairment losses have to be measured.

An impairment loss on an available-for-sale financial asset is calculated on the basis of its fair value at the time. When there is objective evidence of impairment of an available-for-sale financial asset, the accumulated loss, initially recognised in other comprehensive income, is transferred to the income statement. For equity instruments, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), a significant decrease in the fair value of a security (above 40%) or a long-term decrease in the fair value of a security (continuing for more than 9 months). For debt instruments, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), payment arrears or other significant negative events related to the creditworthiness of the issuer.

The reversal of the previously recognised impairment losses on equity instruments, classified as available-for-sale financial assets, is recognised in other comprehensive income.

The impairment loss of a financial asset measured at amortised cost is calculated as the difference between that asset's carrying amount and the present value of expected future cash flows, determined on the basis of the historical effective interest rate.

A reversal of previously recognised impairment of financial assets measured at amortised cost and debt instruments classified as available for sale is recognised in the income statement. An impairment loss may be reversed, if such a reversal can be objectively related to an event occurring after the impairment was recognised.

Insurance receivables

The adequacy of the value disclosed is tested for each group of receivables. All insurance receivables are tested for impairment or impairment reversal at least at the end of the business year. Impairments are recorded as an adjustment of the value of receivables and are formed individually or collectively for receivables with similar credit risk. Credit risk is assessed based on the classification of receivables by maturity and the experience of previous years regarding the recovery of receivables with the same maturity. Impairment loss is recognised as an expense from insurance operations.

Reinsurers' share of technical provisions

Reinsurers' share of technical provisions (assets from reinsurance contracts) is tested for impairment on an annual basis. These assets are impaired only if there is objective evidence resulting from an event occurring after the initial recognition of the reinsurance asset showing that the amounts due from reinsurers in accordance with a contract may not be recovered and if the event has a reliably measurable effect on the amounts that will be recovered by Zavarovalnica Triglav from the reinsurer. An impairment loss of assets from reinsurance contracts is recognised in the income statement.

2.16. Equity

Share capital equals the nominal value of paid-up ordinary shares, denominated in euros. When Zavarovalnica Triglav or a subsidiary acquires shares of Zavarovalnica Triglav, their value is disclosed as a deduction from the Group's equity. The same amount is then allocated to treasury share reserves as required by the Companies Act (hereinafter: »ZGD-1«).

Share premium is formed from the paid-in capital surplus and other capital contributions in line with the Memorandum and Articles of Association. Share premium also includes amounts resulting from the introduction of IFRS (the reversal of a general equity revaluation adjustment).

Reserves from profit are legal reserves, statutory and other reserves, treasury share reserves, credit risk equalisation reserves reserves. Some insurance companies outside the Republic of Slovenia that are members of the Triglav Group set aside contingency reserves as well.

The consolidated financial statements also include legal, statutory and other reserves from profit. Legal reserves are formed and used in line with ZGD-1 and the local legislation of each subsidiary. Together with share premium, they have to amount to no less than 10% of the share capital. They represent tied capital set aside in order to protect creditors' interests.

Statutory reserves represent up to 20% of share capital of the parent company. Based on a decision by the Management Board, Zavarovalnica Triglav may allocate up to 5% of net profit to statutory reserves in any business year, decreased by any amounts used for covering losses brought forward and amounts allocated to legal reserves and reserves from profit. Statutory reserves may be used for covering loss after tax for the business year or loss brought forward,

for treasury share reserves, for increasing share capital from authorised capital, as well as for dividend payment policy purposes.

According to ZGD-1, the Management Board of Zavarovalnica Triglav may allocate net profit for the current year to other profit reserves, i.e. up to one half of the net profit remaining after statutory allocations.

Credit risk equalisation reserves in Slovenia are formed and calculated in line with the Insurance Act. The Insurance Act defines equalisation reserves as a liability and requires that they are recognised under insurance technical provisions and formed or used through the income statement. Pursuant to local legislation governing subsidiary insurance companies outside the Republic of Slovenia, equalisation reserves were also formed by in Lovćen Osiguranje a.d., Podgorica. As this local legislation is not in compliance with IFRS, equalisation reserves are disclosed under reserves from profit in accordance with IFRS and are formed from net profit for the year in the statement of changes in equity.

Contingency reserves are formed in accordance with the local legislation of Croatia. They amount to no less than one third of net profit for the year and are earmarked for covering possible future losses.

2.17. Subordinated liabilities

Subordinated liabilities refer to subordinated debt instruments which are, in accordance with the underlying agreements, to be paid last in the event of the issuer's bankruptcy or liquidation. Subordinated liabilities are measured at amortised cost.

2.18. Classification of insurance and financial contracts

All products in the portfolio of the Triglav Group are classified as insurance contracts, because all of the products bear significant insurance risk. The significance is determined on the basis of additional payments upon the occurrence of a loss event. The significance of additional amounts is assessed by comparing the greatest difference between the value of the payment in the event of a loss event and the payment in other cases. Percentages from 105% to 110% are used for the assessment of significance.

For the purpose of accounting for assets covering liabilities that arise from insurance contracts, in addition to assets backing liabilities, three long-term business funds have been formed: a long-term business fund for unit-linked products, a long-term business fund for supplementary voluntary pension insurance and a combined long-term business fund for life, annuity and voluntary pension insurance.

2.19. Insurance-technical provisions

Unearned premium provisions

Unearned premium provisions are formed for the part of gross written premium that refers to the following business year(s). These are calculated separately for individual insurance contracts using the pro rata temporis method, except for insurance policies where insurance coverage changes during their term and where the expiry of insurance coverage is agreed to be more than one year after the insurance policy is taken out. Unearned premiums are calculated both for life and non-life insurance contracts.

Claims provisions

Claims provisions are formed for claims incurred but not settled until the reporting date. Claims provisions are formed for reported claims as well as for unreported and inadequately reported claims.

Provisions for reported claims are set aside on the basis of individual loss files. Provisions for non-life annuities in Zavarovalnica Triglav are calculated as a capitalised annuity value based on the German mortality tables of 1994 and an interest rate of 2.75%, as prescribed by the regulator. Other insurance companies in the Triglav Group use different local mortality tables.

Provisions for incurred but not reported claims (IBNR) are calculated by means of “triangle” methods (a combination of Chain Ladder and Bornhuetter- Ferguson methods). The basis for calculation is a sample of past claims experience with appropriate allowance for future trends. For this purpose a several-year-long time series of settled claims is applied.

With the exception of annuities, provisions for outstanding claims are not discounted. The methods used and estimates made are reviewed at least on a quarterly basis.

Mathematical provisions

Mathematical provisions for life, annuity, pension and unit-linked products are calculated separately for each individual policy. For life, annuity and pension contracts in the pay-out period, a modified net premium prospective method is applied, taking into account insurance contract acquisition costs. For pension contracts in the saving period, where the nature of products makes the aforementioned method inappropriate, the retrospective net premium method is applied. The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products, additional provisions are formed for covering contractual risk payments.

All calculations allow for prudent actuarial assumption bases, the legislation in force and all liabilities to policyholders arising from contracts and the respective terms and conditions.

Mathematical provisions also contain components for discretionary benefits allocated to policyholders in the past, based on the terms and conditions of the underlying contracts.

A portion of fair value reserve of available-for-sale financial assets, which will be distributed among policyholders after maturity, is also included in mathematical provisions. The principle of shadow accounting is applied. All effects from fair value measurement of available-for-sale financial assets are recorded in equity (fair value reserve). The sums are then transferred to mathematical provisions on the reporting date, as follows:

- the entire fair value reserve from available-for-sale financial assets (disclosed as investment in the fund covering the Supplementary Voluntary Pension Insurance Fund (SVPI)) is transferred from other comprehensive income to mathematical provisions;
- an 80% portion of the entire fair value reserve from available-for-sale financial assets (disclosed under the life insurance long-term business fund) is transferred from other comprehensive income to mathematical provisions.
- a 70% portion of positive fair value reserve from AFS financial assets (disclosed as investments from the long-term business fund backing supplemental pension insurance during the annuity payout period) is transferred from other comprehensive income to mathematical provisions.

The applied assumptions and other parameters are presented in greater detail in Section 3.1.

Other insurance-technical provision

Provisions for bonuses in non-life insurance are formed for the part of the premium that will be reimbursed to those beneficiaries who meet certain beneficiary criteria set out in insurance conditions (total loss ratio over the last three years, financial discipline in premium payment and total insurance premium). An annual analysis and preset criteria are used to calculate the amount of premium reimbursement.

Provisions for cancellations represent that part of unearned premiums which is expected to be reimbursed in the event of early cancellation and for which deferred acquisition costs have been formed.

Provisions for unexpired risk are formed for policies where, based on past experience, it is assumed that the amount of unearned premiums will not suffice for covering all future claims.

2.20. Employee benefits

Employee benefits comprise provisions for jubilee and retirement benefits and unused leave. The calculation of these provisions is made by using the actuarial evaluation method, i.e. the method of the estimated relevance of units or the method including profit proportionally to the work carried out. In line with IAS 19, the calculation is based on the following actuarial assumptions:

- demographic variables (employee mortality and labour turnover),
- financial assumptions, such as:
 - discount rate with reference to the yield curve published by the European Central Bank or other European bonds as at the reporting date and estimates of
 - future salary increases taking into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the labour market.

Provisions for unused annual leave equal the amount of the total gross wage due for the period when leave was not taken. The amounts of provisions are undiscounted.

Retirement benefits and jubilee payments are upon payment recognised as operating expenses (labour costs) in the income statement. All changes of these provisions due to payments or additional provisioning are recognised in the same way. Provision adjustments due to an increase or decrease in the current value of a liability caused by changed actuarial assumptions or experience adjustments are recognised as actuarial gains and losses in other comprehensive income, i.e. only the part arising from provisions for retirement benefits.

2.21. Other financial liabilities

At initial recognition financial liabilities are measured at the cost arising from relevant underlying documents. They are decreased by paid amounts and increased by accrued interest. In the financial statement financial liabilities are measured at amortised cost. Interest paid on loans taken is recognised as expense and accordingly accrued over the term of the underlying loan.

2.22. Operating liabilities and other liabilities

Operating liabilities and other liabilities are recognised in the statement of financial position based on the contractual obligation to pay. Operating and other liabilities are measured at cost.

2.23. Premium income

Net premium income is calculated on the basis of gross written premium and gross outward reinsurance premium, reduced by reinsurers' and retrocessionaires' share and adjusted depending on the change in gross provisions for unearned premiums taking into account the reinsurers' and retrocessionaires' share in provisions for unearned premiums. The invoiced premium serves as the basis for recognising gross written premium.

2.24. Income from financial assets

Income from financial assets arises from interest income, dividends, changes in fair value, capital gains and other financial income. In the income statement, interest income is carried at amortised cost using the effective interest rate, which does not apply to financial assets recognised at fair value through profit and loss. Income from dividends is recognised in the income statement once the right to the payment is obtained. Income from changes in fair value arises from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss. Gains on disposal arise from the derecognition of financial assets other than those recognised at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a realised gain.

Income from financial assets includes net unrealised gains on unit-linked life insurance assets. The latter arise from changes in the fair value of unit-linked life insurance assets.

2.25. Other income from insurance operations

Other income from insurance operations represents fees and commission income (asset management fees, reinsurance commissions and other) and includes other income from insurance operations (income from green card sales, loss adjustment services, assistance services and other). It is recognised in the income statement once a service has been provided and/or invoiced.

2.26. Other income

Other income includes investment property income, income from intangible assets and property, plant and equipment, as well as other income not directly related to insurance operations. Other income is recognised in the income statement when an invoice is issued.

2.27. Claims incurred

Net claims represent gross claims settled (claims incurred and claim handling costs), reduced by the reinsurers' share and subrogated receivables, and adjusted by the change in gross provisions for outstanding claims, taking into account the reinsurers' share of these provisions. Claim handling costs consist of external and internal costs of assessing the eligibility and

amount of claims, including court fees and charges, expert fees and subrogation recovery expenses.

Gross claims are recognised in the income statement once they have been settled.

2.28. Other operating costs and costs of insurance acquisition costs

Gross operating costs are recognised as original expenses by natural type of cost. In the income statement these costs are classified by function. Claim handling costs are a constituent part of claims incurred, asset management costs are a constituent part of investment expense, whilst insurance contract acquisition costs and other operating costs are separately disclosed in the statement. All operating costs are disclosed by natural type and function.

2.29. Expenses from financial assets and liabilities

Other financial expenses are interest expenses, fair value losses, net realised losses on financial assets, permanent impairment losses and other financial expenses.

In the income statement, interest expense is recognised using the effective interest method, which does not apply to the financial assets measured at fair value through profit and loss.

Expenses due to changes in fair value arise from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss.

Losses on disposal arise from the derecognition of financial assets other than those measured at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a loss incurred.

Expenses from financial assets include net unrealised losses on unit-linked life insurance assets. These expenses reflect the change in the fair value of unit-linked insurance assets.

2.30. Borrowing expenses

Borrowing expenses include interest expenses and other expenses incurred by the Group in relation to the borrowing of financial assets. Borrowing expenses can include interest on overdraft balances and interest on loans taken, exchange rate differences related to loans taken in foreign currencies and financial expenses related to finance leases. Borrowing expenses are recognised as expenses in the period when incurred and are disclosed under expenses from financial assets and liabilities.

2.31. Other insurance expenses

Other insurance expenses include management fees, losses arising from the impairment of receivables, fire protection tax, prevention expenses and other insurance-related expenses. Other insurance expenses are recognised in the income statement once a service is provided.

2.32. Other expenses

Other expenses comprise other expenses not directly arising from insurance operations. Other expenses are recognised in the income statement once a service is provided.

2.33. Leases

A lease is a contractual arrangement under which the lessor transfers the right to use an asset for an agreed time period to the lessee in exchange for a payment.

In cases when the Group acts as the lessor, the lease is classified as a finance lease, if under the terms and conditions of such a lease the practically all risks and benefits incident to ownership of the leased asset are transferred to the lessee. When an asset is subject to a finance lease, the present value of the lease is recognised as a liability and disclosed under loans. The difference between the gross and present value of the liability is recognised as non-earned financial income. During the term of the lease, income from the lease is recognised using the net investment method (before tax) which reflects the periodic earnings rate and is disclosed as part of interest income.

In cases where the Group acts as a lessee, the tangible fixed assets acquired under a finance lease are carried at the lower of fair value or the present value of minimum payments to the end of the lease, less accumulated depreciation and impairment losses. These assets are depreciated for the duration of their useful life. In the absence of reasonable assurance that the lessee will acquire ownership before the end of the term of the financial lease, the relevant fixed assets have to be depreciated for the duration of the term of the financial lease or for the duration of their useful life, whichever is shorter.

Any lease that is not a finance lease is treated as an operating lease. For an operating lease, the book value of the leased asset is increased by the initial direct expenses incurred in relation to lease brokerage and recognised for the duration of the term of the lease on the same basis as lease income. Rents are recognised as income in the time period when generated.

2.34. Taxes

Tax expense for the year comprises current and deferred tax. Deferred tax is calculated for all temporary differences between the amounts of assets and liabilities used for taxation and their carrying amount. The impact of the recognition of deferred tax receivables or liabilities is disclosed as income or expense in the income statement, excluding taxes charged on a business event recognised under other comprehensive income.

In the Republic of Slovenia, current income tax is charged at a 17% tax rate and in other countries where subsidiaries operate at tax rates enacted by local tax laws (as shown in Section 1.6).

In consolidation, temporary differences may be recognised, arising either from the difference between the official financial statements of a subsidiary and those adjusted for consolidation purposes, or from consolidation procedures.

2.35. Standards and Interpretations

The accounting policies, used in the preparation of the financial statements are consistent with those of the annual financial statements for the year ended 31 December 2012, except for new and amended standards as of 1 January 2013, as presented below.

New standards and interpretations

IAS 1 - Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendment to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items that will never be reclassified. The amendment does not change the nature of the items that were recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit and loss in future periods. The amendment affects presentation only and there is no impact on the financial position of Triglav Group and or its performance.

IAS 19 - Employee benefits (revised)

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following: for defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed; there are new or revised disclosure requirements which include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption; termination benefits are recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37; the distinction between short-term and other long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement to the benefits. This standard is effective for annual periods beginning on or after 1 January 2013. Revised standard has no impact on the financial position of Triglav Group or its performance.

IFRS 7 - Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)

The amendment is effective for annual periods beginning on or after 1 January 2013. This amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32. The amendment has no impact on financial position of Triglav Group or its performance.

IFRS 13 - Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Fair value under IFRS 13 is defined as »the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date« (i.e. an »exit price«). »Fair value« as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

The standard provides clarification on a number of areas, including the following:

- concepts of »highest and best use« and »valuation premise« are relevant only for non-financial assets;
- adjustments for blockage factors (block discounts) are prohibited in all fair value measurements;
- a description of how to measure fair value when a market becomes less active.

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

The standard has no impact on financial position of Triglav Group or its performance.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. If the benefit from the stripping activity is realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognizes these costs as a non-current asset, only if certain criteria are met. This is referred to as the 'stripping activity asset'. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation has no impact on financial position of Triglav Group or its performance.

New IFRS Standards and Interpretations either not yet Effective or not yet Adopted by the EU

In compliance with the requirements of IFRSs and subject to the endorsement by the EU, the Group will have to apply in future periods the following amended and revised standards and interpretations. The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from 1 January 2014 or later.

IAS 28 - Investments in Associate and Joint Ventures (revised)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment does not have a significant impact on the financial position or performance of the Group.

IAS 32 - Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

In December 2011, IASB issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for financial statements beginning on or after 1 January 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. It is not expected that the amendment will have an impact on the consolidated financial statements of Triglav Group.

IAS 36 - Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)

The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after 1 January 2014. It is not expected that the amendment will have an impact on the consolidated financial statements of Triglav Group.

IAS 39 - Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)

The amendment provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after 1 January 2014. It is not expected that the amendment will have an impact on the consolidated financial statements of Triglav Group.

IFRS 9 - Financial Instruments – Classification and measurement

The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets

Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if:

- the asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting

A new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the financial assets and liabilities of Triglav Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 - Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Control exists when an investor has:

- power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities),
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's returns.

This standard becomes effective for annual periods beginning on or after 1 January 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1

January 2014. It is not expected that the amendment will have an impact on the consolidated financial statements of Triglav Group.

IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. »Control« in »joint control« refers to the definition of »control« in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 1 2014.

The Group does not expect the standard will have a significant impact on current interests in other entities, but may affect the treatment of future arrangements.

IFRS 12 - Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture); provision of summarized financial information for each individually material joint venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after January 1, 2013 and may affect the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014.

The standard affects presentation only and there is no impact on the financial position of Triglav Group or its performance.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments will apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value. Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, will be retained. The Group is currently assessing the impact that this standard could have on the financial position of Triglav Group and its performance.

IFRIC 21 - Levies

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after 1 January 2014. The Group is currently assessing the impact that this standard could have on the financial position of Triglav Group and its performance.

3. MAIN ASSUMPTIONS

The main assumptions used for measuring the value of insurance contracts and non-tradable financial assets are described below.

3.1. Parameters and assumptions in calculating life insurance provisions

3.1.1. Life and annuity insurance

For life and annuity insurance contract liabilities valuation, a modified prospective net premium method is applied by taking into account insurance acquisition costs, all of the contractual obligations and the previously allocated surplus. The insurance technical parameters used by the method are either the same as those used for calculating insurance premiums or corrected so as to reflect the subsequent circumstances which increase the value of liabilities. A correction to reflect the current circumstances applies to the annuity insurance products of Zavarovalnica Triglav, where the relevant liabilities are valued on the basis of rather conservative mortality tables and a prudently set lower interest rate of 3.75% p.a. for the contracts containing a fixed interest rate guarantee of 4% or 4.5% p.a. For the purpose of valuing annuity insurance contracts, instead of the legally allowed German mortality tables of 1987, Zavarovalnica Triglav applies the German mortality tables of 1994.

The guaranteed interest rate used for valuation at the Group level ranges between 2.75% p.a. and 3.75% p.a. The calculation takes into account insurance contract acquisition costs below the legally imposed level of 3.5% of the sum insured under life insurance policies.

3.1.2. Voluntary pension insurance

During the accumulation period, mathematical provisions are evaluated using the retrospective method. This method takes into account all of the premiums received up to the day of valuation, entrance charges, any sums paid out, the guaranteed interest rate and the additional allocated surplus made to individual accounts arising from profit sharing. During the pension annuity pay-out period, provisions are set aside on the basis of the current value of the expected future liabilities of the insurance company (the prospective net method).

Voluntary pension insurance belongs to the group of insurance contracts, as it includes the option of discretionary participation in the profits from the long-term business fund. Moreover, for the majority of voluntary pension insurance contracts the annuity factors are guaranteed and defined at the time of underwriting.

The insurance technical parameters used in the calculation are either the same as those used when underwriting a policy, or they are adapted to the circumstances expected in the pension annuity pay-out period in the event these circumstances are worse than those taken into account in the premium calculation. The guaranteed technical interest rate used for the valuation of liabilities during the premium payment period ranges between 2% p.a. and 4.5% p.a. For the pension annuity pay-out period, a prudently set lower interest rate of 3.75% is applied to contracts containing a fixed interest rate guarantee of 4% or 4.5% p.a. For the purpose of valuing its liabilities during the pay-out period of pension annuities bearing an interest rate from 2.75% p.a. to 3.75% p.a., instead of the legally allowed German mortality

tables of 1987 the Group applies the German mortality tables of 1994, which are more conservative.

3.1.3. Supplementary voluntary pension insurance (SVPI)

During the accumulation period, mathematical provisions are evaluated using the retrospective method. The method takes into account all of the premiums received up to the day of valuation, entrance charges, any sums paid out, guaranteed interest rates and the additional allocated surplus made to individual accounts arising from extra returns on funds. During the pension annuity pay-out period, provisions are set aside on the basis of the current value of the expected future liabilities of the insurance company (the prospective net method).

The technical parameters used are either the same as those used when underwriting a policy or adjusted due to circumstances which will change later and increase the value of liabilities - primarily when valuing liabilities arising from pension annuity pay-outs. For valuation purposes, instead of the legally allowed German mortality tables of 1987, the Group applies the more conservative German mortality tables of 1994. During the accumulation period, the insurance companies of the Group guarantee a minimum annual return on net premiums paid, equalling 50% of the average annual interest rate on government securities with a maturity of over one year (figures published by the Ministry of Finance of the Republic of Slovenia). During the annuity pay-out period, the insurance companies value their liabilities at an interest rate ranging from 2.75% to 3.75%.

3.1.4. Unit-linked insurance

The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products additional provisions are formed to cover contractual risk payments under basic and additional policies.

3.2. The liability adequacy test (LAT) for life insurance

The purpose of LAT is to verify the adequacy of provisioning for life insurance. The test consists of comparing the amount of provisions with the best estimate of provisions, arrived at on the basis of the present value of the best estimate of the future expected contractual and other cash flows. The calculation is performed for each separate contract while the results are aggregated on the level of homogenous groups. The test is based on a unified methodology that determines, among others, the grouping of policies into homogenous groups, the choice of risk-free discount rates and the type of cash flows being modelled. The portfolio balance is tested as at the last day of the business year.

3.2.1. Segmentation of life insurance products for the purpose of LAT test

Insurance contracts are segmented into homogenous groups which feature similar risks and are kept within the same portfolio. As a rule, insurance contracts are grouped according to their insurance classes:

- traditional life insurance,
- unit-linked life insurance and
- capital redemption insurance (supplementary voluntary pension insurance).

The adequacy of liabilities is measured on the level of a homogenous group. If the test shows that the liabilities are insufficient, the total amount of the difference is recognised as an increase in provisions and an expense in the income statement.

3.2.2. Parameters and assumptions applied to life insurance

Mortality, longevity and morbidity assumptions

Assumptions regarding mortality, longevity and morbidity rates are based on internal analysis of the company's life insurance portfolio, on the data of national statistical offices, the data of reinsurers and other sources.

Persistency

The model takes into account the lapse rates determined on the basis of analysis of past experience. The Group continuously monitors the persistency of insurance policies by duration and type of insurance, and adapts their assumptions accordingly.

Expenses

The calculation takes into account policy handling/maintenance expenses, claim handling expenses and asset management expenses, as defined on the basis of an analysis of the individual company's expenses in preceding years. Estimated future expenses are increased every year in line with the expected inflation rate.

Increasing insurance premiums

In the case of insurance policies for which the monthly premium directly or indirectly follows the increase in salaries, the increase is calculated in line with the expected inflation rate.

Expected returns and discount interest rates

The applied methodology sets out that the yield curve should reflect the yield of government securities, denominated in the same currency as the currency of insurance policy benefits. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2013 was applied to Zavarovalnica Triglav d.d., Triglav Osiguranje d.d., Sarajevo, and Lovćen životna osiguranja a.d. The reference value for a period of 10 years is 4.85%. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2013 was applied to Triglav Osiguranje, Zagreb. The reference value for a period of 10 years is 5.49%. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2013 was applied to Triglav Osiguranje, a.d.o., Beograd. The reference value for a 10-year period is 4.22%, the same as in Serbian Dinars, as at 31 December 2013 (reference value for a 10-year period: 10.16%).

Profit participation

The determination of the profit participation rate is at the discretion of each Group member and regulated by internal rules. The estimated future allocation of surpluses are in line with

the expected performance, the previous profit allocation rates and the policyholders' reasonable expectations.

In the model, profit is allocated in an excess of the technical interests for with-profit policies. The allocation is determined on the basis of the mathematical provisions as at the end of the financial year.

Annuity factor guarantee

The liability adequacy test allows for the possibility of a change in annuity factors by the insurer in the event of insurance policies for which the mortality forecasts indicate that life expectancy is likely to increase to such an extent that the contract conditions justify such a change. The calculation also takes into account the assumption that 15% of supplemental voluntary pension insurance policyholders and 50% of voluntary pension insurance policyholders will choose to receive a pension annuity, while the rest will opt for a lump-sum payout.

3.2.3. Results of the liability adequacy test for life insurance

Liability adequacy tests based on available data show that the level of provisions formed by the insurance companies of the Group were adequate. This was not true of Triglav Osiguranje a.d., Belgrade, and Triglav Osiguranje d.d., Zagreb. Consequently, these two insurance companies closed the provisioning gap by forming additional provisions: EUR 45,567 in Triglav Osiguranje a.d., Belgrade and EUR 84,430 in Triglav Osiguranje d.d., Zagreb.

3.2.4. Sensitivity analysis of LAT test to parameter changes

The valuation of liabilities depends on variables such as mortality, lapse rate, operating costs and the estimated percentage of policyholders deciding to opt for a pension annuity. Parameters are sensitivity tested in order to assess the impact of changes to the above-mentioned variables on future liabilities, the level of provisions and net profit or loss for the year. The changes represent reasonable potential changes in the parameters which could significantly impact the performance of the company.

Individual sensitivity analyses always take into account the change of a selected parameter with all the remaining variables unchanged without accounting for the value of assets backing the liabilities.

The changes under consideration were:

- an increase in mortality rates by 10%,
- a decrease in longevity rates by 10%,
- an increase in lapse rates by 10%,
- an increase in expenses by 10%,
- an increase in the annuisation rate by 10%.

Test results have proven provisions in all these scenarios of changing key insurance technical parameters to be adequate, with the exception of the two insurance companies specified above. The table below shows the impact of individual parameter changes on increasing the provisioning gap.

Change in provisions due to changed parameters	in EUR	
	Triglav Osiguranje, Beograd	Triglav Osiguranje, Zagreb
An increase in mortality rates by 10%	48,329	148,873
A decrease in mortality rates by 10%	42,801	19,490
An increase in lapse rates by 10%	43,431	192,471
A decrease in lapse rates by 10%	46,017	0
An increase in expenses by 10%	97,547	629,195

3.3. Parameters and assumptions in calculating non-life insurance provisions

The unearned premium for most insurance policies is calculated pro-rata temporis, assuming a uniform distribution of claims frequency during the term of insurance contracts. Insurance policies with a variable sum insured are the exception to this rule. These policies include credit insurance, since the insurance cover in such cases gradually decreases, and construction and erection insurance, where the insurance cover rises. For such type of insurance, the calculation of unearned premiums is based on the assumption of a constant claim frequency throughout the duration of the insurance contract and variable insurance cover.

In general, the claims provisions are calculated as the sum of total claims reported but not settled and incurred but not reported (IBNR) claims. The majority of provisions for incurred but not reported claims are calculated using the run-off triangle method. Previous experience shows that claims from mass loss events, such as hail, floods and storms, are reported with considerable delay. None of the standard actuarial methods for determining the amount of IBNR claims after mass loss events is suitable for calculating these claims. Such claims can represent a significant part of total incurred but not reported claims. In order to ensure an up-to-date calculation of the actual amount of claims after mass loss events, additional provisions for IBNR or insufficiently reported claims after mass loss events are formed, based on a joint assessment by actuaries and the department in charge of insurance claims.

Claims provisions also include provisions for annuities in the case of liability insurance. Provisions for these claims were calculated as a capitalised annuity value as at the cut-off date based on applicable mortality tables and an interest rate of 2.75%

3.4. Liability adequacy test (LAT) for non-life insurance

The insurance companies of the Group form reserves for unexpired risks for those lines of business where the expected loss ratio exceeds 100%. Additional reserves for unexpired risks are calculated as a product of unearned premiums and the difference between the value of the loss ratio and 100%.

Additional tests are performed to check the adequacy of the unearned premiums and unexpired risk reserves. The amounts of future gross claims and gross claim handling costs are applied in these tests and compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs.

The results of tests show that the level of unearned premiums reserves, together with the level of unexpired risk reserves, is sufficient.

4. RISK REPORT

We define risk as the threat or possibility that an action or event will adversely or beneficially affect our ability to achieve our strategic objectives. Risk management, therefore, represents a crucial part of corporate governance, all business processes, culture and operating policies of the Triglav Group.

The risk management system is made of:

- a clear organisational structure of risk management functions and committees in charge of the system; and
- a well-defined system of risk management competences and powers.

Further details on the system, process, activities and main objectives of risk management are discussed in Section 11.1 of the Management Report.

4.1. Main characteristics of the risk management system

Risk management is successfully integrated into the entire business process of the Company. It is also in line with the Company's strategy and the risk appetite defined therein. The integrated risk management system ensures that the typical existing and recurring risks are identified, adequately measured, managed, controlled and reported on an on-going basis.

4.2. Capital management and capital adequacy management

The amount of available capital for meeting capital adequacy requirements is measured in compliance with the legislation in force at the level of individual subsidiaries as well as at the Group level. In parallel, capital adequacy is monitored by applying the Standard & Poor's model in accordance with the Directive 2010/138/EC of the European Parliament and of the Council (Solvency II).

4.2.1. Group Capital Adequacy

The amount of required capital and, above all, the fluctuation in the level of the capital available to insurance companies of the Triglav Group, are subject to various factors, mostly the structure and nature of services, the volume of premium, assets and liabilities, as well as the impact of interest rates and capital markets parameters on changes in the said items. The Group Triglav regularly monitor their capital adequacy in line with the applicable legislation, whereby they are required to maintain a surplus of the available solvency margin over the capital requirement in order to maintain their core business and ensure coverage of potential losses. Surplus offers high coverage of losses due to unexpected adverse events, with regard to the previous and current developments in the environment of the Group and future expectations. In addition to measuring current capital adequacy levels, the Group members monitor their planned capital adequacy levels, which enables them to monitor the effects of the extended and narrow environment on capital adequacy. Furthermore, this enables optimal distribution of capital both at the level of the Group and in its individual members.

Regulators impose minimum capital requirements on the level of the Group as well as on the level of individual Group members. The main objective is to maintain a suitable capital level in the Group and in all its members.

4.2.2. Capital adequacy of the Triglav Group as a financial conglomerate

The Triglav Group, Abanka Vipava d.d. and its subsidiaries together constituted a financial conglomerate until 18 December 2013 (according to the EU Directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and the relevant laws of the Republic of Slovenia). Zavarovalnica Triglav informed the Insurance Supervision Agency (ISA), as the regulatory, about the following new facts: the termination of its ownership of Abanka Vipava d.d. On that basis it is estimated that the Triglav Group and Abanka Group no longer constitute the financial conglomerate named the Triglav Group. Up to date of this annual report the Company has not received any reply and/or decision of ISA).

4.2.3. Rating agency capital adequacy

Decisions concerning capital management are supported by the capital models, otherwise used for credit rating purposes. The credit ratings of the Triglav Group are provided by the credit rating agencies Standard & Poor's (hereinafter: S&P) and A.M. Best.

In February 2013, S&P decreased the long-term rating of the Triglav Group, which also applies to Zavarovalnica Triglav and Pozavarovalnica Triglav Re, by one notch from »A-« to »BBB+«, due to a downgrade of a sovereign credit rating of the Republic of Slovenia. As a result of the revised credit rating criteria for insurance companies, S&P reassessed the credit rating of the Triglav Group and on 5 July 2013 raised it by one notch from »BBB+« to »A-« with a stable medium-term outlook. On 21 March 2013, A.M. Best assigned Zavarovalnica Triglav, and thus also the Triglav Group, the financial strength rating of »A-« (excellent) and the issuer credit rating (ICR) of »A-«. AM Best assigned the same rating to Pozavarovalnica Triglav Re. The outlook for the credit ratings is stable.

4.3. Financial risk and sensitivity analysis

In the assets and liabilities management of long-term business funds and assets backing liabilities in reinsurance transactions and in the funding of its operations within the scope of capital management, the Company is exposed to the following main financial risk types (see Section 11.3 of the Management Report:

- equity risk and interest rate risk related to the operating activities (core business) of Group members;
- credit risk; and
- liquidity risk.

Financial risks are managed through a system of clearly defined competences and powers that includes a scheme of exposure limits and a reporting process, both on the Group level and in individual group members. The investment policies of individual Group members are approved by the Assets and Liabilities Committee (ALCO), which regularly monitors the group members' exposure against investment limits.

Investment policies are structured so as to account for the nature and characteristics of individual members' liabilities, optimise asset spread and maximise return.

The breakdown of the Triglav Group's financial assets portfolio by industry is shown in the table below.

Industry	in EUR			
	31 December 2013	Percentage*	31 December 2012	Percentage*
(Raw) materials	41,582,952	1.71%	48,305,354	1.97%
Communications	73,248,608	3.01%	66,437,840	2.72%
Cyclical activities	58,293,748	2.40%	46,162,486	1.89%
Non-cyclical activities	105,950,710	4.36%	90,380,465	3.70%
Highly diversified activity - conglomerates	7,151,715	0.29%	9,626,298	0.39%
Energy	79,791,196	3.28%	84,163,359	3.44%
Finance	610,446,829	25.10%	615,947,434	25.18%
Manufacturing	53,210,643	2.19%	61,685,581	2.52%
Technologies	11,382,857	0.47%	0	0.00%
Goods and services of public interest	80,586,058	3.31%	64,492,207	2.64%
EMU countries	766,283,503	31.51%	786,903,795	32.17%
EU countries (except EMU)	154,282,912	6.34%	124,214,078	5.08%
Other countries	44,983,829	1.85%	110,919,780	4.53%
Small businesses and households	5,046,223	0.21%	3,990,424	0.16%
No industry specified**	339,941,595	13.98%	332,649,557	13.60%
TOTAL	2,432,183,379	100.00%	2,445,878,652	100.00%

*Percentages are calculated on the basis of carrying amounts.

**Including investments in regional financial funds.

In terms of financial assets, the prevailing category are sovereign bonds of EMU countries with a share of 32.17% and investments in the financial sector with a share of 25.18%. The detailed structure of debt securities in the portfolio of the Triglav Group is shown in Section 4.3.6.

4.3.1. Market risk and asset-liability management of insurance portfolios

A description of market risks, related processes and the methods and tools used for managing this type of risk is given in Sections 11.4.1 through 11.4.6 of the Management Report.

In assets and liability management, the Group is mostly exposed to interest rate and equity risk on the assets side. To a lesser extent, the Group is also exposed to the regulatory risk of potential changes in the minimum standard for setting the applicable technical interest rate for calculation mathematical provisions on the existing insurance portfolio.

Sections 4.3.2 and 4.3.3 show the results of the sensitivity analysis of the Group's financial assets for both major risks and their impact on comprehensive income and the income statement of the Group.

4.3.2. Interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the value of interest-sensitive assets, as well as the risk that interest-sensitive assets and interest-sensitive liabilities reach their maturity at different times at different values. Reinvestment risk arises for interest-sensitive assets yielding coupons in the period up to maturity, depending on the structure of the individual instruments.

The interest rate risk sensitivity analysis includes all financial assets exposed to interest rate risk, i.e. debt securities, classified into »measured at fair value through profit and loss« and »available-for-sale« categories and derivative financial instruments. The value of these assets as at 31 December 2013 amounted to EUR 1,430,720,146 and as at 31 December 2012 to EUR

1,413,878,701. The share of debt securities in the total portfolio is shown in the detailed overview of financial assets per groups of assets in Section 6.5.

The table below shows a sensitivity analysis of the Group's portfolio to interest rate risk and its impact on comprehensive income and the income statement.

Type of security	31 December 2013		31 December 2012	
	+100bp	-100bp	+100bp	-100bp
Government securities	-27,600,945	27,600,945	-27,578,791	27,578,791
Securities issued by financial institutions	-9,116,358	9,116,358	-3,903,238	3,903,238
Securities issued by companies	-20,756,580	20,756,580	-18,752,855	18,752,855
Composite securities	-2,012,621	2,012,621	-2,218,278	2,218,278
Other	10	-10	10,250	-10,250
Total	-59,486,494	59,486,494	-52,442,912	52,442,912
Impact on comprehensive income	-53,469,952	53,469,952	-49,683,433	49,683,433
Impact on the income statement	-6,016,542	6,016,542	-2,759,477	2,759,477

The table above shows that it is the positive and negative changes in interest rates that have the strongest impact on the sovereign and corporate securities, which also represent the bulk of the Triglav Group's portfolio.

4.3.3. Equity risk

Equity risk is the risk of fluctuation in share prices, which affects the carrying value of securities within the Group's portfolio that are sensitive to such fluctuations. A description of the processes, methods and tools used for managing this type of risk is given in Section 11.4.3 of the Management Report. To a large extent, the portfolio consists of debt securities: this diversification causes a slightly lower equity risk (for details see Section 6.5).

The structure of the equity portfolio per type of exposure is shown in the table below. The amounts shown are based on the carrying values of assets.

	in EUR	
	31 December 2013	31 December 2012
Equities in the EU	295,580,254	352,731,878
Equities in the USA	0	36,154
Equities in Asia*	0	3,473
Equities in emerging markets	66,487,749	63,077,748
Global equities**	148,929,998	102,324,025
Total	510,998,001	518,173,278

*Equity investments in developed Asian countries (Japan, Hong Kong)

**Globally diversified equity investments

The largest part of the portfolio of the Group consists of shares of issuers originating from the EU, worth EUR 295,580,254 in total as at 31 December 2013. These are followed by globally diversified investments in shares totalling EUR 148,929,998, and shares in emerging markets worth EUR 66,487,749 follow in the third place.

The equity portfolio's sensitivity to equity price fluctuations and their impact on comprehensive income and/or the income statement of the Group is shown in the table below.

in EUR

	31 December 2013		31 December 2012	
	10%	-10%	10%	-10%
Equities in the EU	29,558,025	-29,558,025	35,273,188	-35,273,188
Equities in the USA	0	0	3,615	-3,615
Equities in Asia	0	0	347	-347
Equities in emerging markets	6,648,775	-6,648,775	6,307,775	-6,307,775
Global equities	14,893,000	-14,893,000	10,232,403	-10,232,403
Total	51,099,800	-51,099,800	51,817,328	-51,817,328
Impact on comprehensive income	12,842,631	-12,583,419	15,554,998	-13,612,724
Impact on the income statement	38,257,170	-38,516,382	36,262,332	-38,204,606

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If the prices of the equities in the portfolio as at 31 December 2013 were 10% above their disclosed values, the comprehensive income and profit of the Group would be EUR 12.8 million and EUR 38.3 million higher, respectively. In contrast, if the prices of the equities in the portfolio as at 31 December 2013 were 10% lower, the comprehensive income and profit of the Group would be EUR 12.6 million and EUR 38.5 million lower, respectively.

Due to the established long-term decrease in the fair value of equity securities, the Triglav Group, in accordance with International Financial Reporting Standards, impaired certain equity securities. The impacts of impairments are disclosed in Section 7.3.

4.3.4. Liquidity risk

This is the risk or threat of a liquidity mismatch, i.e. the mismatched maturity of assets and liabilities. Such a mismatch can cause liquidity problems or a shortage in liquidity needed to settle due liabilities. Related processes, methods and tools used for managing this type of risk is given in Section 11.4.4 of the Management Report. The following tables show the maturity structure of the Group's financial assets and liabilities.

Maturity structure of financial assets and liabilities

in EUR						
At 31 December 2013	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
FINANCIAL ASSETS						
Investments in associates	10,204,674	0	0	0	0	10,204,674
Financial assets	499,437,717	237,615,796	791,482,921	551,527,952	352,118,993	2,432,183,379
Reinsurers' share of technical provisions	1,850,725	38,206,787	17,648,818	5,288,435	1,712,763	64,707,528
Receivables	8,103,649	186,436,700	8,830	0	1,779,602	196,328,781
Cash and cash equivalents	23,263,239	5,805,319	0	0	0	29,068,558
TOTAL FINANCIAL ASSETS	542,860,004	468,064,602	809,140,569	556,816,387	355,611,358	2,732,492,920
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	0	0	28,244,484	0	28,244,484
Insurance technical provisions	421,687,005	643,131,386	406,624,243	332,744,847	457,245,553	2,261,433,034
Other financial liabilities	10,116	7,901,486	19,931,034	6,948,362	0	34,790,998
TOTAL FINANCIAL LIABILITIES	421,697,121	651,032,872	426,555,277	367,937,693	457,245,553	2,324,468,516
Given financial guarantees	0	0	0	0	0	0

in EUR						
At 31 December 2012	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
FINANCIAL ASSETS						
Investments in associates	14,384,184	0	0	0	0	14,384,184
Financial assets	500,234,602	314,577,099	824,077,583	508,866,661	298,122,707	2,445,878,652
Reinsurers' share of technical provisions	4,983,137	45,859,520	23,707,990	8,081,875	943,190	83,575,712
Receivables	6,306,690	186,943,308	1,588,928	4,839	6,287	194,850,052
Cash and cash equivalents	10,622,328	6,629,092	0	0	0	17,251,420
TOTAL FINANCIAL ASSETS	536,530,941	554,009,019	849,374,501	516,953,375	299,072,184	2,755,940,020
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	8,769,000	0	28,256,550	0	37,025,550
Insurance technical provisions	447,109,716	627,863,404	439,309,597	306,606,156	484,370,892	2,305,259,765
Other financial liabilities	54,262	21,902,099	14,681,042	2,743,163	0	39,380,566
TOTAL FINANCIAL LIABILITIES	447,163,978	658,534,503	453,990,639	337,605,869	484,370,892	2,381,665,881
Given financial guarantees	0	3,086,692	0	0	0	3,086,692

4.3.5. Foreign exchange risk

Our exposure to foreign exchange risk is minor, as most of our assets are denominated in euros. In terms of the foreign exchange risk structure, the highest exposures are to the currencies of the countries that emerged from the former Yugoslavia, which in total represent no more than 5% of the portfolio.

4.3.6. Credit risk

Credit risk is the risk of loss due to a counterparty's failure to meet its obligations. The main credit risk exposures arise from debt securities holdings and insurance operations (reinsurance credit risk, credit risk of default on receivables from insurance operations).

Details on the processes, methods and tools used for managing this type of risk are given in Section 11.4.6 of the Management Report.

Credit risk exposure arising from insurance business operations is regularly monitored by analysing:

- The maturity structure of receivables from insurance operations (see Section 2.11 for guidelines and Section 6.7 for analysis of receivables by maturity) and
- Reinsurers' and co-insurers' credit ratings. The Group monitors the financial standing of reinsurers and, as a rule, enters into retrocession reinsurance agreements for liability insurance only with A- rated reinsurers, and for all other insurance classes only with at least BBB+ rated reinsurers (70% of reinsurers are A-rated).

The Group's financial assets that may be exposed to credit risk (i.e. financial investments, assets from reinsurance contracts, operating receivables and cash or cash equivalents) as at 31 December 2013 amounted to EUR 2,732,492,920 (vs. EUR 2,755,940,017 as at 31 December 2012).

The table below shows the credit-rating structure of debt securities.

Credit rating	in EUR			
	31 December 2013	Percentage	31 December 2012	Percentage
AAA	319,812,979	18.47%	371,163,307	21.73%
AA	135,633,646	7.83%	80,790,325	4.73%
A	311,323,089	17.98%	595,674,280	34.88%
BBB	688,485,911	39.76%	345,372,264	20.22%
BB	77,084,652	4.45%	148,060,347	8.67%
B	83,050,296	4.80%	26,844,428	1.57%
less than B	116,199,769	6.71%	140,118,939	8.20%
TOTAL	1,731,590,342	100.00%	1,708,023,890	100.00%

The table above shows that 44.28% of the debt securities in the Group portfolio have a credit rating of at least »A«, while 49.01% of debt securities have a credit rating of at least »BBB«.

In 2013, the single largest exposure of the Triglav Group was to Commerzbank AG amounting to EUR 63,747,482 (vs. EUR 40,219,914 to Abanka Vipa d.d. as at 31 December 2012).

4.4. Strategic risk

Strategic risk is the probability or possibility that an event will adversely or beneficially affect the Triglav Group's ability to achieve its strategic objectives and thus the Group's value.

Strategic risks are identified and addressed already in the process of strategy planning. The strategy implementation process is monitored with internal controls, while competences and responsibilities of the above-mentioned bodies in managing strategic risk are clearly defined. At Group level, special attention is paid to the synergies between individual Group members' strategies, their mutual harmonisation as well as compliance with the strategy of the Triglav Group.

A description of strategic risks as well as the Group's processes, methods and tools for managing this type of risk is given in Section 11.7.

4.5. Underwriting risk

Underwriting risk comprises a group of risks related to the core insurance business, i.e. underwriting insurance contracts and related product development, pricing and formation of provisions. This also entails exposure to the risk of changes in loss events and changes in client behaviour.

As part of the basic underwriting process, the risks related to the occurrence of a loss event are transferred from the policy holder to the insurance company. The primary responsibility for the active management of the underwriting risk lies with the individual insurance companies of the Triglav Group. This type of risk is managed with clear policies and clearly structured competences and powers, which include the segregation of duties, underwriting limits and an authorisation system. In addition, underwriting risks are managed with established actuarial techniques linked to product pricing and allocations of insurance technical provisions, as well as by means of regular performance monitoring, optimisation of reinsurance schemes and regular monitoring of the adequacy of the insurance technical, mathematical and claims provisions.

Reinsurance is one of the basic tools used to mitigate underwriting risks. Insurance companies within the Triglav Group are cosignatories of the same reinsurance contract according to which net retained lines are based on the tables of maximum net retained lines of Zavarovalnica Triglav. For each business year a plan of reinsurance is adopted that contains:

- calculated retained lines by individual class of insurance,
- a table of maximum coverage based on retained lines, and
- procedures, bases and criteria for establishing the highest probable loss arising from individual risks underwritten.

The choice of suitable reinsurers depends to a great extent on their credit. This provides even more stable operations, which result in more stable cash flows.

4.5.1. Underwriting risk concentration

Underwriting risk concentration occurs due to the concentration of an insurance operation in a geographic area, or an industry or an insurance peril. It may also occur as a result of a correlation between individual insurance classes.

Insurance risk concentration is managed with adequate re-insurance schemes, which are based on the tables of maximum net retained lines. Particular attention is paid to events with a low frequency and a high impact, such as natural disasters (earthquakes, storms, hail and floods).

4.5.1.1. Insurance risk and concentration

Particular attention is paid to events with a low frequency and a high impact, for example natural disasters such as earthquakes, storms, hail and floods. Over the previous five years, on average we sustained two major natural disasters annually, which triggered reinsurance policies covering natural events. Our catastrophe reinsurance programme is designed as excess of loss reinsurance with four layers with a total limit of EUR 100,000,000 over the priority of EUR 7,500,000. Moreover, we have an aggregate reinsurance cover with an annual aggregate of EUR 15,000,000 and is thus protected also against a possible increased occurrence of natural disasters in a particular year. Past events showed that the reinsurance scheme is suitable and that we were able to discharge our obligations arising from our insurance contracts despite adverse loss event developments, whilst liquidity risk and capital adequacy risk did not increase.

For the Group earthquakes are events with the biggest potential loss risk. The re-insurance scheme is designed accordingly. In the case of an earthquake with a return period of 1,000 years, the retained loss of the Group increased by 20% would account for two thirds of the maximum risk that the Group is still able to assume according to the tables of maximum net retained lines.

In terms of the number of policies, motor vehicle insurance represents the bulk of the Group's business, as shown in Section 7.1. Of the various types of motor vehicle insurance, motor liability insurance accounts for the biggest part of the Group's portfolio. As this type of insurance is characterised by high risk dispersion, this segment does not entail any underwriting risk concentration. A potential danger of risk type concentration exists in comprehensive motor vehicle insurance. However, it is covered by a catastrophe reinsurance scheme, which has proved to be adequate in recent years.

Experience from previous years suggests that the number of such natural events will continue to rise in the future, which is why Zavarovalnica Triglav will continue to adapt its reinsurance schemes accordingly, on an on-going basis. Natural events predominantly affect the fire, technical and car insurance classes (comprehensive car insurance), as well as crop insurance.

The concentration of life underwriting risk is low, as the risk sum insured is below EUR 35,000 and accounts for 99.6% of the life, annuity and unit-linked portfolio. For additional accidental death insurance, the risk sum insured is lower than EUR 50,000 and represents 99.3% of the respective portfolio. Both sums insured represent the stipulated retention in line with the reinsurance agreement for most insurance policies.

Being one of only three insurance companies in Slovenia to offer supplemental health insurance, with a market share of 17.7%, and one of only two reinsurers in the country, holding 44% of the Slovene market, the Group is exposed to market concentration risk in both segments. As regards the reinsurance portfolio, the Group manages the reinsurance portfolio concentration risk by the international geographical spread of inwards reinsurance risks and with the adequate retrocession of outwards reinsurance risks. The supplemental health insurance segment, in contrast, is characterised by dispersed underwriting risks, and thus does not entail any risk concentration exposure.

4.5.1.2. Geographical and sectorial concentration

Triglav conducts insurance business mainly in the territory of the Republic of Slovenia and the countries of the former Yugoslavia, with limited operations in the Czech Republic. On the basis of previous experience, the Group believes that all potential risk concentrations is adequately reinsured.

The table below summarises the gross written premium in the countries in which the insurance companies of the Group operate.

Country	Gross written premium in EUR		Share (in %)	
	2013	2012	2013	2012
Slovenia	740,772,865	777,472,347	82.23	83.04
Croatia	46,948,957	46,247,759	5.21	4.94
Montenegro	29,650,716	28,696,542	3.29	3.07
Czech Republic	28,426,366	27,321,366	3.16	2.92
Bosnia and Herzegovina	20,424,267	20,480,464	2.27	2.19
Serbia	17,195,138	16,042,196	1.91	1.71
FYROM	17,474,271	20,002,349	1.94	2.14
TOTAL	900,892,580	936,263,023	100.00	100.00

4.5.2. Low-frequency and high severity risk

The threat of earthquakes represents the highest potential risk in this segment for the Group. Reinsurance protection against earthquakes and other natural disasters is arranged accordingly. Thus far, no earthquake of catastrophic proportions has occurred. The earthquake models available show that earthquakes with a return period of 1,000 years and an implied 20% margin of error in estimating the amount of potential claims do not represent a greater threat than the other natural disasters with which Triglav is faced almost every year.

The table below shows the earthquake model for the Group's portfolio for 2013.

Return period (years)	Share of total exposure	in EUR
		Gross claims paid
100	0.32%	65,528,802
250	0.69%	141,296,480
500	1.25%	255,971,884
1000	2.76%	565,185,921

Another potentially catastrophic loss occurrence could arise from the nuclear peril that Zavarovalnica Triglav has assumed from the Slovenian Nuclear Pool. Such a loss occurrence is characterised by an extremely low frequency, since no major loss event has been reported in 25 years and the correlation between such a potential loss event and the arising liabilities is low or null. In the worst-case scenario, a net claim arising from nuclear risk would not exceed claims arising from a single natural. There were no such significant low frequency and high severity events in 2013.

4.6. Operational risks

Operational risk is defined as the risk of loss due to:

- inadequate or failed internal processes (process disruptions, customer complaints, lack of reliable management information, business continuity issues, mismanagement of business-related costs, inefficient change management, inconsistent or incomplete process documentation, etc.);

- inappropriate or inefficient human behaviour (inadequate human resource management, loss of key personnel, lack of knowledge and competences, employee misconduct, etc.);
- inadequate or failed systems (outdated software applications and/or infrastructure in use, lack of audit trails in software, inadequate backup and recovery times, etc.);
- external events (changes in regulation, natural disasters, competition, fraudulent activity, etc.).

The Triglav Group drew up a framework for identifying and measuring operational risks, which defines their types, underlying reasons, consequences, assessment methods and internal control identification. An analysis of the internal control system - focused on the accuracy and reliability of financial reporting in all business areas of Zavarovalnica Triglav - was carried out on the basis of which the minimum standard of internal controls was set up, serving as the starting point for optimising the management of individual business process in the Group. Operational risk exposure is measured in terms quantity by applying the Solvency II methodology and in terms of quality by using questionnaires and interviews for individual operational risk segments.

Fraud risk continued to be categorised as an operational risk. To manage this operational risk type, the Company established a special department responsible for the development and implementation of fraud indicators, research of potential fraudulent activity and reporting to the Management Board on the findings and initiated procedures. For more details on fraud risk management see Sections 11.6.1. of the Management Report.

Another important segment of operational risks is compliance risk, which is managed in the framework of the compliance function (see also Section 4.1.).

5. SEGMENT REPORTING

The management monitors the operations of the Group by business segments (non-life insurance, life insurance, health insurance and non-insurance operations) and by geographical segments (separately for the Slovene and foreign markets).

Distribution of income and expenses between the segments is described below.

Income

Income from insurance premiums is disclosed separately by insurance group and insurance class, as well as by geographical areas (separately for Slovenia and other countries).

Investment income is posted separately by insurance group. Within individual insurance classes and types of insurance technical provisions, investment income is distributed according to the structure of technical provisions. Investment income from assets backing liabilities, long-term business funds and investments not financed by insurance technical provisions is accounted for separately. The latter are accounted for separately by insurance group as well.

Other income from insurance operations and other income is accounted for by insurance group. In order to ensure an appropriate presentation of the insurance-technical result, income from non-insurance operations is disclosed as other income.

Furthermore, all income is accounted for by geographical area – separately for Slovenia and for other countries.

Expenses

Net claims incurred are disclosed separately by insurance group and insurance class. Direct claim handling costs are posted by insurance class. Part of the claim handling costs, primarily accounted for by their natural type within operating costs, is shown by insurance groups and insurance classes directly and by using a matrix which is the same as that used for distributing other operating costs.

Changes in insurance technical provisions (provisions for bonuses and discounts and other insurance technical provisions) are accounted for directly by insurance group and by insurance class.

Investment expenses are posted separately by insurance groups. Investment expenses within individual insurance classes and types of insurance technical provisions are distributed according to the same criteria as investment income. Within individual insurance groups, expenses from investments are disclosed separately for assets backing liabilities, long-term business funds and investments not financed from insurance technical provisions. The latter are also accounted for separately by insurance group.

Other net insurance expenses are accounted for separately by insurance group and by insurance class - partly directly and partly by using a matrix. Other expenses from insurance operations and other expenses are posted separately by insurance group. In order to ensure the appropriate presentation of the insurance-technical result, operating expenses of non-insurance companies are disclosed as other expenses in the income statement. In the Notes to financial statements they are disclosed also by nature.

Furthermore, all expenses are accounted for by geographical area – separately for Slovenia and for other countries.

Additional disclosures

Depreciation and amortisation charges by business segment are disclosed under operating expenses in Section 7.11.

Values of investments in intangible assets, property, plant and equipment and investment property by business segments are shown in the table below.

	in EUR				
2013	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	5,113,286	659,000	183,993	4,269,066	10,225,345
Investments in property plant and equipment	4,878,863	1,910,089	39,292	2,932,418	9,760,660
Investments in investment property	911,073	114,028	0	1,593,757	2,618,858

	in EUR				
2012	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	7,394,236	1,478,182	117,561	135,540	9,125,519
Investments in property plant and equipment	6,768,880	1,134,927	224,951	2,551,498	10,680,256
Investments in investment property	2,482,094	17,673	0	14,951	2,514,718

5.1. Business segments

The consolidated statement of financial position and consolidated income statement by business segment are shown below for the reporting and the previous year.

In the consolidation process, the key inter-company eliminations between segments which influenced their profit/loss were the following: acquisition costs and acquisition income, premium income and operating expenses. The aforementioned eliminations had no impact on the consolidated profit/loss. The key inter-company eliminations, which did impact both the profit/loss of individual segments and the consolidated profit/loss, were the effects of the capital method and the elimination of investment impairments in subsidiary companies. These effects are disclosed under financial income and financial expenses.

The management monitors the operations of the Group according to the following main segments:

- non-life insurance,
- life insurance,
- health insurance and
- non-insurance operations.

in EUR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY SEGMENT	31 December 2013						
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations))	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	1,695,195,489	1,458,862,871	36,550,277	294,437,386	3,485,046,023	-407,938,679	3,077,107,344
Intangible assets	63,386,203	2,180,245	355,450	5,153,850	71,075,748	648,495	71,724,243
Property, plant and equipment	84,364,211	11,276,398	1,322,661	25,652,259	122,615,529	235,355	122,850,884
Deferred tax receivables	18,262,817	2,100,930	265,393	3,067,659	23,696,799	0	23,696,799
Investment property	32,575,926	2,550,233	0	50,522,099	85,648,258	11,597,126	97,245,384
Investments in subsidiaries	163,223,025	1,600,763	0	95,228,558	260,052,346	-260,052,346	0
Investments in associates	0	6,911,037	0	3,293,637	10,204,674	0	10,204,674
Financial assets	965,455,929	1,423,048,803	30,335,291	63,323,671	2,482,163,694	-49,980,315	2,432,183,379
Financial investments:	965,455,929	985,381,187	30,335,291	63,323,671	2,044,496,078	-49,980,315	1,994,515,763
- loans and deposits	161,001,693	74,281,178	1,777,169	10,472,371	247,532,411	-48,268,085	199,264,326
- held to maturity	2,615,969	222,264,982	0	0	224,880,951	0	224,880,951
- available for sale	785,151,567	566,226,833	28,558,122	52,798,886	1,432,735,408	-1,712,230	1,431,023,178
- investments recognised at fair value	16,686,700	122,608,194	0	52,414	139,347,308	0	139,347,308
Unit-linked insurance assets	0	437,667,616	0	0	437,667,616	0	437,667,616
Reinsurers' share of technical provisions	137,840,108	32,271	514	0	137,872,893	-73,165,365	64,707,528
Receivables	208,623,391	5,625,012	4,172,193	12,598,929	231,019,525	-34,690,744	196,328,781
- receivables from direct insurance operations	93,219,131	525,095	3,847,280	0	97,591,506	-1,631,577	95,959,929
- receivables from reinsurance and co-insurance operations	71,395,409	16,128	0	0	71,411,537	-28,088,998	43,322,539
- current tax receivables	14,715,731	154	0	8,210	14,724,095	0	14,724,095
- other receivables	29,293,120	5,083,635	324,913	12,590,719	47,292,387	-4,970,169	42,322,218
Other assets	3,404,261	199,804	48,903	25,851,682	29,504,650	-2,530,885	26,973,765
Cash and cash equivalents	18,059,618	3,337,375	49,872	7,621,693	29,068,558	0	29,068,558
Non-current assets held for sale	0	0	0	2,123,349	2,123,349	0	2,123,349
EQUITY AND LIABILITIES	1,695,195,489	1,458,862,871	36,550,277	294,437,386	3,485,046,023	-407,938,679	3,077,107,344
Equity	514,580,357	103,192,573	15,770,657	207,307,723	840,851,310	-250,313,853	590,537,457
Controlling interests	514,580,357	103,192,573	15,770,657	207,307,723	840,851,310	-256,536,433	584,314,877
- share capital	114,724,605	31,799,855	25,822,144	184,424,707	356,771,311	-283,069,924	73,701,387
- share premium	42,861,652	13,067,907	0	20,474,425	76,403,984	-19,537,790	56,866,194
- reserves from profit	238,474,815	39,295,891	0	4,032,661	281,803,367	-5,124,903	276,678,464
- fair value reserve	35,793,900	4,350,686	293,768	20,944,342	61,382,696	-16,777,261	44,605,435
- net profit brought forward	64,161,087	11,909,770	-15,303,446	-3,220,865	57,546,546	32,536,569	90,083,115
- net profit/loss for the year	20,735,564	3,759,666	4,958,191	-18,883,820	10,569,601	35,643,906	46,213,507
- currency translation differences	-2,171,266	-991,202	0	-463,727	-3,626,195	-207,030	-3,833,225
Non-controlling interests	0	0	0	0	0	6,222,580	6,222,580
Subordinated liabilities	19,341,157	11,982,682	1,500,000	0	32,823,839	-4,579,355	28,244,484
Insurance technical provisions	996,802,008	891,348,148	11,271,089	0	1,899,421,245	-73,189,935	1,826,231,310
- unearned premium	270,929,452	450,957	2,009,309	0	273,389,718	-15,323,049	258,066,669
- mathematical provisions	0	870,733,006	0	0	870,733,006	0	870,733,006
- claims provisions	704,023,242	20,164,185	8,115,703	0	732,303,130	-57,866,886	674,436,244
- other insurance technical provisions	21,849,314	0	1,146,077	0	22,995,391	0	22,995,391
Insurance technical provisions for unit-linked insurance contracts	0	435,201,724	0	0	435,201,724	0	435,201,724
Employee benefits	8,504,665	1,511,247	281,151	1,104,319	11,401,382	0	11,401,382
Other provisions	6,339,830	78,640	215,003	9,585,257	16,218,730	0	16,218,730
Deferred tax liabilities	10,400,528	2,204,529	0	5,508,692	18,113,749	351,293	18,465,042
Other financial liabilities	22,614,740	9	0	52,424,285	75,039,034	-40,248,036	34,790,998
Operating liabilities	76,161,771	6,293,755	3,489,418	354,874	86,299,818	-29,974,285	56,325,533
- liabilities from direct insurance operations	12,367,962	6,229,925	3,489,157	0	22,087,044	-1,839,151	20,247,893
- liabilities from reinsurance and co-insurance operations	63,436,040	37,425	261	0	63,473,726	-28,135,134	35,338,592
- current tax liabilities	357,769	26,405	0	354,874	739,048	0	739,048
Other liabilities	40,450,433	7,049,564	4,022,959	18,152,236	69,675,192	-9,984,508	59,690,684

in EUR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY SEGMENT	31 December 2013						
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations))	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	1,789,171,344	1,436,934,084	29,000,678	323,905,677	3,579,011,783	-455,203,390	3,123,808,393
Intangible assets	60,948,409	2,520,675	365,434	1,225,906	65,060,424	1,817,862	66,878,286
Property, plant and equipment	88,270,604	10,704,707	2,359,236	28,780,580	130,115,127	235,355	130,350,482
Deferred tax receivables	28,918,980	2,520,432	374,901	2,620,404	34,434,717	0	34,434,717
Investment property	33,836,897	3,188,771	0	51,564,069	88,589,737	11,597,126	100,186,863
Investments in subsidiaries	189,198,013	1,600,761	0	106,823,405	297,622,179	-297,622,179	0
Investments in associates	810	7,285,249	0	7,098,125	14,384,184	0	14,384,184
Financial assets	998,058,697	1,402,003,876	21,673,158	73,131,790	2,494,867,521	-48,988,869	2,445,878,652
Financial investments:	998,058,697	983,121,960	21,673,158	73,131,790	2,075,985,605	-48,988,869	2,026,996,736
- loans and deposits	179,767,954	121,980,439	3,710,271	15,112,515	320,571,179	-47,293,157	273,278,022
- held to maturity	3,159,459	225,256,706	0	0	228,416,165	0	228,416,165
- available for sale	794,005,173	551,280,008	17,962,887	56,012,426	1,419,260,494	-1,695,712	1,417,564,782
- investments recognised at fair value	21,126,111	84,604,807	0	2,006,849	107,737,767	0	107,737,767
Unit-linked insurance assets	0	418,881,916	0	0	418,881,916	0	418,881,916
Reinsurers' share of technical provisions	168,833,642	9,617	0	0	168,843,259	-85,267,547	83,575,712
Receivables	206,346,575	4,656,692	4,076,095	14,263,480	229,342,842	-34,492,790	194,850,052
- receivables from direct insurance operations	101,885,358	558,578	3,777,336	0	106,221,272	-2,356,271	103,865,001
- receivables from reinsurance and co-insurance operations	70,778,349	20,843	0	0	70,799,192	-27,856,408	42,942,784
- current tax receivables	9,240,257	154	0	91,298	9,331,709	0	9,331,709
- other receivables	24,442,611	4,077,117	298,759	14,172,182	42,990,669	-4,280,111	38,710,558
Other assets	6,326,403	197,703	30,307	29,608,343	36,162,756	-2,482,348	33,680,408
Cash and cash equivalents	8,432,314	2,245,601	121,547	6,451,958	17,251,420	0	17,251,420
Non-current assets held for sale	0	0	0	2,337,617	2,337,617	0	2,337,617
EQUITY AND LIABILITIES	1,789,171,344	1,436,934,084	29,000,678	323,905,677	3,579,011,783	-455,203,390	3,123,808,393
Equity	522,540,892	96,776,850	10,401,682	231,551,006	861,270,430	-286,706,673	574,563,757
Controlling interests	522,540,892	96,776,850	10,401,682	231,551,006	861,270,430	-293,406,610	567,863,820
- share capital	115,974,541	31,119,897	25,822,144	186,624,504	359,541,086	-285,839,694	73,701,392
- share premium	43,254,647	13,067,907	0	19,884,306	76,206,860	-19,496,147	56,710,713
- reserves from profit	222,346,715	32,091,323	0	3,760,902	258,198,940	-4,965,860	253,233,080
- fair value reserve	42,650,453	5,407,124	-117,016	20,669,741	68,610,302	-16,791,248	51,819,054
- net profit brought forward	79,339,131	9,801,205	-18,268,658	19,011,205	89,882,883	-3,113,788	86,769,095
- net profit/loss for the year	20,628,500	6,191,169	2,965,212	-17,546,338	12,238,543	36,571,124	48,809,667
- currency translation differences	-1,653,095	-901,775	0	-853,314	-3,408,184	229,003	-3,179,181
Non-controlling interests	0	0	0	0	0	6,699,937	6,699,937
Subordinated liabilities	26,406,976	13,677,269	1,500,000	0	41,584,245	-4,558,695	37,025,550
Insurance technical provisions	1,072,460,633	890,796,041	9,981,170	0	1,973,237,844	-85,317,063	1,887,920,781
- unearned premium	283,810,138	415,636	1,869,256	0	286,095,030	-17,670,457	268,424,573
- mathematical provisions	0	869,949,936	0	0	869,949,936	0	869,949,936
- claims provisions	763,526,567	20,430,469	6,865,684	0	790,822,720	-67,646,606	723,176,114
- other insurance technical provisions	25,123,928		1,246,230	0	26,370,158	0	26,370,158
Insurance technical provisions for unit-linked insurance contracts	0	417,338,984	0	0	417,338,984	0	417,338,984
Employee benefits	7,723,483	1,437,173	282,477	1,130,540	10,573,673	0	10,573,673
Other provisions	8,351,432	127,059	169,602	10,973,459	19,621,552	0	19,621,552
Deferred tax liabilities	10,788,513	2,861,666	0	7,350,526	21,000,705	351,293	21,351,998
Other financial liabilities	22,412,471	892,596	0	52,981,785	76,286,852	-36,906,286	39,380,566
Operating liabilities	77,708,078	7,370,405	3,288,659	146,445	88,513,587	-30,363,480	58,150,107
- liabilities from direct insurance operations	11,235,706	7,278,280	3,288,659	0	21,802,645	-990,928	20,811,717
- liabilities from reinsurance and co-insurance operations	66,080,146	36,521	0	0	66,116,667	-29,372,552	36,744,115
- current tax liabilities	392,226	55,604	0	146,445	594,275	0	594,275
Other liabilities	40,778,866	5,656,041	3,377,088	19,771,916	69,583,911	-11,702,486	57,881,425

in EUR

CONSOLIDATED INCOME STATEMENT BY SEGMENT	2013					2012				
	NON-LIFE	LIFE	HEALTH O	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL
NET PREMIUM INCOME	542,174,975	191,560,898	103,906,794	0	837,642,667	587,891,014	204,865,726	91,611,132	0	884,367,872
- gross written premium	605,215,118	191,630,615	104,046,847	0	900,892,580	639,931,921	204,876,520	91,454,582	0	936,263,023
- ceded written premium	-70,888,863	-31,811	0	0	-70,920,674	-74,961,173	-22,072	0	0	-74,983,245
- change in unearned premiums	7,848,720	-37,906	-140,053	0	7,670,761	22,920,266	11,278	156,550	0	23,088,094
TOTAL INCOME FROM FINANCIAL ASSETS	59,731,858	121,218,425	1,172,220	2,570,041	184,692,544	68,677,859	99,147,955	647,941	5,177,792	173,651,547
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	7,989	84,915	0	-29,481	63,423	2,039,807	1,032,252	0	2,682,666	5,754,725
- profit on equity investments accounted for using the equity method	0	38,548	0	984	39,532	0	1,032,252	0	688,199	1,720,451
- interest income	0	0	0	0	0	0	0	0	0	0
- dividends	0	0	0	0	0	0	0	0	0	0
- fair value gains	0	0	0	0	0	0	0	0	0	0
- realised gains on disposals	7,989	46,367	0	-30,465	23,891	0	0	0	0	0
- other financial income	0	0	0	0	0	2,039,807	0	0	1,994,467	4,034,274
INCOME FROM OTHER FINANCIAL ASSETS	59,723,869	72,657,487	1,172,220	2,599,522	136,153,098	66,638,052	68,292,999	647,941	2,495,126	138,074,118
- interest income	36,569,841	38,356,138	939,786	277,098	76,142,863	40,761,867	40,595,753	647,937	497,154	82,502,711
- dividends	1,203,768	900,844	0	752,375	2,856,987	1,135,234	755,859	0	1,229,271	3,120,364
- fair value gains	2,382,288	19,867,040	0	0	22,249,328	4,455,884	13,160,276	0	0	17,616,160
- realised gains on disposals	15,971,888	12,423,956	232,434	14,758	28,643,036	15,776,075	13,490,356	0	4,029	29,270,460
- other financial income	3,596,084	1,109,509	0	1,555,291	6,260,884	4,508,992	290,755	4	764,672	5,564,423
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	48,476,023	0	0	48,476,023	0	29,822,704	0	0	29,822,704
OTHER INCOME FROM INSURANCE OPERATIONS	7,741,425	137,675	31,451	0	7,910,551	6,408,944	14,260,442	33,571	0	20,702,957
- fees and commission income	2,363,585	129,574	0	0	2,493,159	1,034,523	12,707,446	0	0	13,741,969
- other income from insurance operations	5,377,840	8,101	31,451	0	5,417,392	5,374,421	1,552,996	33,571	0	6,960,988
OTHER INCOME	4,341,673	286,714	25,702	71,960,035	76,614,124	4,797,804	263,336	71,118	70,907,642	76,039,900
NET CLAIMS INCURRED	312,366,103	171,336,665	87,960,331	0	571,663,099	336,266,693	163,030,391	79,641,187	0	578,938,271
- gross claims settled	377,177,758	171,600,928	78,729,648	0	627,508,334	379,872,215	163,220,596	70,672,367	0	613,765,178
- reinsurers' and co-insurers' share	-35,840,696	0	0	0	-35,840,696	-22,515,985	0	0	0	-22,515,985
- changes in claims provisions	-28,970,959	-264,263	1,250,019	0	-27,985,203	-21,089,537	-190,205	1,559,177	0	-19,720,565
- equalisation scheme expenses for supplementary health insurance	0	0	7,980,664	0	7,980,664	0	0	7,409,643	0	7,409,643
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-1,302,687	4,054,249	-100,153	0	2,651,409	-2,484,155	925,077	112,260	0	-1,446,818
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	0	17,906,261	0	0	17,906,261	0	52,882,779	0	0	52,882,779
EXPENSES FOR BONUSES AND DISCOUNTS	6,537,369	1,826	0	0	6,539,195	8,645,999	1,772	0	0	8,647,771
OPERATING EXPENSES	160,529,933	31,539,143	7,293,024	0	199,362,100	158,508,803	33,079,066	6,890,096	0	198,477,965
- costs of insurance contract acquisition	107,892,951	18,683,293	1,456,534	0	128,032,778	107,688,800	19,066,816	1,205,074	0	127,960,690
- other operating costs	52,636,982	12,855,850	5,836,490	0	71,329,322	50,820,003	14,012,250	5,685,022	0	70,517,275
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	31,738,228	75,610,501	195,203	6,842,992	114,386,924	52,894,939	43,795,727	38,235	4,229,042	100,957,942
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	7,172	0	0	1,410,737	1,417,909	12	5,513	0	2,098,723	2,104,247
- loss on investments accounted for using the equity method	0	0	0	986,250	986,250	11	5,513	0	2,098,723	2,104,247

CONSOLIDATED INCOME STATEMENTB BY SEGMENT						in EUR				
	2013					2012				
	NON-LIFE	LIFE	HEALTH O	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL
- interest expense	0	0	0	0	0	1	0	0	0	1
- fair value losses	0	0	0	0	0	0	0	0	0	0
- realised loss on disposals	0	0	0	418,604	418,604	0	0	0	0	0
- impairments	0	0	0	1	1	0	0	0	0	0
- other financial expenses	7,172	0	0	5,882	13,054	0	0	0	0	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	31,731,056	41,821,399	195,203	5,432,255	79,179,913	52,894,927	43,114,401	38,235	2,130,319	98,177,882
-interest expense	1,405,509	830,043	0	1,159,374	3,394,926	1,820,382	819,026	0	936,918	3,576,326
- fair value losses	1,106,003	20,063,655	0	2,040,289	23,209,947	3,580,492	14,696,365	0	491,786	18,768,643
- realised loss on disposals	2,614,962	12,736,191	57,943	335,644	15,744,740	6,353,620	17,727,955	0	167	24,081,742
- impairments	20,650,365	5,776,367	4,228	1,713,040	28,144,000	35,272,321	8,282,210	4,930	92,814	43,652,275
- other financial expenses	5,954,217	2,415,143	133,032	183,908	8,686,300	5,868,110	1,588,844	33,305	608,642	8,098,896
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	33,789,102	0	0	33,789,102	0	675,813	0	0	675,813
OTHER INSURANCE EXPENSES	21,607,118	1,102,654	973,709	0	23,683,481	27,297,194	14,982,024	550,690	0	42,829,908
OTHER EXPENSES	11,571,034	1,566,343	1,073,933	72,815,046	87,026,356	11,204,554	1,902,292	482,888	70,213,312	83,803,046
PROFIT/ LOSS BEFORE TAX	70,942,833	10,086,070	7,740,120	-5,127,962	83,641,061	75,441,594	7,938,331	4,648,406	1,643,081	89,671,412
Income tax expense	-12,786,952	-449,204	-437,294	-116,608	-13,790,058	-12,787,533	-2,475,667	-46,426	-1,180,723	-16,490,349
NET PROFIT/LOSS	58,155,881	9,636,866	7,302,826	-5,244,570	69,851,003	62,654,061	5,462,664	4,601,980	462,358	73,181,063
Net profit/loss attributable to the controlling company	57,752,818	9,595,978	7,302,826	-5,110,526	69,541,096	61,876,613	5,433,807	4,601,980	600,578	72,512,978
Net profit/loss attributable to non-controlling interest holders	403,063	40,887	0	-134,044	309,906	777,450	28,857	0	-138,229	668,078

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY BUSINESS SEGMENT (in EUR)						in EUR				
						2012				
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL
NET PROFIT/LOSS FOR THE YEAR AFTER TAX	58,155,881	9,636,865	7,302,826	-5,244,569	69,851,003	62,654,061	5,462,664	4,601,980	462,358	73,181,063
OTHER COMPREHENSIVE INCOME AFTER TAX	-7,404,404	-1,143,752	410,784	304,028	-7,833,344	32,875,073	14,236,179	627,483	1,071,911	48,810,646
Aktuarski čisti dobički/izgube za pokojninske programe	-57,754	-12,939	35,256	11,262	-24,175	0	0	0	0	0
Net gains/losses from the remeasurement of available-for-sale financial assets	-7,186,252	-4,565,125	449,127	-105,826	-11,408,076	38,246,253	44,162,943	792,958	2,038,215	85,240,369
- Gains/losses recognised in fair value reserve	-7,902,880	-2,439,215	449,127	-128,636	-10,021,604	11,279,718	42,019,370	792,958	2,038,215	56,130,261
- Transfer from fair value reserve to profit/loss	716,628	-2,125,910	0	22,810	-1,386,472	26,966,535	2,143,573	0	0	29,110,108
Net gains/losses related to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	0	8,605	0	324,398	333,003	0	246,560	0	0	246,560
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	0	2,853,742	0	0	2,853,742	0	-23,745,609	0	0	-23,745,609
Currency translation differences	-532,638	-87,314	0	-43,688	-663,640	-9,867	-135,246	0	-493,419	-638,532
Tax on other comprehensive income	372,240	659,279	-73,599	117,882	1,075,802	-5,361,313	-6,292,469	-165,475	-472,885	-12,292,142
COMPREHENSIVE INCOME / LOSS FOR THE YEAR AFTER TAX	50,751,474	8,493,113	7,713,610	-4,940,541	62,017,656	95,529,134	19,698,843	5,229,463	1,534,269	121,991,709
Controlling interests	50,335,440	8,457,084	7,713,610	-4,806,541	61,699,593	94,639,077	19,431,692	5,229,463	1,672,199	120,972,431
Non-controlling interests	416,033	36,029	0	-134,000	318,063	890,057	267,151	0	-137,930	1,019,278

5.2. Reporting by geographical area

in EUR

STATEMENT OF FINANCIAL POSITION BY GEOGRAPHICAL AREA	31 December 2013				
	SLOVENIJA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	3,114,135,609	370,910,414	3,485,046,023	-407,938,679	3,077,107,344
Intangible assets	57,430,962	13,644,786	71,075,748	648,495	71,724,243
Property, plant and equipment	87,593,892	35,021,637	122,615,529	235,355	122,850,884
Deferred tax receivables	22,439,314	1,257,485	23,696,799	0	23,696,799
Investment property	62,846,550	22,801,708	85,648,258	11,597,126	97,245,384
Investments in subsidiaries	254,907,306	5,145,040	260,052,346	-260,052,346	0
Investments in associates	10,204,674	0	10,204,674	0	10,204,674
Financial assets	2,285,757,108	196,406,586	2,482,163,694	-49,980,315	2,432,183,379
Financial investments:	1,862,907,738	181,588,340	2,044,496,078	-49,980,315	1,994,515,763
- loans and deposits	194,948,246	52,584,165	247,532,411	-48,268,085	199,264,326
- held to maturity	197,096,116	27,784,835	224,880,951	0	224,880,951
- available for sale	1,334,899,667	97,835,741	1,432,735,408	-1,712,230	1,431,023,178
- investments recognised at fair value	135,963,709	3,383,599	139,347,308	0	139,347,308
Unit-linked insurance assets	422,849,370	14,818,246	437,667,616	0	437,667,616
Reinsurers' share of technical provisions	113,242,391	24,630,502	137,872,893	-73,165,365	64,707,528
Receivables	177,758,876	53,260,649	231,019,525	-34,690,744	196,328,781
- receivables from direct insurance operations	67,157,061	30,434,445	97,591,506	-1,631,577	95,959,929
- receivables from reinsurance and co-insurance operations	66,023,829	5,387,708	71,411,537	-28,088,998	43,322,539
- current tax receivables	12,917,312	1,806,783	14,724,095	0	14,724,095
- other receivables	31,660,674	15,631,713	47,292,387	-4,970,169	42,322,218
Other assets	26,952,370	2,552,280	29,504,650	-2,530,885	26,973,765
Cash and cash equivalents	12,878,817	16,189,741	29,068,558	0	29,068,558
Non-current assets held for sale	2,123,349	0	2,123,349	0	2,123,349
EQUITY AND LIABILITIES	3,114,135,609	370,910,414	3,485,046,023	-407,938,679	3,077,107,344
Equity	764,942,578	75,908,732	840,851,310	-250,313,853	590,537,457
Controlling interests	764,942,578	75,908,732	840,851,310	-256,536,433	584,314,877
- share capital	275,730,021	81,041,290	356,771,311	-283,069,924	73,701,387
- share premium	75,034,014	1,369,970	76,403,984	-19,537,790	56,866,194
- reserves from profit	266,043,850	15,759,517	281,803,367	-5,124,903	276,678,464
- fair value reserve	58,902,830	2,479,866	61,382,696	-16,777,261	44,605,435
- net profit brought forward	70,981,681	-13,435,135	57,546,546	32,536,569	90,083,115
- net profit/loss for the year	18,250,182	-7,680,581	10,569,601	35,643,906	46,213,507
- currency translation differences	0	-3,626,195	-3,626,195	-207,030	-3,833,225
Non-controlling interests	0	0	0	6,222,580	6,222,580
Subordinated liabilities	31,456,714	1,367,125	32,823,839	-4,579,355	28,244,484
Insurance technical provisions	1,681,642,295	217,778,950	1,899,421,245	-73,189,935	1,826,231,310
- unearned premium	211,391,566	61,998,152	273,389,718	-15,323,049	258,066,669
- mathematical provisions	823,783,519	46,949,487	870,733,006	0	870,733,006
- claims provisions	628,057,067	104,246,063	732,303,130	-57,866,886	674,436,244
- other insurance technical provisions	18,410,143	4,585,248	22,995,391	0	22,995,391
Insurance technical provisions for unit-linked insurance contracts	420,333,091	14,868,633	435,201,724	0	435,201,724
Employee benefits	9,874,510	1,526,872	11,401,382	0	11,401,382
Other provisions	10,044,992	6,173,738	16,218,730	0	16,218,730
Deferred tax liabilities	17,665,747	448,002	18,113,749	351,293	18,465,042
Other financial liabilities	51,695,793	23,343,241	75,039,034	-40,248,036	34,790,998
Operating liabilities	71,132,145	15,167,673	86,299,818	-29,974,285	56,325,533
- liabilities from direct insurance operations	15,615,686	6,471,358	22,087,044	-1,839,151	20,247,893
- liabilities from reinsurance and co-insurance operations	54,875,504	8,598,222	63,473,726	-28,135,134	35,338,592
- current tax liabilities	640,955	98,093	739,048	0	739,048
Other liabilities	55,347,744	14,327,448	69,675,192	-9,984,508	59,690,684

in EUR

STATEMENT OF FINANCIAL POSITION BY GEOGRAPHICAL AREA	31 December 2012				
	SLOVENIJA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	3,190,566,666	388,445,117	3,579,011,783	-455,203,390	3,123,808,393
Intangible assets	54,118,220	10,942,204	65,060,424	1,817,862	66,878,286
Property, plant and equipment	93,518,448	36,596,679	130,115,127	235,355	130,350,482
Deferred tax receivables	32,743,054	1,691,663	34,434,717	0	34,434,717
Investment property	64,986,142	23,603,595	88,589,737	11,597,126	100,186,863
Investments in subsidiaries	292,440,723	5,181,456	297,622,179	-297,622,179	0
Investments in associates	14,384,184	0	14,384,184	0	14,384,184
Financial assets	2,289,877,331	204,990,190	2,494,867,521	-48,988,869	2,445,878,652
Financial investments:	1,883,374,543	192,611,062	2,075,985,605	-48,988,869	2,026,996,736
- loans and deposits	255,524,416	65,046,763	320,571,179	-47,293,157	273,278,022
- held to maturity	199,277,500	29,138,665	228,416,165	0	228,416,165
- available for sale	1,325,255,570	94,004,924	1,419,260,494	-1,695,712	1,417,564,782
- investments recognised at fair value	103,317,057	4,420,710	107,737,767	0	107,737,767
Unit-linked insurance assets	406,502,788	12,379,128	418,881,916	0	418,881,916
Reinsurers' share of technical provisions	132,202,677	36,640,582	168,843,259	-85,267,547	83,575,712
Receivables	174,932,784	54,410,058	229,342,842	-34,492,790	194,850,052
- receivables from direct insurance operations	74,079,379	32,141,893	106,221,272	-2,356,271	103,865,001
- receivables from reinsurance and co-insurance operations	64,471,298	6,327,894	70,799,192	-27,856,408	42,942,784
- current tax receivables	7,490,565	1,841,144	9,331,709	0	9,331,709
- other receivables	28,891,542	14,099,127	42,990,669	-4,280,111	38,710,558
Other assets	31,250,939	4,911,817	36,162,756	-2,482,348	33,680,408
Cash and cash equivalents	7,774,547	9,476,873	17,251,420	0	17,251,420
Non-current assets held for sale	2,337,617	0	2,337,617	0	2,337,617
EQUITY AND LIABILITIES	3,190,566,666	388,445,117	3,579,011,783	-455,203,390	3,123,808,393
Equity	781,402,446	79,867,984	861,270,430	-286,706,673	574,563,757
Controlling interests	781,402,446	79,867,984	861,270,430	-293,406,610	567,863,820
- share capital	276,279,152	83,261,934	359,541,086	-285,839,694	73,701,392
- share premium	74,443,895	1,762,965	76,206,860	-19,496,147	56,710,713
- reserves from profit	242,702,915	15,496,025	258,198,940	-4,965,860	253,233,080
- fair value reserve	66,014,133	2,596,169	68,610,302	-16,791,248	51,819,054
- net profit brought forward	104,230,833	-14,347,950	89,882,883	-3,113,788	86,769,095
- net profit/loss for the year	17,731,518	-5,492,975	12,238,543	36,571,124	48,809,667
- currency translation differences	0	-3,408,184	-3,408,184	229,003	-3,179,181
Non-controlling interests	0	0	0	6,699,937	6,699,937
Subordinated liabilities	40,221,260	1,362,985	41,584,245	-4,558,695	37,025,550
Insurance technical provisions	1,739,652,960	233,584,884	1,973,237,844	-85,317,063	1,887,920,781
- unearned premium	226,269,982	59,825,048	286,095,030	-17,670,457	268,424,573
- mathematical provisions	826,665,167	43,284,769	869,949,936	0	869,949,936
- claims provisions	665,571,588	125,251,132	790,822,720	-67,646,606	723,176,114
- other insurance technical provisions	21,146,223	5,223,935	26,370,158	0	26,370,158
Insurance technical provisions for unit-linked insurance contracts	404,899,884	12,439,100	417,338,984	0	417,338,984
Employee benefits	9,363,448	1,210,225	10,573,673	0	10,573,673
Other provisions	11,944,984	7,676,568	19,621,552	0	19,621,552
Deferred tax liabilities	20,615,780	384,925	21,000,705	351,293	21,351,998
Other financial liabilities	51,489,102	24,797,750	76,286,852	-36,906,286	39,380,566
Operating liabilities	73,604,679	14,908,908	88,513,587	-30,363,480	58,150,107
- liabilities from direct insurance operations	15,808,735	5,993,910	21,802,645	-990,928	20,811,717
- liabilities from reinsurance and co-insurance operations	57,320,673	8,795,994	66,116,667	-29,372,552	36,744,115
- current tax liabilities	475,271	119,004	594,275	0	594,275
Other liabilities	57,372,123	12,211,788	69,583,911	-11,702,486	57,881,425

in EUR

	2013			2012		
	SLOVENIJA	OTHER	TOTAL	SLOVENIJA	OTHER	TOTAL
NET PREMIUM INCOME	695,139,516	142,503,151	837,642,667	737,842,838	146,525,034	884,367,872
- gross written premium	740,772,865	160,119,715	900,892,580	777,472,347	158,790,676	936,263,023
- ceded written premium	-55,395,657	-15,525,017	-70,920,674	-59,068,376	-15,914,869	-74,983,245
- change in unearned premiums	9,762,308	-2,091,547	7,670,761	19,438,867	3,649,227	23,088,094
TOTAL INCOME FROM FINANCIAL ASSETS	170,629,077	14,063,467	184,692,544	157,502,031	16,149,516	173,651,547
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	56,259	7,164	63,423	5,754,725	0	5,754,725
- income from investments accounted for using the equity method	39,532	0	39,532	1,720,451	0	1,720,451
- interest income	0	0	0	0	0	0
- dividends	0	0	0	0	0	0
- fair value gains	0	0	0	0	0	0
- realised gains on disposals	16,727	7,164	23,891	0	0	0
- other financial income	0	0	0	4,034,274	0	4,034,274
INCOME FROM OTHER FINANCIAL ASSETS	123,192,373	12,960,725	136,153,098	123,466,490	14,607,628	138,074,118
- interest income	66,679,242	9,463,621	76,142,863	72,262,404	10,240,307	82,502,711
- dividends	2,794,428	62,559	2,856,987	3,014,950	105,414	3,120,364
- fair value gains	21,993,806	255,522	22,249,328	17,042,119	574,041	17,616,160
- realised gains on disposals	28,120,993	522,043	28,643,036	27,164,048	2,106,412	29,270,460
- other financial income	3,603,904	2,656,980	6,260,884	3,982,969	1,581,454	5,564,423
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	47,380,445	1,095,578	48,476,023	28,280,816	1,541,888	29,822,704
OTHER INCOME FROM INSURANCE OPERATIONS	3,465,833	4,444,718	7,910,551	16,544,951	4,158,006	20,702,957
- fees and commission income	828,182	1,664,977	2,493,159	12,285,835	1,456,134	13,741,969
- other income from insurance operations	2,637,651	2,779,741	5,417,392	4,259,116	2,701,872	6,960,988
OTHER INCOME	70,199,554	6,414,570	76,614,124	68,641,629	7,398,271	76,039,900
NET CLAIMS INCURRED	486,546,053	85,117,046	571,663,099	484,036,436	94,901,835	578,938,271
- gross claims settled	519,868,939	107,639,395	627,508,334	512,687,516	101,077,662	613,765,178
- reinsurers' and co-insurers' share	-23,264,488	-12,576,208	-35,840,696	-13,963,801	-8,552,184	-22,515,985
- changes in claims provisions	-18,039,062	-9,946,141	-27,985,203	-22,096,922	2,376,357	-19,720,565
- equalisation scheme expenses for supplementary health insurance	7,980,664	0	7,980,664	7,409,643	0	7,409,643
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-840,399	3,491,808	2,651,409	-6,278,879	4,832,061	-1,446,818
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	15,433,207	2,473,054	17,906,261	49,999,757	2,883,022	52,882,779
EXPENSES FOR BONUSES AND DISCOUNTS	5,385,564	1,153,631	6,539,195	7,610,509	1,037,262	8,647,771
OPERATING EXPENSES	144,301,682	55,060,418	199,362,100	143,175,597	55,302,368	198,477,965
- costs of insurance contract acquisition	95,482,607	32,550,171	128,032,778	96,708,063	31,252,627	127,960,690
- other operating costs	48,819,075	22,510,247	71,329,322	46,467,534	24,049,741	70,517,275
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	110,898,700	3,488,224	114,386,924	97,778,795	3,179,148	100,957,942
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	1,417,909	0	1,417,909	2,104,247	0	2,104,247
- loss from investments accounted for using the equity method	986,250	0	986,250	2,104,247	0	2,104,247
- interest expense	0	0	0	0	1	1
- fair value losses	0	0	0	0	0	0
- realised loss on disposals	418,604	0	418,604	0	0	0
- impairments	1	0	1	0	0	0
- other financial expenses	13,054	0	13,054	0	0	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	75,691,689	3,488,224	79,179,913	95,300,432	2,877,450	98,177,882
- interest expense	3,112,244	282,682	3,394,926	3,517,581	58,745	3,576,326
- fair value losses	22,296,441	913,506	23,209,947	18,347,458	421,185	18,768,643
- realised loss on disposals	15,459,428	285,312	15,744,740	23,718,018	363,724	24,081,742
- impairments	27,214,647	929,353	28,144,000	42,934,102	718,173	43,652,275
- other financial expenses	7,608,929	1,077,371	8,686,300	6,783,279	1,315,622	8,098,896
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	33,789,102	0	33,789,102	374,116	301,697	675,813
OTHER INSURANCE EXPENSES	14,485,026	9,198,455	23,683,481	32,694,106	10,135,802	42,829,908
OTHER EXPENSES	76,537,749	10,488,607	87,026,356	73,903,491	9,899,555	83,803,046
PROFIT/ LOSS BEFORE TAX	86,686,398	-3,045,337	83,641,061	97,611,638	-7,940,226	89,671,412
Income tax expense	-13,125,839	-664,219	-13,790,058	-17,857,098	1,366,749	-16,490,349
NET PROFIT/LOSS	73,560,559	-3,709,556	69,851,003	79,754,540	-6,573,477	73,181,063
Net profit/loss attributable to the controlling company	73,603,053	-4,061,957	69,541,096	79,843,085	-7,330,107	72,512,985
Net profit/loss attributable to non-controlling interest holders	-42,494	352,400	309,906	-88,552	756,630	668,078

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1. Intangible assets

	in EUR				
	Goodwill	Deffered acquisition cost	Licences and software	Intangible assets in course of acquisition	Total
COST					
As at 1 January 2012	1,148,243	37,369,008	26,558,166	15,658,461	80,733,878
- transfer in use	0	0	11,139,145	-11,139,145	0
- purchases	0	0	954,937	8,170,582	9,125,519
- disposals	0	0	-527,671	0	-527,671
- reclassification	0	0	1,790,525	0	1,790,525
- increase	0	923,795	0	0	923,795
- decrease	0	-1,860,654	0	0	-1,860,654
- changes in consolidation area	669,620	0	242,081	0	911,700
- exchange rate difference	0	18,793	0	-195,757	-176,964
As at 31 December 2012	1,817,863	36,450,942	40,157,183	12,494,141	90,920,128
- transfer in use	0	0	8,458,545	-8,458,545	0
- purchases	0	0	6,534,273	3,691,072	10,225,345
- disposals	0	0	-2,648,908	-2,817	-2,651,725
- reclassification	0	0	-630,468	0	-630,468
- impairment	-1,169,368	0	0	0	-1,169,367
- increase	0	3,496,245	0	0	3,496,245
- decrease	0	-1,517,698	0	0	-1,517,698
- changes in consolidation area	0	0	-92,494	0	-92,494
- exchange rate difference	0	-101,053	-147,332	-31,900	-280,285
As at 31 December 2013	648,495	38,328,436	51,630,799	7,691,951	98,299,681
ACCUMULATED AMORTISATION					
As at 1 January 2012	0	0	-17,400,415	0	-17,400,415
- current year amortisation	0	0	-5,142,300	0	-5,142,300
- disposals	0	0	366,030	0	366,030
- reclassification	0	0	-1,790,966	0	-1,790,966
- changes in consolidation area	0	0	-108,410	0	-108,410
- exchange rate difference	0	0	34,217	0	34,217
As at 31 December 2012	0	0	-24,041,844	0	-24,041,844
- current year amortisation	0	0	-5,560,452	0	-5,560,452
- disposals	0	0	2,638,263	0	2,638,263
- reclassification	0	0	518,874	0	518,874
- changes in consolidation area	0	0	-223,105	0	-223,105
- exchange rate difference	0	0	92,831	0	92,831
As at 31 December 2013	0	0	-26,575,433	0	-26,575,433
CARRYING AMOUNT					
As at 31 December 2012	1,817,862	36,450,942	16,115,340	12,494,141	66,878,286
As at 31 December 2013	648,495	38,328,436	25,055,367	7,691,951	71,724,243

The Group did not pledge any intangible assets as collateral. As at 31 December 2013, trade payables for intangible assets amounted to EUR 1,612,556 (vs. EUR 587,309 as at 31 December 2011).

The amortisation for the current year is split between several items of the income statement. For details, see expenses by nature and function in Section 7.11.

As at 31 December 2013, intangible assets with an indefinite useful life amounted to EUR 9,368 and remained the same compared to previous year. The amount refers to a licence issued for an indefinite period.

The Group has no individual intangible assets of material value to the consolidated financial statements.

Goodwill

	As at 31 December 2012	Increase	Decrease	in EUR As at 31 December 2013
GOODWILL DUE TO				
- additional acquisition of equity shares of Triglav Svetovanje, d.o.o.	112,759	0	-112,759	0
- additional acquisition of equity shares of Golf Arboretum, d.o.o.	146,422	0	-146,422	0
- additional acquisition of equity shares of Lovćen Osiguranje a.d.	763,796	0	-763,796	0
- additional acquisition of equity shares of Sarajevostan d.d.	125,267	0	-125,267	0
- takeover of Avrigo, d.o.o.	184,853	0	0	184,853
- takeover of Integral Stojna Kočevje, d.o.o.	50,596	0	0	50,596
- takeover of Integral - Zagorje, d.o.o.	413,047	0	0	413,047
- takeover of Alptours d.o.o.	21,124	0	-21,124	0
TOTAL GOODWILL	1,817,863	0	-1,169,368	648,495

	2013	in EUR 2012
COST		
As at 1 January	1,817,863	1,148,243
- acquisition of subsidiaries	0	669,620
As at 31 December	1,817,863	1,817,863
ACCUMULATED AMORTISATION		
As at 1 January	0	0
- impairment	-1,169,368	0
As at 31 December	-1,169,368	0
CARRYING AMOUNT AS AT 31.12.	648,495	1,817,863

Goodwill impairment testing showed impairment indications for the investments in Triglav Svetovanje d.o.o., Golf Arboretum d.o.o., Lovćen Osiguranje a.d., Sarajevostan d.d. and Alptours d.o.o. According to the goodwill impairment testing results full impairment of goodwill was required for all the above stated investments.

The investment in Lovćen Osiguranje a.d. was tested by using the discounted cash flow method in the four-year forecast period, in accordance with projections contained in the document »2013–2017 Strategy« and adjusted by the cash flow realisation estimated for 2013 and 2014. The table below shows the key parameters used in value assessments.

Value assessment method	Material parameters	Parameter weight applied
DCF	g (growth rate in constant growth period)	2%
	operating margin before tax in the constant growth period (net profit/ gross premium)	5%
	re - discount rate	13,85%
	discount for the lack of liquidity	10%

The investment in Triglav Svetovanje, d.o.o. was measured based on the guidance that this company is crucial for retaining competitiveness in the insurance underwriting market.

As at the reporting date, both capital and the assessed liquidation value of Alptours d.o.o. were negative.

The investment in Golf Arboretum d.o.o. was measured using a company comparison approach.

The investment in Sarajevostan d.d., a company specialised in real property, was valued using the net asset value method, where real property was accounted for as the final asset. The value of the real property was assessed at an 18% discount rate.

In the consolidated financial statements a goodwill impairment loss of EUR 1.2 million was disclosed under other expenses. For Avrigo d.o.o., Integral Stojna Kočevje d.o.o. and Integral Zagorje d.o.o. the measured recoverable amounts were higher than carrying amounts and consequently no goodwill impairment was required.

6.2. Property, plant and equipment

	in EUR				
	Land	Buildings	Equipment	PP&E in course of acquisition	Total
COST					
As at 1 January 2012	11,588,784	120,631,848	74,311,192	1,434,786	207,966,610
- transfer in use	251,867	3,690,730	6,290,156	-10,232,753	0
- purchases	24,220	64,780	1,343,394	9,247,860	10,680,254
- disposals	-7,209	-1,393,637	-9,296,965	-18,014	-10,715,825
- reclassification	1,751,154	-2,764,956	-3,666,764	0	-4,680,566
- impairment	-53,268	-6,131,089	-65,606	0	-6,249,963
- external acquisition	1,672,752	6,917,806	32,418,359	0	41,008,917
- exchange rate differences	-8,295	-682,731	15,671	146	-675,209
As at 31 December 2012	15,220,005	120,332,751	101,349,437	432,025	237,334,218
- transfer in use	0	164,016	2,657,263	-2,821,279	0
- purchases	69,052	464,224	4,343,999	4,883,385	9,760,660
- disposals	-643,274	-19,332	-6,417,943	-2,791	-7,083,340
- reclassification	-179,184	-3,436,528	630,467	52,382	-2,932,863
- impairment	0	-1,016,767	-198,175	0	-1,214,942
- changes in consolidation area	0	0	10,006	0	10,006
- exchange rate differences	-61,756	-253,579	-165,094	-2,231	-482,660
As at 31 December 2013	14,404,843	116,234,785	102,209,960	2,541,491	235,391,079
ACCUMULATED DEPRECIATION					
As at 1 January 2012	0	-25,796,900	-53,361,023	0	-79,157,923
- depreciation for the current year	0	-2,259,230	-8,292,027	0	-10,551,257
- disposals	0	352,095	8,704,310	0	9,056,405
- reclassification	0	89,352	33,682	0	123,034
- impairment	0	272,156	60,034	0	332,190
- changes in consolidation area	0	-3,903,671	-22,979,407	0	-26,883,078
- exchange rate differences	0	187,107	-90,211	0	96,896
As at 31 December 2012	0	-31,059,091	-75,924,642	0	-106,983,733
- depreciation for the current year	0	-2,175,647	-9,875,920	0	-12,051,567
- disposals	0	5,529	5,965,396	0	5,970,925
- reclassification	0	673,163	-518,432	0	154,731
- impairment	0	30,946	162,663	0	193,609
- changes in consolidation area	0	0	-16,410	0	-16,410
- exchange rate differences	0	63,405	128,841	0	192,246
As at 31 December 2013	0	-32,461,695	-80,078,504	0	-112,540,199
CARRYING AMOUNT					
As at 31 December 2012	15,220,005	89,273,660	25,424,795	432,025	130,350,482
As at 31 December 2013	14,404,843	83,773,090	22,131,456	2,541,491	122,850,884

The depreciation charge for the current year is disclosed in several items of the income statement, as income statement expenses are recorded by functional group, as described in Section 2.28. For details, see expenses by nature and function in Section 7.11.

Reclassification of cost totalling EUR 3.4 million was due to the transfers of real property and tangible fixed assets to investment property, performed by Zavarovalnica Triglav and Triglav Nepremičnine.

6.3. Investment property

	in EUR			
	Land	Buildings	IP in course of acquisition	Total
COST				
As at 1 January 2012	42,214,163	67,621,951	4,992	109,841,106
- transfer in use	2,123,021	333,180	-2,456,201	0
- purchases	0	0	2,514,717	2,514,718
- disposals	-429,181	-4,791,344	0	-5,220,525
- reclassification	0	6,033,863	0	6,033,863
- changes in consolidation area	182,624	3,700,094	0	3,882,718
- exchange rate difference	-9,699	-39,903	0	-49,602
As at 31 December 2012	44,080,928	72,857,841	63,508	117,002,277
- transfer in use	83,780	180,131	-263,911	0
- purchases	945,489	1,287,297	386,072	2,618,858
- disposals	-178,051	-614,536	0	-792,587
- reclassification	138,511	3,383,769	-2,615	3,519,665
- impairment	-4,558,964	-1,712,653	0	-6,271,617
- exchange rate difference	-18,914	-86,186	0	-105,100
As at 31 December 2013	40,492,779	75,295,663	183,054	115,971,496
DEPRECIATION				
As at 1 January 2012	0	-13,056,215	0	-13,056,215
- depreciation for the current year	0	-1,650,016	0	-1,650,016
- disposals	0	158,492	0	158,492
- reclassification	0	-1,324,399	0	-1,324,399
- impairment	0	-29,558	0	-29,558
- changes in consolidation area	0	-913,809	0	-913,809
- exchange rate difference	0	89	0	89
As at 31 December 2012	0	-16,815,416	0	-16,815,416
- depreciation for the current year	0	-1,556,334	0	-1,556,334
- disposals	0	52,682	0	52,682
- reclassification	0	-632,488	0	-632,488
- impairment	0	213,416	0	213,416
- exchange rate difference	0	12,024	0	12,024
As at 31 December 2013	0	-18,726,116	0	-18,726,116
CARRYING AMOUNT				
As at 31 December 2012	44,080,928	56,042,425	63,508	100,186,863
As at 31 December 2013	40,492,779	56,569,547	183,054	97,245,384

Reclassification of cost totalling EUR 3.4 million was due to the transfers of real property and tangible fixed assets to investment property. Other instances of reclassification refer to transfers between cost accounts and accounts showing value adjustments of investment property, which had no impact on the carrying amount of investment property.

The Group leases its investment properties, i.e. individual business premises. All leasing agreements, stipulated for an initial period from one to ten years, may be rescinded at any moment. Rents do not include conditional rents.

All investment property income relates exclusively to rents and is shown in the income statement under the item »Other income« (see Section 7.7). All investment property expenses relate to depreciation and maintenance costs arising from the investment property and are shown in the income statement under the item »Other expenses« (see Section 7.13). Fair value is disclosed below.

	in EUR	
	31 December 2013	31 December 2012
Carrying amount	97,245,384	100,186,864
Estimated fair value	119,543,821	159,742,353

6.4. Investments in associates

In 2013 the Triglav Group did not acquire and associate company. The following changes regarding associates occurred:

- Triglav Skladi d.o.o. disposed ZIF Polara Invest Fond a.d., Banja Luka. The proceeds received for a 20.83% stake equalled EUR 1,967,399. The effect of this disposal was a loss of EUR 713,584, recognised in the income statement as a financial expense. In the consolidated financial statements the investment was accounted for using the equity method.
- In 2013, Tehnološki center varne vožnje Vransko d.o.o. was stricken out from the Companies Register based on a judicial winding-up order following a summary procedure. On a consolidated basis a loss of EUR 810 was recognised. In the consolidated financial statements the investment was accounted for using the equity method.
- In December 2013 the Bank of Slovenia issued a decision by which it annulled the shares issued by Abanka Vipava d.d. consequently these were stricken off the register kept by KDD.

The effect of the valuation of investments using the equity method is disclosed as a separate item in the income statement.

NAME OF THE LEGAL ENTITY	ADDRESS	TAX RATE (in%)	ACTIVITY	SHARE IN CAPITAL (in %)		VOTING RIGHTS (in %)		VALUE OF INVESTMENT (in EUR)	
				2013	2012	2013	2012	2013	2012
Elan skupina, d.o.o.	Begunje na Gorenjskem 1, Begunje na Gorenjskem, Slovenia	17	Holding company	25.05	25.05	25.05	25.05	0	220,693
Goriške opekarne d.d.	Merljaki 7, Renče, Slovenia	17	Manufacturing	46.74	46.74	46.74	46.74	0	108,535
Info TV d.d. – v stečaju	Brilejeva ul. 6, Ljubljana, Slovenia	17	Radio and television	-	41.41	-	41.41	-	0
Nama d.d.	Tomšičeva ulica 1, Ljubljana, Slovenia	17	Retail	39.07	39.07	39.07	39.07	4,281,456	4,296,703
Skupna pokojninska družba d.d.	Trg Republike 3, Ljubljana, Slovenia	17	Pension funds	30.14	30.14	30.14	30.14	2,901,445	3,262,269
Tehnološki center varne vožnje Vransko*	Vransko 66a, Vransko, Slovenia	17	Research and development	-	25.01	-	25.01	-	810
Triglavko d.o.o.	Ulica XXX. divizije 23, Nova Gorica, Slovenia	17	Insurance brokerage	38.47	38.47	38.47	38.47	14,825	13,366
ZIF Polara Invest Fond a.d.	Svetozara Markovića 5/5, Banja Luka, Republika srpska- BiH	10	Investment fund	-	20.83	-	20.83	-	2,680,984
ZIF Prof Plus	Veselina Masleše 1, Banjaluka, Republika srpska- BiH	10	Investment fund	22.09	22.11	22.09	22.11	3,006,946	3,800,821
SKUPAJ								10,204,674	14,384,184

* In 2013, Tehnološki center varne vožnje Vransko was stricken out from the Companies Register.

NAME OF THE LEGAL ENTITY	ASSETS		LIABILITIES		EQUITY		REVENUES		PROFIT/LOSS	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Elan skupina, d.o.o.	83,138,276	107,744,000	45,323,796	67,646,000	37,814,480	40,098,000	57,365,627	78,546,000	-1,760,594	-6,858,000
Goriške opekarne d.d.	13,468,842	14,388,509	9,033,334	9,214,784	4,435,508	5,173,725	6,672,717	6,868,497	-761,048	-1,539,645
Info TV d.d. – v stečaju	-	No data	-	No data	-	No data	-	No data	-	No data
Nama d.d.	12,489,786	12,345,071	2,032,783	1,849,078	10,457,003	10,495,993	12,841,834	14,104,058	97,475	134,774
Skupna pokojninska družba d.d.	No data	263,668,874	No data	246,764,252	No data	16,918,474	No data	6,269,379	No data	3,254,713
Tehnološki center varne vožnje Vransko	-	6,844	-	0	-	6,844	-	182	-	-43
Triglavko d.o.o.	143,906	187,091	54,780	101,759	89,126	85,332	369,015	532,122	3,793	-13,589
ZIF Polara Invest Fond a.d.	-	12,917,083	-	46,300	-	12,870,783	-	1,001,266	-	285,629
ZIF Prof Plus	22,906,963	26,401,626	254,025	155,628	22,652,938	26,245,998	611,852	821,338	2,273,355	1,628,220

in EUR

6.5. Financial assets⁵

	in EUR	
	31 December 2013	31 December 2012
Held to maturity	224.880.951	228.416.165
At fair value through profit and loss	139.347.308	107.737.767
- designated	136.698.403	104.849.906
- held for trading	2.648.905	2.887.861
Available for sale	1.431.023.178	1,417,564,782
Loans and receivables	199.264.326	273,278,022
Unit-linked insurance assets	437.667.616	418,881,916
- at fair value through profit and loss	429.058.180	413,790,847
- loans and receivables	8.184.428	4,661,793
- available for sale	425.008	429,275
TOTAL	2.432.183.379	2,445,878,652

The table above shows the carrying amount of financial assets (without operating receivables and cash or cash equivalents).

Overview of financial assets by type

2013	HTM	FVTPL - HELD FOR TRADING	FVTPL - CLASSIFIED INTO THIS GROUP	AFS	L&R	TOTAL
Debt and other fixed-return securities	224,880,951	207,417	135,494,892	1,294,300,257	28,673,047	1,683,556,565
Investments in shares, other floating-rate securities and fund coupons	0	17,618,191	414,341,917	130,929,936	0	562,890,044
Financial derivatives	0	665,166	52,414	0	0	717,580
Loans and receivables	0	3,623	21,869	6,217,990	174,608,859	180,852,341
- deposits with banks	0	0	0	0	111,742,125	111,742,125
- loans given	0	0	0	1,426,466	60,505,740	61,932,206
- other financial investments	0	3,623	21,869	4,791,524	2,360,994	7,178,010
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	4,166,848	4,166,848
TOTAL	224,880,951	18,494,397	549,911,092	1,431,448,183	207,448,754	2,432,183,378

	in EUR					
2012	HTM	FVTPL - HELD FOR TRADING	FVTPL - CLASSIFIED INTO THIS GROUP	AFS	L&R	TOTAL
Debt and other fixed-return securities	228,416,165	0	154,826,027	1,257,599,388	51,738,939	1,692,580,519
Investments in shares, other floating-rate securities and fund coupons	0	15,932,053	344,918,549	155,598,917	0	516,449,519
Financial derivatives	0	289,434	1,163,846	0	0	1,453,280
Loans and receivables	0	0	4,398,706	4,795,752	222,014,998	231,209,456
- deposits with banks	0	0	0	0	158,405,271	158,405,271
- loans given	0	0	0	0	61,182,317	61,182,317
- other financial investments	0	0	4,398,706	4,795,752	2,427,410	11,621,868
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	4,185,878	4,185,878
TOTAL	228,416,165	16,221,487	505,307,128	1,417,994,057	277,939,815	2,445,878,652

⁵ For presentational ease, abbreviations of individual categories of financial assets are used in the disclosures:

- HTM – financial assets held to maturity
- FVTPL – financial assets at fair value through profit and loss
- AFS – financial assets available for sale
- L&R – loans and deposits
- ULI – financial assets of long-term business fund backing unit-linked insurance

Movements of financial assets

in EUR						
FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	TOTAL
As at 1 January 2012	245,218,283	83,543,191	1,192,865,726	439,712,248	364,684,374	2,326,023,820
Purchases	4,961,442	109,677,916	930,345,023	595,363,149	35,878,027	1,676,225,557
Maturities	-23,176,148	-76,946,719	-720,405,477	-80,088,113	-11,218,407	-911,834,864
Disposals	-13,691,802	-10,361,708	-83,578,577	-696,590,196	-335,372	-804,557,655
Amount removed from equity at disposal	0	0	19,140,625	0	0	19,140,625
Valuation trough profit and loss	0	-536,601	-40,271,042	-355,117	29,166,164	-11,996,596
Valuation trough equity	0	0	76,298,875	0	0	76,298,875
Impairments	-511,188	0	-221,160	-58,808	0	-791,156
Premiums and discounts	3,854,533	0	575,233	-258,454	193,918	4,365,230
Interest income	11,767,377	3,027,378	42,625,153	15,475,768	532,202	73,427,878
Exchange rate difference	-6,332	-665,690	190,403	77,545	-18,990	-423,062
As at 31 December 2012	228,416,165	107,737,767	1,417,564,782	273,278,022	418,881,916	2,445,878,652
Purchases	0	106,479,762	1,006,359,385	370,579,669	119,039,276	1,602,458,092
Maturities	0	-46,388,554	-876,111,208	-101,177,635	-113,443,704	-1,137,121,101
Disposals	-14,341,608	-25,705,990	-146,083,693	-348,835,585	-233,706	-535,200,582
Amount removed from equity at disposal	0	0	20,371,314	0	0	20,371,314
Valuation trough profit and loss	0	-6,977,386	-1,858,006	-682,966	12,894,973	3,376,615
Valuation trough equity	0	0	-7,243,421	0	-796	-7,244,217
Impairments	-448,648	0	-20,379,347	-4,809,742	0	-25,637,737
Premiums and discounts	3,921,435	0	-247,350	248,170	201,723	4,123,978
Interest income	7,298,748	4,305,084	42,087,188	10,976,737	318,533	64,986,290
Exchange rate difference	34,859	-103,375	-3,436,473	-312,344	9,401	-3,807,932
As at 31 December 2013	224,880,951	139,347,308	1,431,023,178	199,264,326	437,667,616	2,432,183,379

6.6. Reinsurers' share of technical provisions

in EUR		
NON-LIFE INSURANCE	31 December 2013	31 December 2012
Reinsurers' share of unearned premiums	15,147,591	16,382,042
Reinsurers' share of claims	49,555,929	67,190,188
Reinsurers' share of other technical provisions	0	0
Total non-life insurance	64,703,520	83,572,230
LIFE INSURANCE		
Reinsurers' share of unearned premiums	4,008	3,482
Reinsurers' share of other mathematical provisions	0	0
Total life insurance	4,008	3,482
TOTAL ASSETS FROM REINSURANCE CONTRACTS	64,707,528	83,575,712

6.7. Receivables

Receivables by maturity

										in EUR
31 December 2013	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			TOTAL NET VALUE
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
Receivables from direct insurance operations	70,006,602	-85,791	69,920,811	25,390,099	-5,435,008	19,955,091	80,006,185	-73,922,158	6,084,027	95,959,929
Receivables from insurers	68,038,136	-85,769	67,952,367	23,161,908	-5,209,866	17,952,042	70,471,216	-65,172,802	5,298,414	91,202,823
Receivables from insurance brokers	421,497	0	421,497	960,608	-98,934	861,674	876,306	-191,205	685,101	1,968,272
Other receivables from direct insurance operations	1,546,969	-22	1,546,947	1,267,583	-126,208	1,141,375	8,658,663	-8,558,151	100,512	2,788,834
Receivables from co-insurance and reinsurance operations	26,227,087	0	26,227,087	7,144,458	-2,073,685	5,070,773	12,024,679	0	12,024,679	43,322,539
Premium receivable from co-insurance	794,372	0	794,372	225,664	0	225,664	0	0	0	1,020,036
Premium receivable from reinsurance	17,543,682	0	17,543,682	2,471,929	0	2,471,929	10,642,644	0	10,642,644	30,658,255
Receivables from co-insurers ' share in claims	134,845	0	134,845	12,676	0	12,676	0	0	0	147,521
Receivables from reinsurers ' share in claims	5,399,327	0	5,399,327	4,210,079	-2,073,685	2,136,394	1,362,163	0	1,362,163	8,897,884
Other receivables from co-insurance and reinsurance operation	2,354,861	0	2,354,861	224,110	0	224,110	19,872	0	19,872	2,598,843
Receivables for income tax refund	14,724,095	0	14,724,095	0	0	0	0	0	0	14,724,095
Other receivables	31,518,617	-54,785	31,463,832	10,732,308	-1,922,012	8,810,296	96,719,442	-94,671,352	2,048,090	42,322,218
Other short-term receivables from insurance operations	6,483,176	-120	6,483,056	5,120,913	-1,813,238	3,307,675	91,839,914	-89,876,096	1,963,818	11,754,549
Short-term receivables from financing	6,567,249	-1,120	6,566,129	96,604	-16,141	80,463	457,413	-242,515	214,898	6,861,490
Other short-term receivables	15,316,854	-5,145	15,311,709	5,514,791	-92,633	5,422,158	4,422,115	-4,552,741	-130,626	20,603,241
Long-term receivables	3,151,338	-48,400	3,102,938	0	0	0	0	0	0	3,102,938
TOTAL	142,476,401	-140,576	142,335,825	43,266,865	-9,430,705	33,836,160	188,750,306	-168,593,510	20,156,796	196,328,781

31 December 2012	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			v EUR TOTAL NET VALUE
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
Receivables from direct insurance operations	76,026,464	-43,965	75,982,499	29,387,603	-6,149,102	23,238,501	77,507,695	-72,863,694	4,644,001	103,865,001
Receivables from insurers	74,188,151	-43,965	74,144,186	26,501,239	-6,041,737	20,459,502	68,986,324	-64,955,304	4,031,020	98,634,708
Receivables from insurance brokers	543,446	0	543,446	1,269,123	-37,231	1,231,892	622,771	-117,560	505,211	2,280,549
Other receivables from direct insurance operations	1,294,867	0	1,294,867	1,617,241	-70,134	1,547,107	7,898,600	-7,790,830	107,770	2,949,744
Receivables from co-insurance and reinsurance operations	28,956,260	0	28,956,260	5,278,236	0	5,278,236	8,708,288	0	8,708,288	42,942,784
Premium receivable from co-insurance	914,306	0	914,306	116,483	0	116,483	276	0	276	1,031,065
Premium receivable from reinsurance	20,912,449	0	20,912,449	1,573,424	0	1,573,424	8,073,133	0	8,073,133	30,559,006
Receivables from co-insurers ' share in claims	564,438	0	564,438	89,383	0	89,383	0	0	0	653,821
Receivables from reinsurers ' share in claims	3,994,790	0	3,994,790	3,426,350	0	3,426,350	591,959	0	591,959	8,013,099
Other receivables from co-insurance and reinsurance operation	2,570,277	0	2,570,277	72,596	0	72,596	42,920	0	42,920	2,685,793
Receivables for income tax refund	9,331,709	0	9,331,709	0	0	0	0	0	0	9,331,709
Other receivables	24,911,898	-190,773	24,721,123	15,375,108	-3,771,391	11,603,717	91,776,200	-89,390,484	2,385,716	38,710,558
Other short-term receivables from insurance operations	6,392,903	0	6,392,903	6,328,856	-2,486,004	3,842,852	87,824,802	-85,844,234	1,980,568	12,216,323
Short-term receivables from financing	1,175,685	232	1,175,917	1,226,040	-45,095	1,180,945	323,841	-238,357	85,484	2,442,346
Other short-term receivables	13,817,748	-191,005	13,626,741	7,820,212	-1,240,292	6,579,920	3,627,557	-3,307,893	319,664	20,526,327
Long-term receivables	3,525,562	0	3,525,562	0	0	0	0	0	0	3,525,562
TOTAL	139,226,331	-234,738	138,991,593	50,040,947	-9,920,493	40,120,454	177,992,183	-162,254,178	15,738,005	194,850,052

6.8. Other assets

in EUR		
	31 December 2013	31 December 2012
Inventories	23,345,050	27,159,826
Deferred costs	2,750,061	5,880,361
Other assets	878,654	640,221
TOTAL	26,973,765	33,680,408

Inventories include investment property for sale in the amount of EUR 18.0 million (vs. 2012: EUR 23.1 million).

6.9. Cash and cash equivalents

in EUR		
	31 December 2013	31 December 2012
Cash in bank accounts in EUR	10,054,833	5,128,879
Deposits redeemable at notice	10,077,961	3,397,733
Cash in bank accounts in other currencies	8,256,370	8,533,441
Cash on hand and cheques in EUR	49,942	41,841
Cash on hand and cheques in other currencies	55,323	135,592
Cash in transit	486,906	0
Other	87,223	13,935
TOTAL	29,068,558	17,251,420

Total cash amount in line Other includes EUR 82,883 of cash reserved for claims payments.

6.10. Non-current assets held for sale

The amount of non-current assets held for sale arise from property recognized by the group company Slovenijales.

in EUR		
	31 December 2013	31 December 2012
Non-current assets held for sale	2,123,349	2,337,617
TOTAL	2,123,349	2,337,617

6.11. Equity

As at 31 December 2013, the share capital amounted to EUR 73,701,392. The share capital was divided into 22,735,148 no-par value shares. Each share represents the same stake and a corresponding amount in the share capital. The portion of each no-par value share in the share capital is determined on the basis of the number of no-par value shares issued. All of the shares have been paid up in full.

Top 10 shareholders of Zavarovalnica Triglav are listed below.

Shareholder	Number of shares		Percentage of ownership	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Zavod za pokojninsko in invalidsko zavarovanje, Ljubljana, Slovenia	7,836,628	7,836,628	34.47	34.47
Slovenska odškodninska družba, d.d., Ljubljana, Slovenia	6,380,728	6,380,728	28.07	28.07
Hypo Alpe Adria Bank d.d. Zagreb, Croatia	825,769	0	3.63	0
Claycroft Limited, Nicosia, Cyprus	404,460	404,460	1.78	1.78
Hrvatska Poštanska banka d.d. Zagreb, Croatia	347,182	140,228	1.53	0.62
Skandinaviska Enskilda Banken S.A. Luxembourg, Luxembourg	334,516	0	1.47	0
Eastern European Fund, Luxembourg, Luxembourg	333,034	0	1.46	0
Hypo Alpe Adria Bank AG Klagenfurt, Celovec, Austria	279,164	280,720	1.23	1.23
Unicredit Bank Austria AG, Dunaj, Austria	201,349	184,562	0.89	0.81
Pozavarovalnica Sava, d.d., Ljubljana, Slovenia	197,489	30,124	0.87	0.13
Other shareholders (each less than 1%)	5,594,829	7,477,698	24.60	32.89
TOTAL	22,735,148	22,735,148	100.00	100.00

Stock exchange listing and share price

On 5 December 2011, the shares of Zavarovalnica Triglav bearing the ZVTG ticker were transferred from the Standard to the Prime Market of the Ljubljana Stock Exchange. By listing shares on LJSE Prime Market, Zavarovalnica Triglav became one of the most prominent issuers at the Ljubljana Stock Exchange.

The quoted price of the Company's share on the Ljubljana Stock Exchange at the year end is given below.

	in EUR	
	31 December 2013	31 December 2012
Quoted price of the share	19.00	16.50
Carrying amount per share ⁶	25.70	24.98

Dividends

	2013	2012
Dividends to be distributed to shareholders ⁷	Not decided yet	45,404,032
Dividend per share	-	2.00

Authorised capital

In accordance with the Memorandum and Articles of Association of Zavarovalnica Triglav, in the period to 28 June 2016 the Management Board of Zavarovalnica Triglav is authorised to increase the share capital by up to EUR 11,055,209 with new share issues. The Management Board decides on new share issues, the amount of capital increases, the rights attached to new shares and the conditions of new share issues subject to the approval of the Supervisory Board.

To date, Zavarovalnica Triglav has not yet exercised the right to increase its share capital from said authorisation.

⁶ Carrying amount per share is calculated using the amount of controlling interests.

⁷ The total amount of dividend also includes amounts to be paid to non-controlling interest holders.

Reserves from profit

In addition to legal and treasury share reserves, reserves from profit also comprise credit risk equalisation reserves and other profit reserves.

According to the ZGD-1, the Management Board of Zavarovalnica Triglav may allocate net profit for the year to other profit reserves, i.e. up to one half of the net profit remaining after statutory allocations. In addition to prudent risk management, strategic capital needs are considered when forming these profit reserves.

Credit risk equalisation reserves in Slovenia are formed and calculated in line with the Insurance Act. The calculation of these reserves is also stipulated by local legislation in Montenegro. The abovementioned legal requirements treat these equalisation reserves as insurance technical provisions. Any change in these reserves should be recognised through the income statement. Since the above mentioned requirements do not comply with IFRS, insurance companies in compliance with IFRS disclose equalisation provisions in reserves from profit. Any changes in these reserves are also recognised as an increase or decrease in the net profit/loss for the year in the statement of changes in equity.

Reserves from treasury shares and treasury shares (as a deductible item)

In 2008, Slovenijales d.d. acquired 24,312 shares of Zavarovalnica Triglav d.d. worth EUR 364,680. The company Avrigo d.d. acquired 8,820 shares of Zavarovalnica Triglav, worth EUR 88,200. In the consolidated statement of financial position, they are disclosed as a deductible equity item of the same amount. Equivalent reserves for treasury shares are formed for these shares in the consolidated statement of financial position (from profit from previous years).

Fair value reserve

The fair value reserve represents changes in the fair value of available-for-sale financial assets. The fair value reserve is reduced by the deferred tax liabilities. Changes in the fair value reserve are specified in more detail in the statement of comprehensive income in Chapter III – Consolidated Financial Statements (Consolidated Statement of Comprehensive Income).

Currency translation adjustment

Currency translation differences arise from foreign exchange differences in consolidation procedures. In 2013, the currency translation adjustment totalled EUR 654,056 (vs. EUR 613,879 in 2012) 8, primarily due to the decrease in the Serbian dinar (RSD).

Notes to the statement of changes in equity

The following changes are shown in the statement of changes in equity for 2013:

- The Management Board of Zavarovalnica Triglav allocated EUR 23,2 million of net profit earned in 2013 to statutory reserves.
- Based on the resolution passed by the General Meeting of Shareholders of Zavarovalnica Triglav on 11 June 2013 on the distribution of the accumulated profit for 2012, EUR 45.5 million were allocated to dividend payments. For consolidation purposes the dividends paid to Slovenijales of EUR 48,624 and to Avrigo EUR 17,640 were eliminated.

⁸ The amount does not include translation differences relating to non-controlling interests.

- Sarajevostan d.d. and Triglav Osiguranje a.d.o., Banja Luka, allocated EUR 113 thousand to legal and statutory reserves. Triglav Osiguranje d.d., Zagreb, allocated EUR 4 thousand to contingency reserves. These reserves were formed out of net profit brought forward.
- Credit risk equalisation reserves of Pozavarovalnica Triglav d.d. increased by EUR 128 thousand.
- Share premium grew by EUR 118 thousand as a result of acquiring equity holdings in Slovenijales d.d. from non-controlling interest holders. The change in the equity holding in turn decreased the equity held by the non-controlling interest holders to EUR 804 thousand.

6.12. Subordinated liabilities

	Amortised cost		Fair value	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
ZT01 bonds	0	8,769,000	0	9,038,213
ZT02 bonds	28,244,484	28,256,550	31,093,767	30,793,767
TOTAL SUBORDINATED LIABILITIES	28,244,484	37,025,550	31,093,767	39,831,980

in EUR

The total amount of subordinated liabilities refers to Zavarovalnica Triglav bonds.

The ZT01 bonds were issued in 2003 as euro-denominated subordinated bonds in a dematerialised form. The fell due on 20 October 2013. On the due date the principal and the last coupon were paid to bondholders amounting to EUR 8,790,000 and EUR 450,411 respectively.

As at the balance sheet date the principal of the ZT02 bonds – issued in 2009 as euro-denominated subordinated registered bonds in a dematerialised form – was recognised as a subordinated liability. A total of 30,000 bonds worth EUR 1,000 each were issued. All the bonds were sold. The fixed interest rate of the bond is 250 basis points above the 10-year mid-swap rate as at 15 December 2009 and equals 5.95% p.a. The last coupon and the principal will fall due on 21 March 2020.

Issued bonds are disclosed at amortised cost. For the calculation of fair values, the last known price on the Ljubljana Stock Exchange is taken into account. The price for ZT02 as at 31 December 2013 was 99% (vs. 99% as at 31 December 2012).

In the event of winding-up or liquidation, liabilities arising from the above-mentioned bond issue are subordinated to net debt instruments and payable only after the satisfaction of all non-subordinated liabilities to ordinary creditors. These bonds may not be cashed before the maturity set by the amortisation schedule, and likewise Zavarovalnica Triglav has no right to redeem them before maturity. The bonds are not convertible into capital or any other form of debt. ZT02 bonds were listed on the Ljubljana Stock Exchange in 2010.

6.13. Insurance technical provisions and insurance technical provisions for unit-linked insurance contracts

in EUR		
NON-LIFE INSURANCE	31 December 2013	31 December 2012
GROSS PROVISIONS FOR UNEARNED PREMIUMS	257,615,712	268,008,937
Gross provision for unearned premiums	257,485,291	267,877,005
Gross provisions for unearned premiums from coinsurance	130,421	131,931
GROSS CLAIMS PROVISIONS	654,272,061	702,745,646
Gross provisions for incurred and reported claims	242,962,715	263,591,097
Gross claims provisions for co-insurance	1,193,378	1,374,658
Gross claims provisions for IBNR and IBNER	377,786,972	400,367,167
Expected subrogation	-8,882,297	-8,886,913
Provisions for claim handling costs	41,211,293	46,299,638
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	15,399,739	17,153,835
TOTAL OTHER INSURANCE TECHNICAL PROVISIONS	7,595,652	9,216,323
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS	934,883,164	997,124,741
LIFE INSURANCE	31 December 2013	31 December 2012
GROSS UNEARNED PREMIUM PROVISIONS	450,957	415,636
GROSS MATHEMATICAL PROVISIONS*	870,733,006	869,949,936
Gross mathematical provisions covering life insurance	701,447,399	702,665,715
Gross mathematical provisions covering SVPI	152,073,435	158,074,465
Gross mathematical provisions covering SVPI during the annuity pay-out period	17,212,172	9,209,756
GROSS CLAIMS PROVISIONS	20,164,185	20,430,469
OTHER TECHNICAL PROVISIONS	0	0
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS	891,348,148	890,796,041
TOTAL INSURANCE TECHNICAL PROVISIONS	1,826,231,312	1,887,920,782
GROSS MATHEMATICAL PROVISIONS COVERING ULI	435,201,724	417,338,984

* Insurance technical provisions include gross mathematical provisions for the long-term business fund backing unit-linked insurance (ULI), which are disclosed in the financial statements under the separate item "Insurance technical provisions for unit-linked insurance".

Analysis of changes in insurance technical provisions

in EUR						
NON-LIFE INSURANCE	1 January 2013	Increase (formation)	Use	Release	Exchange rate difference	31 December 2013
Gross unearned premium	268,008,937	181,224,071	-181,293,733	-9,334,052	-989,511	257,615,712
Gross claims provisions	702,745,646	179,269,136	-100,427,925	-124,501,333	-2,813,465	654,272,059
Gross provisions for bonuses and discounts	17,153,835	10,584,917	-7,304,854	-5,033,733	-426	15,399,739
Other gross insurance technical provisions	9,216,323	2,969,426	-3,257,029	-1,303,701	-29,367	7,595,652
TOTAL	997,124,741	374,047,550	-292,283,541	-140,172,819	-3,832,769	934,883,164

in EUR						
LIFE INSURANCE	1 January 2013	Increase (formation)	Use	Release	Exchange rate difference	31 December 2013
Gross unearned premium	415,636	446,497	-409,164	-1,968	-44	450,957
Gross mathematical provisions	869,949,936	108,294,117	-106,268,493	-936,565	-305,989	870,733,006
Gross claims provisions	20,430,469	12,877,482	-8,033,410	-5,104,036	-6,320	20,164,185
Gross mathematical provisions for unit-linked insurance	417,338,984	68,674,960	-50,172,974	-526,704	-112,542	435,201,724
TOTAL	1,308,135,025	190,293,056	-164,884,041	-6,569,273	-424,895	1,326,549,872

Analysis of the decrease in gross mathematical provisions

in EUR		
	2013	2012
Surrenders	39,829,912	48,885,707
Endowments	58,955,949	53,358,103
Deaths	2,683,606	2,503,099
Other	5,735,590	5,736,800
TOTAL	107,205,057	110,483,709

Analysis of changes in loss events for non-life insurance

	in EUR										
	Year of occurrence										
	Before 2005	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Cumulative loss assessment											
- at the end of year of occurrence	345,954,557	337,227,075	395,532,468	452,588,309	580,563,977	560,952,881	535,615,958	509,028,152	537,773,397	540,980,548	4,796,217,324
- 1 year after year of occurrence	364,915,806	349,418,055	388,699,228	441,568,602	558,871,106	502,868,739	492,902,084	461,311,067	539,573,012	0	4,100,127,700
- 2 years after year of occurrence	388,566,812	364,418,433	386,951,625	437,542,206	531,833,942	492,609,753	473,335,579	474,755,005	0	0	3,550,013,356
- 3 years after year of occurrence	419,309,049	394,812,349	391,396,176	429,583,969	530,609,243	484,758,847	479,637,277	0	0	0	3,130,106,910
- 4 years after year of occurrence	493,011,817	437,600,736	391,600,750	430,229,469	526,347,769	484,136,193	0	0	0	0	2,762,926,734
- 5 years after year of occurrence	527,660,587	462,894,947	391,808,717	426,895,003	527,163,911	0	0	0	0	0	2,336,423,166
- 6 years after year of occurrence	550,965,574	481,557,073	397,476,476	429,407,513	0	0	0	0	0	0	1,859,406,635
- 7 years after year of occurrence	547,869,910	495,484,757	391,351,183	0	0	0	0	0	0	0	1,434,705,850
- 8 years after year of occurrence	547,025,194	480,485,720	0	0	0	0	0	0	0	0	1,027,510,914
- 9 years after year of occurrence	522,940,608	0	0	0	0	0	0	0	0	0	522,940,608
Cumulative loss assessment	4,870,430,971	480,485,720	391,351,183	429,407,513	527,163,911	484,136,193	479,637,277	474,755,005	539,573,012	540,980,548	9,217,921,333
Cumulative payments until balane sheet date	508,884,337	466,618,313	371,203,137	402,623,619	495,334,612	444,661,090	425,809,423	403,702,223	412,855,706	292,582,154	4,224,274,613
Claim provisions balance	14,056,271	13,867,407	20,148,046	26,783,893	31,829,300	39,475,104	53,827,854	71,052,783	126,717,306	248,398,394	646,156,358

* The triangle includes gross claims provisions for incurred and reported claims as well as gross claims provisions for IBNER.

6.14. Employee benefits

	31 December 2013	31 December 2012
Provisions for unused leave	3,743,359	3,529,472
Provisions for retirement benefits	6,120,337	5,559,233
Provisions for jubilee payments	1,537,686	1,484,968
TOTAL	11,401,382	10,573,673

Changes in employee benefits

	2013	2012
As at 1 January	10,573,674	10,392,164
Increase	4,667,519	1,371,253
Decrease	-3,839,811	-1,189,744
As at 31 December	11,401,382	10,573,673

in EUR

For the maturity structure of employee benefits see Section 4.3.4.

Development of provisions for retirement benefits and jubilee payments

	Provisions for retirement benefits	Provisions for jubilee payments	Total
Provisions as at 31 December 2012	5,559,233	1,484,968	7,044,201
Current service cost	487,800	241,375	729,175
Interest cost	90,645	8,954	99,599
Actuarial gains/losses due to:	24,175	45,006	69,181
- changes in demographic assumptions	235,748	5,509	241,257
- changes in financial assumptions	-286,534	-19,500	-306,034
- experience adjustments	74,961	58,997	133,958
Past service cost	3,357	-9,499	-6,142
Benefits paid during the year	-243,662	-193,364	-437,026
Gains/losses upon payment	14,730	-37,543	-22,813
Foreign exchange differentials	-2,677	-2,211	-4,888
Provisions as at 31 December 2013	5,933,601	1,537,686	7,471,287

Changes in provisions for unused annual leave and jubilee payments are fully recognised as operating expenses in the income statement. The same applies to changes in provisions for retirement benefits, excluding actuarial gains and losses. The latter are recognised in comprehensive income where the deferred tax charge is accounted for.

Sensitivity analysis of parameter changes

Parameter	Parameter change	2013
Interest rate	shift in the discount curve by +0.25%	-326.178
	shift in the discount curve by -0.25%	363.271
Wage growth	change in annual wage growth by +0.5%	512.635
	change in annual wage growth by -0.5%	-450.019
Mortality rate	constant increase in mortality by +20%	-259.472
	constant increase in mortality by -20%	299.817
Early employment termination	shift in the expense curve by +20%	-298.235
	shift in the expense curve by -20%	326.386

in EUR

6.15. Other provisions

							in EUR
	1 January 2013	Increase (formation)	Use	Release	Changes in consolidation area	Exchange rate difference	31 December 2013
Provisions for litigation	10,103,407	1,210,187	-20,794	-3,126,492	0	-1,989	8,164,318
Guarantee fund provisions	6,233,311	0	-1,328,022	0	0	-447,200	4,458,089
Other long-term provisions	3,284,834	1,288,716	-795,598	-173,765	0	-7,864	3,596,321
TOTAL	19,621,552	2,498,903	-2,144,414	-3,300,257	0	-457,054	16,218,730

The increase in other provisions is shown as »Other income« in the income statement. Other provisions include provisions for litigation, which mostly arise from the legal action of Jugobanka against Slovenijales (EUR 6.7 million). For detail, see Section 8.6.

The maturity of over 90% of other provisions is above 12 months.

6.16. Deferred tax assets and liabilities

		in EUR
	31 December 2013	31 December 2012
Deferred tax assets		
As at 1 January	34,434,717	40,661,243
Increase	0	0
Decrease	-10,737,918	-6,226,526
As at 31 December	23,696,799	34,434,717
Deferred tax liabilities		
As at 1 January	21,351,998	9,613,587
Increase	0	11,738,411
Decrease	-2,886,956	0
As at 31 December	18,465,042	21,351,998
Net deferred tax assets	5,231,757	13,082,719

Deferred tax assets are recognised for temporary differences arising from the impairment of receivables, financial assets and investment property, from employee benefits and from differences between the tax and carrying amount on property, plant and equipment.

Deferred tax liabilities are recognised due to the valuation of available-for-sale financial assets.

The change in deferred tax assets is recognised in the income statement, increasing and/or decreasing income tax expense, whilst the change in deferred tax liabilities is recognised in other comprehensive income. The impact of changes on the income statement and the comprehensive income is shown in Section 7.14.

6.17. Other financial liabilities

	in EUR	
	31 December 2013	31 December 2012
Loans from banks	24,925,491	29,080,514
Long-term liabilities for a finance lease	7,350,411	6,733,166
Other financial liabilities	2,145,383	2,691,788
Loans from other institutions	10,116	875,097
Loans secured by fixed-return securities	359,597	0
TOTAL FINANCIAL LIABILITIES	34,790,998	39,380,566

As at 31 December 2013 the Group has outstanding liabilities for loans totalling EUR 24.9 million (vs. EUR 29.95 million as at 31 December 2012). Outstanding liabilities refer to loans received by non-insurance group entities in the amount of EUR 21.9 million and loans received by insurance group entities in the amount of EUR 3.0 million. The interest rates on these loans range between 4.29% and 6.0%.

Long-term liabilities for a finance lease are related to Triglav Osiguranje, Zagreb in the amount of EUR 5.7 million for rental of premises in Zagreb.

Other financial liabilities mostly refer to liabilities for security purchases.

6.18. Operating liabilities

	in EUR	
	31 December 2013	31 December 2012
DIRECT INSURANCE LIABILITIES	20,247,893	20,811,717
Liabilities towards policyholders	12,285,427	12,851,060
Liabilities towards insurance brokers	2,395,818	1,870,713
Other liabilities from direct insurance operations	5,540,389	6,053,381
Liabilities from direct insurance operations towards Group companies	26,259	36,563
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	35,338,592	36,744,115
Liabilities from re/coinsurance premiums	15,905,613	16,205,989
Liabilities from the share of claims from co-insurance	9,585,873	10,523,112
Other re/coinsurance liabilities	9,847,106	10,015,014
Current tax liabilities	739,048	594,275
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	56,325,533	58,150,107

All liabilities are short-term and are to be settled within the next 12 months.

6.19. Other liabilities

	in EUR	
	31 December 2013	31 December 2012
Short-term liabilities to employees	13,298,990	14,412,755
Other short-term liabilities from insurance operations	9,366,659	10,382,563
Other short-term liabilities	28,172,152	24,874,389
Accrued costs and expenses	4,827,460	4,726,411
Other accruals	4,025,423	3,485,307
TOTAL OTHER LIABILITIES	59,690,684	57,881,425

Other short-term liabilities from insurance operations include payments to the claim fund, liabilities from insurance contract tax, fire tax and other liabilities related to insurance operations.

Other short-term liabilities include accounts payable and all of the liabilities from non-insurance companies.

All liabilities are short-term and are to be settled within the next 12 months.

6.20. Fair value of assets and liabilities

In measuring financial assets at fair value Zavarovalnica Triglav applied the following fair value hierarchy:

- Level 1: valuation through market prices quoted for identical assets in an active market (stock exchange prices and Bloomberg generic prices). This group includes financial assets with available market prices in an active market, as well as listed derivative financial instruments.
- Level 2: valuation through comparable market data or directly observable market inputs (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset;
- Level 3: valuation through valuation models mostly using unobservable market inputs. This group includes shares in companies with no active market, valued through valuation models using unobservable market inputs, and security holdings measured at historical cost, since their fair value cannot be reliably measured.

The table below shows the fair value measurements of financial assets and liabilities, classified according to the fair value hierarchy as at 31 December 2013.

	Measurement date	Level 1	Level 2	Level 3	Total
ASSETS - measured at fair value					
Equity securities	31 Dec 2013	100,585,382	19,259,388	18,101,149	137,945,919
Debt securities	31 Dec 2013	1,340,025,859	90,059,034	192,004	1,430,276,897
Derivative financial instruments	31 Dec 2013	287,368	433,834	0	721,202
Unit-linked insurance assets	31 Dec 2013	333,284,270	96,198,917	0	429,483,187
ASSETS - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2012 and 31 Dec 2013	0	0	102,965,658	102,965,658
Land and buildings for investment activities	30 June 2013	0	0	119,543,821	119,543,821
Held-to-maturity assts	31 Dec 2013	236,633,885	0	0	236,633,885
LIABILITIES - fair value disclosed					
Subordinated bonds	31 Dec 2013	31,093,767	0	0	31,093,767

Financial assets carried at fair value

	in EUR	
	31 December 2013	31 December 2012
Financial assets available for sale	1,431,023,178	1,417,564,788
- Level 1	1,331,863,366	1,242,542,219
- Level 2	81,802,204	142,583,765
- Level 3	17,357,608	32,438,804
Financial assets at fair value through profit and loss	568,830,495	526,619,684
- Level 1	439,997,336	388,283,287
- Level 2	127,897,615	137,754,828
- Level 3	935,544	581,569

Value assessment techniques and inputs used for measurement purposes

Financial asset	Assessment technique	Main parameters	Applied % of parameter	Fair value hierarchy
EXTERNAL APPRAISERS				
Debt securities				
- debt securities – companies and financial institutions	cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve		level 2
- debt securities - composite	scholastic model	issuer required rate of return, index level, gap risk value		level 2
Equity securities	scholastic model	issuer required rate of return, index level, gap risk value		level 2
Derivatives	Black-Scholes scholastic	index volatility		level 2
INTERNAL APPRAISERS				
Debt securities				
- debt sec. - government	cash flow discounting according to amortisation schedule	interest rate curve R Slovenia	1 st year: 1.945% .. 15 th year: 5.417%	level 2
- debt sec. - companies and finan. institutions	cash flow discounting according to amortisation schedule	interest rate curve R Slovenia, issuer credit spreads, value of a comparable finan. instrument	credit spread between 2.1 – 2.8%	level 2
- debt sec. – composite	instrument comparison approach, Bloomberg, stochastic model	value of a comparable finan. instrument, interest rate level and volatility		level 2
Equity securities				
	cash flow discounting, company comparison approach, asset accumulation method	g (growth rate in constant growth period)	2%	level 3
		EBIT margin (constant growth period)	32.80%	level 3
		discount rate	14.80%	level 3
		discount for the lack of liquidity	10%	level 3

Level 3 financial assets

in EUR

	AFS	FVTPL	SKUPAJ
Value as at 1 January 2012	54,561,860	0	54,561,860
Purchases	805,158	526,173	1,331,331
Disposals	-3,657,062	0	-3,657,062
Revaluation through profit or loss	-14,696,813	0	-14,696,813
Revaluation through equity	-4,574,339	55,396	-4,518,943
Value as at 31 December 2012	32,438,804	581,569	33,020,373
Purchases	205,948	1,672,499	1,878,447
Disposals	-6,243,942	-2,264,465	-8,508,407
Revaluation through profit or loss	-9,605,401	4,484	-9,600,917
Revaluation through equity	-688,053	941,457	253,404
Transfers from levels 1 and 2	1,250,253	0	1,250,253
Value as at 31 December 2013	13,357,608	935,544	14,293,152

The disposal of Level 3 financial assets included:

- a loss of EUR 1,310 thousand disclosed in the income statement as expenses from financial assets;
- shares issued by NLB d.d. worth EUR 4,352 thousand which were declared null are disclosed as sold or disposed of. Before the annulment the investment was fully impaired. Expenses from impairment are disclosed as expenses from financial assets in the income statement.

The sensitivity analysis shows the level of increase or decrease in the fair value of Level 3 equity financial assets in case of differently applied assumptions that are not based on available market data (nominal discount rates ranging from 10% to 13.75%; long-term growth rates of free cash flows – g ranging from 0% to 2.5%). The table below shows range calculations:

Non-marketable investments (Level 3)	Total value in euros	Deviation of the estimated value +/-
Value as at 31 December 2012	33,020,373	-9,100,000/+5,400,000
Value as at 31 December 2013	14,293,152	-4,300,000/+2,900,000

Reclassification of financial assets between levels

In 2013, the following reclassification was performed:

- from Level 1 to Level 2: debt securities of EUR 79,709,100, nearly all classified as available-for-sale financial assets. The reclassification was performed as it became evident in 2013 that these securities, due to their low trading activity on the Ljubljana Stock Exchange, no longer reflect their fair value. The discount rate used to establish the fair value of these instruments was determined on the basis of active instruments of the same issuer.
- from Level 2 to Level 1: debt securities of EUR 31,728,463, all classified as available-for-sale financial assets (AFS) concerning the RS 62 bond issued by the Republic of Slovenia. The upgrading took place as the bond was listed on the stock exchange and its price quoted by Bloomberg.
- No other reclassification between levels took place.

Reclassification of financial assets in accordance with amendments to IFRS

In accordance with amendments to IFRS (IAS 39.50) and IAS 39.54, individual members of the Group opted for the reclassification of financial assets.

The effects of reclassifications are shown below.

Reclassifications from financial assets »available for sale« to »loans and receivables«

	in EUR	
	2013	2012
Amount of reclassified financial assets in the year	0	0
Effective interest rate at the date of reclassification	0	0
Carrying amount of reclassified financial assets as at 31 December	9,878,287	18,319,360
Carrying amount of reclassified financial assets as at 31 December	8,718,970	17,270,874
Impact on comprehensive income if not reclassified	-1,159,318	-1,048,487
Impact on net profit in not reclassified	8,416	39,397
Loss at disposal of reclassified assets	0	-3,957,712
Estimated cash flows	10,619,988	20,370,071

Reclassifications from financial assets »available for sale« to »held to maturity«

	in EUR	
	2013	2012
Amount of reclassified financial assets in the year	0	0
Effective interest rate at the date of reclassification	0	0
Carrying amount of reclassified financial assets as at 31 December	69,072,462	104,457,036
Carrying amount of reclassified financial assets as at 31 December	69,689,860	112,809,600
Impact on comprehensive income if not reclassified	-63,666	6,461,219
Impact on net profit in not reclassified	681,065	1,807,925
Profit/Loss at disposal of reclassified assets	0	0
Estimated cash flows	56,338,258	63,228,131

Reclassifications from financial assets »measured at fair value through profit or loss« to »available for sale«

	v EUR	
	2013	2012
Amount of reclassified financial assets in the year	0	0
Effective interest rate at the date of reclassification	0	0
Carrying amount of reclassified financial assets as at 31 December	79,931	567,619
Carrying amount of reclassified financial assets as at 31 December	79,931	567,619
Impact on comprehensive income if not reclassified	0	0
Impact on net profit in not reclassified	-25,176	24,411
Profit at disposal of reclassified assets	0	17,595
Loss at disposal of reclassified assets	-208,363	0
Estimated cash flows	481,087	491,204

7. NOTES TO THE INCOME STATEMENT

7.1. Premium income

	in EUR	
	2013	2012
Non-life insurance		
Gross written premium	602,371,971	637,587,818
Assumed co-insurance written premium	2,843,147	2,344,103
Ceded co-insurance written premium	-830,065	-925,411
Reinsurance written premium	-70,058,798	-74,035,762
Changes in gross provisions for unearned premiums	11,626,460	21,041,965
Changes in reinsurers' share of unearned premiums	-3,777,740	1,878,301
NET PREMIUM INCOME ON NON-LIFE INSURANCE	542,174,975	587,891,014
Life insurance		
Gross written premium	191,630,615	204,876,520
Reinsurance written premium	-31,811	-22,072
Changes in gross provisions for unearned premiums	-35,419	11,448
Changes in reinsurers' share of unearned premiums	-2,487	-170
NET PREMIUM INCOME ON LIFE INSURANCE	191,560,898	204,865,726
Health insurance		
Gross written premium	104,046,847	91,454,582
Changes in gross provisions for unearned premiums	-140,053	156,550
NET PREMIUM INCOME ON HEALTH INSURANCE	103,906,794	91,611,132
TOTAL NET PREMIUM INCOME	837,642,667	884,367,872

Overview of premium income by insurance class

in EUR			
2013	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	44,026,742	-427,937	43,598,805
Health insurance	104,661,834	-451	104,661,383
Land motor vehicle insurance	119,965,954	-6,577,832	113,388,122
Railway insurance	2,606,635	-509,625	2,097,010
Aircraft insurance	1,049,582	-439,788	609,794
Marine Insurance	3,514,989	-379,628	3,135,361
Cargo insurance	8,276,679	-2,488,702	5,787,977
Fire and natural forces insurance	86,195,473	-26,956,144	59,239,329
Other damage to property insurance	95,423,395	-16,120,092	79,303,303
Motor TPL insurance	167,257,870	-3,645,910	163,611,960
Aircraft liability insurance	840,351	-524,996	315,355
Marine liability insurance	613,795	-31,912	581,883
General liability insurance	37,317,711	-7,262,231	30,055,480
Credit insurance	21,434,453	-1,698,871	19,735,582
Suretyship insurance	2,337,861	-552,524	1,785,337
Miscellaneous financial loss insurance	4,462,936	-3,020,208	1,442,728
Legal expenses insurance	894,022	-101	893,921
Travel assistance insurance	8,381,682	-251,911	8,129,771
Total non-life insurance	709,261,964	-70,888,863	638,373,101
Life insurance	96,704,407	-31,811	96,672,596
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	80,226,141	0	80,226,141
Tontines	0	0	0
Capital redemption insurance	14,700,068	0	14,700,068
Loss of income due to illness	0	0	0
Total life insurance	191,630,616	-31,811	191,598,805
TOTAL	900,892,580	-70,920,674	829,971,906

2012	in EUR		
	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	49,525,991	-582,273	48,943,718
Health insurance	92,369,081	0	92,369,081
Land motor vehicle insurance	129,788,571	-7,485,949	122,302,622
Railway insurance	2,869,518	-562,082	2,307,436
Aircraft insurance	1,876,494	-2,591,465	-714,971
Marine Insurance	3,207,272	-228,311	2,978,961
Cargo insurance	8,457,888	-2,061,532	6,396,356
Fire and natural forces insurance	91,256,281	-32,056,089	59,200,192
Other damage to property insurance	100,685,881	-14,432,402	86,253,479
Motor TPL insurance	177,561,493	-4,157,128	173,404,365
Aircraft liability insurance	993,504	-969,345	24,159
Marine liability insurance	694,335	-111,675	582,660
General liability insurance	35,987,880	-4,607,927	31,379,953
Credit insurance	20,477,755	-1,904,812	18,572,943
Suretyship insurance	2,300,137	-518,410	1,781,727
Miscellaneous financial loss insurance	3,942,349	-2,493,254	1,449,095
Legal expenses insurance	978,499	-4,289	974,210
Travel assistance insurance	8,413,574	-194,230	8,219,344
Total non-life insurance	731,386,503	-74,961,173	656,425,330
Life insurance	94,257,175	-22,045	94,235,130
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	89,120,094	0	89,120,094
Tontines	0	0	0
Capital redemption insurance	21,452,783	-4	21,452,779
Loss of income due to illness	46,468	-23	46,445
Total life insurance	204,876,520	-22,072	204,854,448
TOTAL	936,263,023	-74,983,245	861,279,778

7.2. Income from financial assets

	in EUR	
	2013	2012
Interest income from financial assets		
- available for sale	43,081,500	44,379,232
- loans and deposits	4,615,282	3,160,562
- held to maturity	10,630,990	15,847,124
- at fair value through profit and loss	11,223,145	11,727,593
- derivate financial instruments	0	110,666
- cash or cash equivalents	94,433	108,481
- interest on late payments of insurance receivables	1,122,990	1,226,999
- interest income from subrogated receivables	5,280,434	5,834,091
- other interest income from insurance operations	94,089	107,963
TOTAL INTEREST INCOME	76,142,863	82,502,711
Dividends from		
- available-for-sale financial assets	2,441,602	2,786,845
- financial assets at fair value through profit and loss	415,385	333,519
TOTAL DIVIDENDS	2,856,987	3,120,364
Fair value gains	70,725,351	47,438,864
Realised gains on disposals	28,666,927	29,270,460
Profit on investments accounted for using the equity method	39,532	1,720,451
Other financial income	6,260,884	9,598,697
TOTAL INVESTMENT INCOME	184,990,276	173,651,547

Fair value gains are described in detail in Section 7.4 and realised gains on disposals in Section 7.5.

7.3. Expenses from financial assets and liabilities

	in EUR	
	2013	2012
Interest expense from derivative financial instruments held for trading	33,878	229,499
Interest expense from current debt	894,445	461,377
- on bank loans	806,031	229,682
- other loans	20,614	136,208
- other interest expense	67,800	95,487
Interest expense from noncurrent debt	364,326	589,859
- bank loans	216,425	243,716
- other loans	143,731	129,689
- other interest expense	4,170	216,454
Interest expense from bonds issued	2,102,277	2,295,590
TOTAL INTEREST EXPENSE	3,394,926	3,576,326
Fair value losses	56,999,048	19,444,456
Realised loss on disposals	16,163,344	24,081,741
Loss on equity investments in associates accounted for using the equity method	986,250	2,104,247
Loss on impairment of financial assets	28,144,000	43,652,275
Other finance costs	8,699,354	8,098,896
TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	114,386,924	100,957,942

Fair value losses are described in detail in Section 7.4 and realised loss on disposals of financial assets in Section 7.5.

In total loss on equity investments in associates accounted for using the equity method, EUR 657 thousand arises from IF Prof Plus, EUR 221 thousand from the Elan Group and EUR 109 thousand from Goriške opekarne.

Impairment losses on financial assets mostly arise from the impairment of available-for-sale financial assets, primarily shares and bonds issued by Slovene banks which were impaired by EUR 23 million in total.

7.4. Fair value gains and losses

	in EUR	
	2013	2012
Financial assets recognised at fair value through profit/loss	15,258,855	27,833,129
- gains	69,667,828	46,826,801
- losses	-54,408,973	-18,993,672
Derivative financial instruments	-1,441,782	177,848
- gains	1,057,523	612,063
- losses	-2,499,305	-434,215
Net gains from changes in fair value	13,817,073	28,010,977

Net income from changes in fair value of financial assets includes net unrealised gains on unit-linked life insurance assets. Net expenses from changes in fair value of financial assets include net unrealised losses on unit-linked life insurance assets.

7.5. Realised gains and losses

	in EUR	
	2013	2012
Financial assets recognised at fair value through profit/loss	-10,529,084	-3,482,800
- realised gains on disposals	2,164,997	3,251,902
- realised losses on disposals	-12,694,081	-6,734,702
Available-for-sale financial assets	22,790,333	16,881,794
- realised gains on disposals	26,166,191	25,340,003
- realised losses on disposals	-3,375,858	-8,458,209
Loans and deposits	-28,808	-4,106,222
- realised gains on disposals	42,005	678,555
- realised losses on disposals	-70,813	-4,784,777
Derivative financial instruments	271,628	-69,117
- realised gains on disposals	293,734	0
- realised losses on disposals	-22,106	-69,117
Held-to-maturity financial assets	-487	-4,034,936
- realised gains on disposals	0	0
- realised losses on disposals	-487	-4,034,936
Total realised gains and losses	12,503,582	5,188,719

7.6. Other insurance income

	in EUR	
	2013	2012
Fees and commission income	2,493,159	13,741,969
- investment management services	127,182	11,838,087
- reinsurance commission income	2,318,325	-315,504
- policyholder administration	0	517,563
- other fees and commission income	47,652	1,352,099
- surrender charges and other contract fees	0	295,724
Other income from insurance operations	5,417,392	6,960,988
- income from sale of green cards for motor vehicles	2,128,418	2,174,668
- income from claims settled for other insurance companies	871,370	725,410
- income from assistance services	36,069	81,623
- other income from insurance operations	2,381,535	3,979,287
OTHER INSURANCE INCOME	7,910,551	20,702,957

Other insurance income refers mostly to the reimbursement of costs arising from subrogations and the settlement of claims.

7.7. Other income

	in EUR	
	2013	2012
Income from investment property	6,688,555	6,733,729
Rental income	388,979	404,557
Income from other services	1,807,606	2,094,331
Claims refund	180,504	141,536
Fair value gains	3,773,307	111,932
Income from non-insurance companies in the Group	63,775,173	66,553,811
Total other income	76,614,124	76,039,900

Income from noninsurance companies mostly refers to the purchase of Slovenijales d.d., totalling EUR 29.3 million (in 2012 EUR 27.5 million) and net income from transportation services of Avrigo d.o.o. and its subsidiaries, amounting to EUR 22.1 million.

7.8. Claims

	in EUR	
	2013	2012
Non-life insurance		
Gross claims settled	397,145,476	401,383,777
Income from gross subrogated receivables	-19,967,718	-21,511,562
Reinsurers' share of gross claims settled	-37,376,361	-23,585,994
Co-insurers' share of gross claims settled	1,535,665	1,070,009
Change in gross claims provisions	-46,621,343	17,005,774
Change in gross claims provisions for re/co-insurer's share	17,650,384	-38,095,311
NET CLAIMS INCURRED on non-life insurance	312,366,103	336,266,693
Life insurance		
Gross claims settled	171,600,928	163,220,596
Change in gross claims provisions	-261,218	-190,205
Change in reinsurers' share in gross claims provisions	-3,045	0
NET CLAIMS INCURRED on life insurance	171,336,665	163,030,391
Health insurance		
Gross claims settled	78,760,624	70,713,501
Subrogation income	-30,976	-41,134
Change in gross claims provisions	1,250,019	1,559,177
Equalisation scheme expenses	7,980,664	7,409,643
TOTAL NET CLAIMS INCURRED on health insurance	87,960,331	79,641,187
NET CLAIMS INCURRED TOTAL	571,663,099	578,938,271

Overview of net claims incurred by insurance class

2013	in EUR			
Insurance class	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
Accident insurance	25,027,581	-23,387	-86,616	24,917,578
Health insurance	79,536,238	-31,406	0	79,504,832
Land motor vehicle insurance	96,456,998	-2,574,756	-1,583,610	92,298,632
Railway insurance	3,204,753	-80,427	0	3,124,326
Aircraft insurance	463,868	0	-79,953	383,915
Marine Insurance	1,996,221	-1,729	0	1,994,492
Cargo insurance	1,928,570	-56,728	-153,734	1,718,108
Fire and natural forces insurance	59,305,423	-434,687	-19,927,377	38,943,359
Other damage to property insurance	58,642,226	-278,474	-6,060,196	52,303,556
Motor TPL insurance	102,512,537	-4,382,998	-2,399,076	95,730,463
Aircraft liability insurance	438,632	0	-404,091	34,541
Marine liability insurance	175,563	0	0	175,563
General liability insurance	20,951,240	-202,842	-4,757,967	15,990,431
Credit insurance	15,809,733	-11,644,378	-942,030	3,223,325
Suretyship insurance	630,203	-251,703	-38,025	340,475
Miscellaneous financial loss insurance	1,810,826	0	-898,223	912,603
Legal expenses insurance	13,721	0	0	13,720
Travel assistance insurance	7,001,768	-35,179	-45,462	6,921,127
Total non-life insurance	475,906,101	-19,998,694	-37,376,361	418,531,046
Life insurance	97,893,836	0	0	97,893,836
Unit-linked life insurance	52,524,065	0	0	52,524,065
Capital redemption insurance	21,180,914	0	0	21,180,914
Loss of income due to illness	2,112	0	0	2,112
Total life insurance	171,600,927	0	0	171,600,927
TOTAL	647,507,028	-19,998,694	-37,376,361	590,131,973

Gross claims include gross claims settled and assessment costs divided by function, not reduced by subrogation receivables (see Section 7.11).

2012

				in EUR
Insurance class	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
Accident insurance	26,186,810	-14,486	-54,353	26,117,971
Health insurance	71,434,157	-41,541	0	71,392,616
Land motor vehicle insurance	100,622,469	-2,793,201	-1,714,602	96,114,666
Railway insurance	3,160,515	-486	0	3,160,029
Aircraft insurance	425,064	0	-278,987	146,077
Marine Insurance	1,884,063	-6,824	0	1,877,239
Cargo insurance	2,836,246	-476,798	-1,201,780	1,157,668
Fire and natural forces insurance	48,311,339	-61,600	-8,044,456	40,205,283
Other damage to property insurance	65,933,391	-184,907	-6,239,472	59,509,012
Motor TPL insurance	105,881,160	-5,530,981	-2,075,174	98,275,005
Aircraft liability insurance	704,655	0	-653,072	51,583
Marine liability insurance	111,064	-510	0	110,554
General liability insurance	17,414,247	-389,497	-1,096,387	15,928,363
Credit insurance	18,063,637	-11,965,173	-1,533,891	4,564,573
Suretyship insurance	832,287	-64,662	-210,987	556,638
Miscellaneous financial loss insurance	1,748,899	-2,410	-440,841	1,305,648
Legal expenses insurance	6,095	0	0	6,098
Travel assistance insurance	6,541,181	-19,620	-41,995	6,479,566
Total non-life insurance	472,097,279	-21,552,696	-23,585,994	426,958,589
Life insurance	94,672,214	0	0	94,672,214
Unit-linked life insurance	39,775,085	0	0	39,775,085
Capital redemption insurance	28,773,296	0	0	28,773,296
Loss of income due to illness	0	0	0	0
Total life insurance	163,220,595	0	0	163,220,595
TOTAL	635,317,874	-21,552,696	-23,585,994	590,179,184

Reinsurance result

			in EUR
	2013	2012	
Reinsurance premiums	-70.090.609	-74,057,838	
Changes in reinsurers' share of unearned premiums	-3.780.227	1,878,130	
Reinsurers' share of claims	37.376.361	23,585,997	
Changes in claims provisions for reinsurers' shares	-17.647.339	38,095,313	
Net result from reinsurance operations	-54.141.814	-10,498,398	
Reinsurance commission	2.223.990	256,749	
GROSS REINSURANCE RESULT	-51.917.824	-10,241,649	

7.9. Change in other insurance-technical provisions

			in EUR
	2013	2012	
Change in other insurance technical provisions	2.651.409	-1,446,818	
Change in insurance technical provisions for unit-linked insurance contracts	17.906.261	52,882,779	
TOTAL	20.557.670	51,435,961	

Change in other insurance technical provisions refers entirely to changes in mathematical provisions for unit-linked life insurance, provisions for cancellation and unexpired risk provisions.

7.10. Expenses for bonuses and discounts

	in EUR	
	2013	2012
Settled bonuses and discounts	8.293.291	8,093,579
Changes in gross provisions for bonuses and discounts	-1.754.096	554,192
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	6.539.195	8,647,771

7.11. Acquisition costs and other operating expenses

Gross operating expenses by function compared to previous year

	in EUR	
	2013	2012
Acquisition costs	128.032.778	127,960,690
Other operating costs	71.329.322	70,517,275
Claim handling costs*	27.531.419	27,761,884
Costs of asset management**	3.410.013	4,010,732
Operating expenses from non-insurance operations***	72.130.215	69,220,741
TOTAL	302.433.747	299,471,323

* Claim handling costs are disclosed as a part of gross claims incurred.

** Costs of asset management are disclosed as financial expenses

*** Operating expenses from non-insurance operations are disclosed as other expenses.

Gross operating expenses by nature and business segment in 2013

	in EUR					
	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
1. Acquisition costs (fees and charges)	23,562,324	4,228,284	386,839	28,177,447	0	28,177,447
2. Cost of goods sold	0	0	0	0	17,963,606	17,963,606
3. Depreciation of operating assets	11,253,134	2,203,422	385,045	13,841,601	7,256,159	21,097,760
4. Labour costs	100,944,040	16,904,641	3,035,496	120,884,177	21,227,848	142,112,025
- wages and salaries	71,762,917	12,308,802	2,232,026	86,303,745	15,409,652	101,713,397
- social security and pension insurance costs	17,742,594	2,548,069	392,184	20,682,847	3,176,329	23,859,176
- other labour costs	11,438,529	2,047,770	411,286	13,897,585	2,641,867	16,539,452
5. Costs of services provided by natural persons other than SPs, including related taxes	2,529,828	308,530	199,208	3,037,566	0	3,037,566
6. Other operating costs	49,506,683	11,284,055	3,572,003	64,362,741	25,682,602	90,045,343
- costs of entertainment, advertising, trade shows	11,617,378	2,802,092	561,583	14,981,053	284,022	15,265,075
- costs of material and energy	6,108,185	1,095,283	227,191	7,430,659	6,490,372	13,921,031
- maintenance costs	5,658,800	2,222,100	1,117,278	8,998,178	1,716,288	10,714,466
- reimbursement of labour-related costs	3,734,377	467,534	103,193	4,305,104	747,468	5,052,572
- costs of intellectual and personal services	3,055,476	635,999	68,282	3,759,757	1,344,293	5,104,050
- membership fees and charges	1,858,970	552,993	83,650	2,495,613	5,260,269	7,755,882
- costs of services - transport and communications	3,438,368	905,723	534,362	4,878,453	1,747,634	6,626,087
- costs for insurance premiums	1,407,698	379,133	909	1,787,740	579,747	2,367,487
- payment transaction costs and banking services	1,803,129	744,285	258,772	2,806,186	281,790	3,087,976
- rents	4,802,441	875,883	24,480	5,702,804	1,785,497	7,488,301
- costs of professional training services	864,223	231,178	30,324	1,125,725	142,311	1,268,036
- other costs of services	5,157,638	371,852	561,979	6,091,469	5,302,911	11,394,380
TOTAL OPERATING EXPENSES	187,796,009	34,928,932	7,578,591	230,303,532	72,130,215	302,433,747

Operating expenses by nature and function in 2013

		in EUR				
	TOTAL	Cost of contract acquisition	Claim handling costs*	Costs of asset management**	Other operating expenses	Costs of non-insurance operations
1. Acquisition costs (fees and charges)	28,177,447	25,117,419	4,947	27	3,055,054	0
2. Cost of goods sold	17,963,606	0	0	0	0	17,963,606
3. Depreciation of operating assets	21,097,760	6,456,233	2,016,396	296,133	5,072,839	7,256,159
4. Labour costs	142,112,025	63,571,224	19,283,531	2,220,100	35,809,322	21,227,848
- wages and salaries	101,713,397	45,687,109	13,498,898	1,709,132	25,408,606	15,409,652
- social security and pension insurance costs	23,859,176	10,702,000	3,284,017	301,384	6,395,446	3,176,329
- other labour costs	16,539,452	7,182,115	2,500,616	209,584	4,005,270	2,641,867
5. Costs of services provided by natural persons other than SPs, including related taxes	3,037,566	1,307,016	904,017	12,785	813,748	0
6. Other operating expenses	90,045,343	31,580,886	5,322,528	880,968	26,578,359	25,682,602
- costs of entertainment, advertising, trade shows	15,265,075	13,830,445	94,704	19,436	1,036,468	284,022
- costs of material and energy	13,921,031	3,401,727	1,224,744	108,835	2,695,353	6,490,372
- maintenance costs	10,714,466	2,136,187	896,959	157,409	5,807,623	1,716,288
- reimbursement of labour-related costs	5,052,572	3,292,115	181,090	60,688	771,211	747,468
- costs of intellectual and personal services	5,104,050	928,367	504,060	158,955	2,168,375	1,344,293
- membership fees and charges	7,755,882	990,758	128,175	56,941	1,319,739	5,260,269
- costs of services - transport and communications	6,626,087	2,327,959	564,264	46,637	1,939,593	1,747,634
- costs for insurance premiums	2,367,487	424,974	84,853	42,179	1,235,734	579,747
- payment transaction costs and banking services	3,087,976	110,381	21,531	82,343	2,591,931	281,790
- rents	7,488,301	2,173,208	545,553	29,852	2,954,191	1,785,497
- costs of professional training services	1,268,036	306,748	142,659	17,786	658,532	142,311
- other costs of services	11,394,380	1,658,017	933,936	99,907	3,399,609	5,302,911
TOTAL OPERATING EXPENSES	302,433,747	128,032,778	27,531,419	3,410,013	71,329,322	72,130,215

Gross operating expenses by nature and business segment in 2012

	in EUR					
	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
1. Acquisition costs (fees and charges)	23,102,741	6,262,253	254,449	29,619,443	0	29,619,443
2. Cost of goods sold	0	0	0	0	21,249,493	21,249,493
3. Depreciation of operating assets	10,388,515	1,849,076	414,730	12,652,321	3,794,461	16,446,782
4. Labour costs	100,119,908	17,726,994	3,148,977	120,995,879	21,595,294	142,591,173
- wages and salaries	71,012,367	13,054,225	2,184,461	86,251,053	14,975,172	101,226,225
- social security and pension insurance costs	17,215,226	2,552,636	410,124	20,177,986	3,583,093	23,761,079
- other labour costs	11,892,315	2,120,133	554,392	14,566,840	3,037,029	17,603,869
5. Costs of services provided by natural persons other than SPs, including related taxes	2,406,761	319,313	95,202	2,821,276	0	2,821,276
6. Other operating costs	50,606,329	10,341,187	3,214,146	64,161,662	22,581,493	86,743,155
- costs of entertainment, advertising, trade shows	11,463,012	1,170,912	459,287	13,093,211	0	13,093,211
- costs of material and energy	6,515,175	1,220,140	150,863	7,886,178	7,063,556	14,949,734
- maintenance costs	4,990,469	2,292,637	1,037,558	8,320,664	0	8,320,664
- reimbursement of labour-related costs	4,131,747	586,724	88,338	4,806,809	0	4,806,809
- costs of intellectual and personal services	3,587,597	603,462	58,430	4,249,489	0	4,249,489
- membership fees and charges	2,084,590	538,823	73,364	2,696,777	0	2,696,777
- costs of services - transport and communications	3,541,277	1,017,426	437,203	4,995,906	0	4,995,906
- costs for insurance premiums	1,505,076	327,618	14,514	1,847,208	0	1,847,208
- payment transaction costs and banking services	2,427,531	1,246,716	298,993	3,973,240	0	3,973,240
- rents	5,223,757	705,163	10,307	5,939,227	0	5,939,227
- costs of professional training services	875,856	214,016	42,894	1,132,766	0	1,132,766
- other costs of services	4,260,242	417,550	542,395	5,220,187	15,517,937	20,738,124
TOTAL OPERATING EXPENSES	186,624,254	36,498,823	7,127,504	230,250,581	69,220,741	299,471,323

Operating expenses by nature and function in 2012

		in EUR				
	TOTAL	Cost of contract acquisition	Claim handling costs*	Costs of asset management**	Other operating expenses	Costs of non-insurance operations
1. Acquisition costs (fees and charges)	29.619.443	26.599.661	5.478	26	3.014.278	0
2. Cost of goods sold	21.249.493	0	0	0	0	21.249.493
3. Depreciation of operating assets	16.446.782	5.812.436	1.630.519	259.602	4.949.764	3.794.461
4. Labour costs	142.591.173	63.304.325	19.541.891	2.733.102	35.416.561	21.595.294
- wages and salaries	101.226.225	44.733.858	13.465.592	2.043.729	26.007.874	14.975.172
- social security and pension insurance costs	23.761.079	10.191.229	3.167.451	344.321	6.474.985	3.583.093
- other labour costs	17.603.869	8.379.238	2.908.848	345.052	2.933.702	3.037.029
5. Costs of services provided by natural persons other than SPs, including related taxes	2.821.276	1.070.374	871.742	12.618	866.542	0
6. Other operating expenses	86.743.155	31.173.894	5.712.254	1.005.384	26.270.130	22.581.493
- costs of entertainment, advertising, trade shows	13.093.211	11.916.797	74.676	28.891	1.072.847	0
- costs of material and energy	14.949.734	3.523.584	1.311.399	132.673	2.918.522	7.063.556
- maintenance costs	8.320.664	1.643.386	784.929	162.182	5.730.167	0
- reimbursement of labour-related costs	4.806.809	3.640.314	180.463	92.086	893.946	0
- costs of intellectual and personal services	4.249.489	791.239	640.037	161.805	2.656.408	0
- membership fees and charges	2.696.777	972.803	183.448	53.119	1.487.407	0
- costs of services - transport and communications	4.995.906	2.307.585	620.627	78.446	1.989.248	0
- costs for insurance premiums	1.847.208	677.826	228.223	54.843	886.316	0
- payment transaction costs and banking services	3.973.240	1.410.720	33.428	116.375	2.412.717	0
- rents	5.939.227	2.672.367	587.918	26.669	2.652.273	0
- costs of professional training services	1.132.766	342.563	159.674	35.431	595.098	0
- other costs of services	20.738.124	1.274.710	907.432	62.864	2.975.181	15.517.937
TOTAL OPERATING EXPENSES	299.471.323	127.960.691	27.761.884	4.010.732	70.517.275	69.220.741

7.12. Other expenses from insurance operations

	in EUR	
	2013	2012
Expenses of preventive activity	2,761,716	2,915,506
Contributions for claims from uninsured or unidentified vehicles	353,318	2,045,788
Commission expenses	27,589	14,082,788
Fire tax	4,171,512	4,430,888
Expenses from impairment of insurance receivables and write-offs	13,261,588	13,324,405
Other net insurance expenses	3,107,758	6,030,535
OTHER EXPENSES FROM INSURANCE OPERATIONS	23,683,481	42,829,908

7.13. Other expenses

	in EUR	
	2013	2012
Depreciation of investment property	1,430,316	1,902,506
Other investment property expenses	3,760,564	1,193,298
Other expenses	81,835,476	80,707,238
- operating expenses of non-insurance companies	62,980,798	68,458,315
- impairment charge	12,810,947	5,688,392
- other expenses	6,043,731	6,560,535
TOTAL	87,026,356	83,803,046

Impairment charge arises from the impairment of tangible fixed assets and receivables of non-insurance companies.

7.14. Income tax expense

Tax expense in the income statement

	in EUR	
	2013	2012
Current tax expense	3,465,855	13,439,188
Deferred tax expense/income	10,324,203	3,051,161
TOTAL TAX EXPENSE in the income statement	13,790,058	16,490,349

Tax expense in other comprehensive income

	in EUR					
	2013			2012		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from increase in fair value of available-for-sale financial assets	-11,628,062	1,284,095	-10,343,967	87,631,599	-14,646,387	72,985,212
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	3,073,728	-219,986	2,853,742	-26,136,839	2,391,229	-23,745,610
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	333,003	-1,463	331,540	246,560	-36,984	209,576
Actuarial gains/losses	-24,175	13,156	-11,019			
Translation differences	-663,640	0	-663,640	-638,532	0	-638,532
TOTAL other comprehensive income	-8,909,146	1,075,802	-7,833,344	61,102,788	-12,292,142	48,810,646

Reconciliation between tax expense and accounting profit

	in EUR	
	2013	2012
ACCOUNTING PROFIT	83,641,061	89,671,412
Income tax rate average of several countries	16.85 %	17.80 %
Accounting profit multiplied by tax rate	-14,093,519	-15,959,905
Tax effect of income deductible for tax purposes	4,027,795	4,519,693
Tax effect of expenses not deductible for tax purposes	9,116,932	-5,232,046
Tax effect of income added for tax purposes	239,670	251,776
Revenues or expenses concerning tax relief	962,302	1,110,238
Changes in temporary differences	-13,393,656	-4,613,107
Adjusted tax return for 2011	-649,582	3,433,002
TOTAL TAX EXPENSE	-13,790,058	-16,490,349
Effective tax rate	16.49 %	18.39 %

In accordance with the Corporate Income Tax Act (ZDDPO-2), the applicable tax rate in Slovenia was 17% in 2013 and 18% in 2012.

In subsidiaries operating outside the Republic of Slovenia, tax rates were used as applicable in the country of operation and in compliance with the local legislation. For the applied tax rates see Section 1.6.

Unused tax losses of the Group amounted to EUR 65.5 million as at 31 December 2013 (EUR 65.5 million as at 31 December 2012).

8. OTHER INFORMATION

8.1. Related party transactions

Related party transactions are disclosed separately for transactions with:

- associates,
- government related entities, and
- other related entities.

Associates are those entities in which the Group has a significant influence. These companies are presented in detail in Section 6.4.

Government related companies are all the companies in which the Republic of Slovenia has a significant influence. The Republic of Slovenia has a significant influence in Zavarovalnica Triglav through the two major shareholders (the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije - ZPIZ) and the Slovene Restitution Fund (Slovenska odškodninska družba - SOD), which hold 34.37% and 28.07% of share capital respectively).

Other related entities are those which are related to Zavarovalnica Triglav through the management, i.e. members of the management and supervisory boards

In addition to capital links, business cooperation with associates mostly refers to financial services (deposits and certificates of deposits) and insurance operations (reinsurance and co-insurance, insurance acquisition, development and launch of new products, handling of claims). Only a minor part of cooperation refers to operating leases and other service activities.

Business cooperation with government related companies refers to financial services and insurance business. Zavarovalnica Triglav made no direct transactions with the Republic of Slovenia, except for the purchase of Government bonds and treasury bills; with other government related companies, however, Zavarovalnica Triglav concluded and carried out financial and insurance business under the same conditions as apply to other non-related companies.

The services exchanged between Group companies are rendered at prices that are applied to other companies outside the Group.

Outstanding balances referring to the above-mentioned related parties as at the reporting date and income and expenses during the period are shown below.

in EUR		
ASSETS	Associates	Other related entities
Stakes and shares	10,204,674	0
Receivables from insurance premium	0	13,444
Short-term receivables from financing	1,111,728	12,813
Other short-term receivables	38,061	39,967

in EUR		
LIABILITIES	Associates	Other related entities
Obveznosti do zavarovalnih posrednikov	26,259	0
Kratkoročne obveznosti iz financiranja	0	384
Other short-term liabilities	3,398	3,165,493
Accrued costs and expenses	14	0

in EUR		
INCOME AND EXPENSES	Associates	Other related entities
Gross written premium	96,906	4,307,826
Net premium income	96,906	4,307,826
Interest income	0	4,329,741
Dividend income	0	366,120
TOTAL INCOME	96,906	9,003,687
Gross claims settled	70,423	1,229,263
Net claims expenses	70,423	1,229,263
Other costs and expenses	16,702	0
Other finance expense	0	16
TOTAL EXPENSES	87,125	1,229,966

8.2. Members of the Management and Supervisory Board

In 2013, the Management Board members were paid the following amounts as compensation for their work:

							in EUR
Surname and name	Fixed salaries (gross)	Other additional payments*	Bonuses	Net pay received	Insurance premiums**	Other benefits***	Reimbursements
Slapar Andrej	144,397	784	28,353	71,904	22,677	7,026	2,371
Rakovec Matjaž	75,799	74,785	44,228	85,326	12,519	5,949	1,150
Vrtunski Stanislav	144,040	784	8,402	59,832	22,738	6,720	950
Jošar Benjamin	138,808	784	2,401	52,422	16,284	11,025	1,243
Makoter Marica	144,040	784	14,404	59,573	22,440	7,112	384
Stebernak Igor****	0	0	14,404	8,416	0	0	0
TOTAL	647,084	77,921	112,192	337,473	96,658	37,832	6,098

* Other additional payments include holiday allowances.

** Insurance premiums include premiums for supplementary pension insurance, accident insurance, liability insurance and other types of insurance.

*** Other benefits include company cars.

**** In 2013 Igor Stebernak was not a member of the Management Board, but he was paid a benefit as compensation for his service on the Management Board in 2012.

In 2013, members of the Management Board did not receive any payments for their work in subsidiaries.

As at 31 December 2013, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

			in EUR
MANAGEMENT BOARD	31 December 2013	31 December 2012	
RECEIVABLES			
Matjaž Rakovec	-	96	
Andrej Slapar	3	112	
Stanislav Vrtunski	14	17	
Benjamin Jošar	0	0	
Marica Makoter	16	16	
TOTAL RECEIVABLES FROM THE MANAGEMENT BOARD	33	241	
LIABILITIES			
Matjaž Rakovec	-	8,254	
Andrej Slapar	9,250	11,581	
Stanislav Vrtunski	8,097	4,783	
Benjamin Jošar	5,458	5,108	
Marica Makoter	10,156	4,417	
TOTAL PAYABLES TO THE MANAGEMENT BOARD	32,961	34,143	

In 2013, the Supervisory Board members and members of Committees were paid the following amounts as compensation for their work:

						in EUR
SUPERVISORY BOARD	Compensation	Attendance fee	Reimbursements	Total gross pay	Total net pay	
Andoljšek Žiga	2,889	1,760	90	4,739	3,673	
Blažič Matija	7,186	1,375	549	9,110	7,060	
Celar Peter	16,079	3,795	535	20,409	15,816	
Gobbo Mario	10,436	2,431	9,772	22,639	17,546	
Gorjan Branko	16,079	6,116	2,328	24,523	19,005	
Jadek Srečko*	7,774	317	0	8,091	6,270	
Jauk Matjaž*	0	220	0	220	171	
Ješovnik Peter*	0	220	0	220	171	
Kastelic Gregor	16,253	2,420	11,417	30,090	23,320	
Krštinč Miran	16,079	4,675	147	20,901	16,198	
Lukovac Jovan	8,571	3,685	0	12,256	9,498	
Marolt Anton	292	0	0	292	227	
Mihajlovič Igor	7,006	1,540	0	8,546	6,623	
Nose Barbara*	4,268	2,266	0	6,534	5,064	
Perman Mihael	4,044	1,540	0	5,584	4,328	
Runjak Matej	12,873	1,815	808	15,496	12,010	
Stanković Rajko	8,811	2,211	0	11,022	8,542	
Strašek Rok	3,178	1,100	668	4,946	3,833	
Šlemic Blaž	3,178	1,540	0	4,718	3,656	
Uršič Vladimir	4,379	2,200	840	7,419	5,750	
Valentinčič Aljoša	4,378	2,200	0	6,578	5,098	
Zupan Adolf	4,379	1,320	334	6,033	4,675	
Živkovič Aleš	2,889	1,760	0	4,649	3,603	
TOTAL	161,021	46,506	27,488	235,015	182,137	

As at 31 December 2013, Zavarovalnica Triglav had the following liabilities to the Management Board members:

Surname and name	Net liabilities as at 31 December 2013
Štimac Dubrovko	9.477
TOTAL	9.477

As at 31 December 2013 there are no outstanding receivables or liabilities from members of Supervisory Board and members of Supervisory Board Committees.

Proposed criteria for the assessment of the performance of Management Board Members are prepared by the Appointments and Compensation Committee and approved by the Supervisory Board. The purpose of these criteria is to ensure objective monitoring of existing goals and evaluation of the performance of Management Board Members on a regular basis. The above mentioned criteria are determined in such way so as to follow the strategy of Zavarovalnica Triglav. The definition of an individual goal includes its description, expected target value, assigned weight and the method of measurement or assessment. According to this method, the Board member is entitled to a bonus when goals are exceeded. On the other hand, a deduction is assumed when the goals are not met.

First half of an annual bonus for business efficiency is paid 30 days after the Supervisory Board approves the annual report and adopts a decision on bonus payments. If the annual report is approved at the Annual General Meeting, the first half of annual bonus is paid 30 days after the Annual General Meeting. Second half of an annual bonus is paid after 2 years. Bonus is paid in a proportion according to the time spent on a function.

Management Board Members are entitled to severance pay amounting to six of his average monthly salaries received as a board member, if he or she is dismissed for economic reasons. Severance is paid within one month after dismissal.

8.3. Amounts spent on auditors

The annual financial statements of the Group for 2013 were audited by Ernst&Young, d.o.o. The amounts, paid for auditing services on a Group level were as follows:

	in EUR	
	2013	2012
Auditing of the Annual Report	470,031	561,008
Other assurance services	87,013	337,126
Tax advising services	0	35,223
TOTAL	557,044	933,357

8.4. Profit per share

Net profit per share is calculated for the parent company and is disclosed in the separate financial statements of Zavarovalnica Triglav.

8.5. Additional notes to the cash flow statement

The consolidated cash flow statement is composed of the combined cash flows of all Triglav Group companies, taking into account intercompany eliminations.

Operating cash flows and cash flows from investing activities are recognised based on the data from financial statements and adjusted for the non-cash flow items (impairments, changes of claims and other provisions). Receipts/payments for intangible assets, for property, plant and equipment and for investment property were calculated based on the changes in their carrying amount, adjusted by depreciation charges and increased or decreased by realised losses or gains on disposals. Therefore, the figures differ from those in the tables of changes in Sections 6.1, 6.2. and 6.3.

Cash flow from financing activities is prepared based on actual payments. The amount of dividend payments in the cash flow statement differs from that disclosed in the statement of changes in equity by the amount of unpaid dividends.

The table below shows the reconciliation of operating cash flows.

	in EUR	
	2013	2012
PROFIT/ LOSS BEFORE TAX	83,641,061	89,671,412
Depreciation	22,528,076	16,446,782
Impairment of receivables	12,810,947	13,324,405
Change in receivables	-14,123,144	-68,685,893
Change in deferred tax assets	63,331	2,337,454
Change in inventory	722,094	1,879,031
Change in liabilities	-22,250,207	-4,567,429
Payment of income tax	-3,059,726	-14,332,149
Operating cash flow	12,736,301	36,073,605

8.6. Significant legal disputes

- **Stojan Klopčevski versus Triglav Osiguruvanje a.d., Skopje**

In April 2012, the former general manager of Triglav Osiguruvanje a.d., Skopje, lodged a claim against the company for damages in the amount of EUR 2.6 million. The claim was based on an unlawful decision on the termination of employment and the resulting loss of the possibility to exercise put option and call option agreements concluded with Zavarovalnica Triglav. Appellate proceedings are taking place at the court of second instance.

- **Minority shareholders of Triglav osiguruvanje a.d., Skopje (plaintiff) versus Zavarovalnica Triglav and Triglav osiguruvanje a.d., Skopje (defendants)**

In May 2013, the minority shareholders Triglav osiguruvanja a.d., Skopje, filed a legal action on the grounds of the breaches of an agreement on a sale and/or put option amounting to just under EUR 2.5 million. In October 2013 a defence was lodged and the first trial hearing has not yet been called.

- **Jugobanka a.d., Belgrade, in bankruptcy proceedings, and new creditor Municipium S versus Slovenijales d.d.**

In three claims, Jugobanka demands that Slovenijales d.d. pay the principal sums totalling USD 5,545,153 together with default interest (USD 4,540,723.54 + USD 238,843 + USD 765,587) for the period from 1 December 1994 onwards. The claim concerns guarantees allegedly issued by Slovenijales for liabilities of its subsidiaries in the USA, Canada and Australia. At a public auction Jugobanka's liabilities were acquired by Municipium S, which later sold them to Fincor Invest Anstalt AG according to information obtained from other judicial records. The defendant contests the existence of the capacity to bring proceedings and the capacity to be sued and filed a time-barring of claims.

In the proceedings in which USD 4.5 million plus costs and interest are claimed, the court of first instance found in favour of Slovenijales d.d. In 2013 the Court dismissed plaintiff's appeal together with the two extraordinary remedies also lodged by the plaintiff – an appeal on points of law and a request for the protection of legality.

In the proceedings in which USD 0.2 million plus costs and interest are claimed, the court ruled in favour of Slovenijales and the judgement is final. The two extraordinary remedies,

appeal on points of law and request for the protection of legality, lodged by the plaintiff, were dismissed in 2013.

In the proceedings in which USD 0.8 million plus costs and interest are claimed, the court ruled in favour of Slovenijales and the judgement is final. In 2012, both the appeal on a point of law and the request for the protection of legality were rejected.

- Fincor Invest Anstalt AG versus Slovenijales d.d.

As stated above, by endorsing the bills it acquired at a public auction, Municipium S sold its receivables to Fincor Invest Anstalt.

The proceedings were initiated in 2010 on the proposal for execution based on an original document (bills of exchange) filed by Fincor Invest Anstalt. The Court referred the case to the District Court in Ljubljana, which will decide the case in a civil proceeding.

In these proceedings the plaintiff demands payment of a bill of exchange amounting to EUR 7,295,131 together with default interest for the period from 23 September 2010 onwards. The defendant contests payment and claims the transfer of the bill of exchange from its previous owner to the plaintiff to be null and void. It simultaneously raises an objection regarding the due date of the bills. The main hearing was concluded in December 2011. The court delivered a judgement rejecting all claims entered by Fincor Invest Anstalt. The judgement is not final as the plaintiff appealed. The same judgement also rejected the application by Slovenijales d.d. for the issue of a temporary injunction that would prohibit Fincor Invest Anstalt from disposing of the remaining bills of exchange in its possession. Slovenijales appealed against this part of the judgement. In 2013, the Higher Court in Ljubljana rendered a decision: it fully rejected the plaintiff's appeal and in part granted the appeal by Slovenijales d.d., ruling that the company FINCOR INVEST INSTALT is not allowed to endorse the three bills guaranteed by SLOVENIJALES d.d. and accepted by SK Produkts (original debtor) and require payment on their basis. As none of the parties lodged an extraordinary remedy, the case was closed in 2013.

- Fincor Invest Anstalt AG versus Slovenijales d.d.

On 31 January 2012 Slovenijales received a request from Fincor Invest Anstalt for the payment of an additional sum of USD 6,997,000 (EUR 5,323,000) referring to interest. On the same day, the bill of exchange for the amount of USD 6,997,000 plus costs and interest (EUR 5,323,000 plus costs and interest) was protested. At the petition of the creditor, the court issued an order of execution on the basis of an authentic instrument including the attachment of liquid assets in transaction accounts with banks. Slovenijales appealed against this order which resulted in the abrogation of the part of the order allowing the execution. The court will rule on the creditor's claim in contentious proceedings. The order is final. At the petition of the creditor, the court issued a preliminary injunction on the basis of which a provisional registration of a mortgage on Slovenijales property (land around the building and parts of the building at Dunajska 22 in Ljubljana) was made. An appeal was lodged against the decision on preliminary injunction. The Higher Court in Ljubljana granted the appeal fully, reversed the decision on preliminary injunction and completed all acts of execution. In the relative civil suit the first trial hearing has not yet been called.

- Westminster network Ltd. versus Triglav pojišt'ovna a.s., Brno

The claim for the amount of CZK 39,634,272 was filed in 2009 and refers to a cooperation agreement concluded between the plaintiff's predecessor in law as the insurance agent and Triglav Pojišt'ovna a.s., Brno as the insurance company, on the basis of which the

plaintiff's predecessor in law was entitled to a commission. In court proceedings the plaintiff requested the payment of commission for the period from March 2007 to October 2009, but later extended the claim to include commission for the period from November 2009 to March 2010, which means that the requested amount in commission payments from March 2007 to March 2010 total CZK 45,827,127. In 2010 the receivable was sold off to Barcolanza a.s. Brno, which continued the litigation with Triglav pojišt'ovna. The case is before the Supreme Court.

- Triglav osiguranje a.d., Banja Luka, versus Republic of Srpska Public Corporation »Business Premises« and the Republic of Srpska

In 2001, Triglav osiguranje a.d., Banja Luka, lodged a claim against the Republic of Srpska Public Corporation "Business Premises" and the Republic of Srpska in which it requested the payment of outstanding insurance premium of EUR 612,726.87 plus cost and interest on late payment which as at 31 December 2013 totalled EUR 1,242,288. The part of the claim referring to the Republic of Srpska was rejected, while the part referring to the Public Corporation was granted. However the Public Corporation has no assets from which the claim of Triglav osiguranje could be recovered.

- Triglav osiguranje d.d., Sarajevo, versus SCT BBM d.o.o., Sarajevo

In 2011, Triglav osiguranje d.d., Sarajevo applied for execution against SCT BBM d.o.o. for the payment of EUR 1,075,030. The court issued an execution order freezing all assets in the defendant's accounts and ordered the sale of property against which Triglav osiguranje d.d., Sarajevo, has a lien. Execution proceedings were stopped and mediation proceedings were initiated.

8.7. Subsequent events

No events occurring after the reporting date were material to the financial statements for 2013. Events after the reporting date that could affect the operations in 2014 are the following:

- Zavarovalnica Triglav (plaintiff) versus Skupna pokojninska družba d.d., Ljubljana (defendant)

On 28 January 2013 Zavarovalnica Triglav d.d. started a new legal action against the company Skupna pokojninska družba d.d., Ljubljana, claiming EUR 360,844 in dividend payments which fell due in 2013. Skupna pokojninska družba d.d. in support of its failure to make that dividend payments alleges the existence of an outstanding counterclaim of EUR 817,738,96 as at 31 December 2013, arising from an agreement on making supplementary pension payments under a pension scheme set up in 2000. Zavarovalnica Triglav d.d. denies the existence of that counterclaim.

- Operations review of Zavarovalnica Triglav by the Insurance Supervision Agency (ISA)

On 27 January 2014 Zavarovalnica Triglav was served the request of the ISA for an operations review, in order to verify whether the Company in its operations complies with the Insurance Act, the pertaining secondary legislation and other legislation regulating the insurance industry. The review started on 3 February 2014.

- Recapitalisation of Triglav Group members

In February 2014, the Management Board of Zavarovalnica Triglav adopted decisions and started relevant capital increase procedures in Pojišt'ovna a.s., Brno, and Triglav Osiguranje a.d.o., Belgrade, which are Group members.

- Triglav Group presence on Czech market

Zavarovalnica Triglav considers its future presence in the Czech market, on which the subsidiary Triglav pojišt'ovna a.s., Brno operates, in dependence of the relevance of the said market for the Triglav Group and of the level to which strategic targets are met.

APPENDIX:

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1. CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

1.1. Consolidated balance sheet for Non-life and Life insurance as at 31 December 2013

in EUR			
	31 December 2013	31 December 2012	Index
ASSETS (od A do G)	3.077.107.344	3.123.808.393	99
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	71.724.243	66.878.286	107
1. Intangible assets	31.661.261	28.431.680	111
2. Goodwill	648.495	1.817.862	36
3. Deferred acquisition costs	35.564.051	36.450.944	98
4. Other long-term deferred items	3.850.436	177.800	
B. LAND, BUILDINGS AND FINANCIAL ASSETS	2.265.187.852	2.329.942.771	97
I. LAND AND BUILDINGS	195.759.886	204.986.139	95
a.) Directly used in insurance activities	98.514.502	104.799.276	94
1. Land directly used in insurance activities	15.028.531	15.220.005	99
2. Buildings directly used in insurance activities	82.642.165	88.597.965	93
3. Other land and buildings directly used in insurance activities	843.806	981.306	86
b.) Investment property	97.245.384	100.186.863	97
1. Land	40.492.781	44.080.928	92
2. Buildings	56.752.603	56.105.935	101
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	10.204.674	14.384.184	71
1. Shares in subsidiaries		0	
2. Debt securities and loans to subsidiaries		0	
3. Shares in associated companies	10.204.674	14.384.184	71
4. Debt securities and loans to associated companies		0	
5. Other financial investments in subsidiaries and associates		0	
III. OTHER FINANCIAL INVESTMENTS	1.990.348.916	2.022.810.858	98
1. Long-term financial investments	1.849.271.862	1.867.730.882	99
1.1. Shares and other floating rate securities and fund coupons	109.454.844	129.918.275	84
1.2. Debt and other fixed return securities	1.605.110.593	1.575.031.596	102
1.3. Investment fund shares	1.023.708	1.669.433	61
1.4. Mortgage loans	4.246.630	6.057.327	70
1.5. Other loans	46.742.456	49.940.212	94
1.6. Deposits with banks	55.446.101	75.331.942	74
1.7. Other financial investments	27.247.530	29.782.097	91
2. Short-term financial investments	141.077.054	155.079.976	91
2.1. Shares available for sale	2.829.940	5.217.201	54
2.2. Securities available for sale and with maturity up to one year	76.947.632	54.219.934	142
2.3. Short-term loans	2.750.721	5.203.047	53
2.4. Short-term bank deposits	55.805.984	77.639.032	72
2.5. Other short-term financial investments	2.742.777	12.800.762	21
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	4.166.848	4.185.878	100
V. ASSETS FROM INVESTMENT CONTRACTS		0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	64.707.528	83.575.712	77
1. From unearned premium	15.148.585	16.385.524	92
- in reinsurance	15.132.074	16.371.344	92
- in co-insurance	16.511	14.180	116

in EUR			
	31 December 2013	31 December 2012	Index
2. From mathematical provision	0	0	
3. From outstanding claims	49.558.943	67.190.188	74
- in reinsurance	49.540.143	67.127.460	74
- in co-insurance	18.800	62.728	30
4. From bonuses and discounts	0	0	
5. From other technical provisions	0	0	
6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C. UNIT-LINKED INSURANCE CONTRACT INVESTMENTS	437.667.615	418.881.916	104
D. RECEIVABLES	220.025.580	229.284.769	96
I. RECEIVABLES FROM DIRECT INSURANCE	97.283.365	104.671.452	93
1. Receivables from insurers	91.202.823	98.630.621	92
2. Receivables from insurance brokers	1.968.272	2.280.549	86
3. Other receivables from direct insurance operations	4.112.270	3.756.195	109
4. Receivables from direct insurance operations -associates and subsidiaries	0	4.087	
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	43.322.539	42.942.784	101
1. Premium receivable from co-insurance	1.020.036	1.031.063	99
2. Premium receivable from reinsurance	30.658.255	30.559.008	100
3. Receivables from co-insurers' share in claims	147.521	653.821	23
4. Receivables from reinsurers' share in claims	8.897.884	8.013.099	111
5. Other receivables from co-insurance and reinsurance	2.598.843	2.685.793	97
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	79.419.676	81.670.533	97
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	11.754.549	12.216.322	96
3. Short term receivables from financing	5.749.763	1.691.442	340
4. Other short-term receivables	19.241.744	19.644.367	98
5. Long-term receivables	3.102.938	3.525.562	88
6. Current tax receivables	14.724.095	9.331.709	158
7. Deferred tax assets	23.696.799	34.434.717	69
8. Other short-term receivables - associates and subsidiaries	1.149.788	826.414	139
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	77.628.644	70.602.673	110
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	24.336.382	25.551.206	95
1. Equipment and small tools	23.442.751	24.693.744	95
2. Other tangible fixed assets	893.631	857.462	104
II. CASH AT BANK AND IN HAND	29.068.558	17.251.420	168
III. INVENTORIES AND OTHER ASSETS	24.223.704	27.800.047	87
1. Inventories	23.345.050	27.159.826	86
2. Other assets	878.654	640.221	137
F. SHORT-TERM DEFERRED ASSETS	2.750.061	5.880.361	47
1. Accrued interest and rent	108.619	24.645	441
2. Deferred short-term expenses of insurance contract acquisition	222.292	3.083.455	7
3. Other short-term deferred items	2.419.150	2.772.261	87
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	2.123.349	2.337.617	91
H. OFF BALANCE SHEET ASSETS	148.751.903	167.454.744	89

in EUR			
	31 December 2013	31 December 2012	Index
EQUITY AND LIABILITIES (A to I)	3.077.107.344	3.123.808.393	99
A. EQUITY	590.537.457	574.563.757	103
I. SUBSCRIBED (CALLED UP) CAPITAL	73.701.392	73.701.392	100
1. Share capital	73.701.392	73.701.392	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	56.866.194	56.710.713	100
III. RESERVES FROM PROFIT	276.678.464	253.233.080	109
1. Security reserves	534.366	529.798	101
2. Legal and statutory reserves	19.630.611	19.517.386	101
3. Reserves for own shares	452.881	364.681	124
4. Own shares (as deduction)	-452.880	-364.680	124
5. Equalisation provision for credit insurance	32.313.485	32.185.894	100
6. Catastrophe reserves	0	0	
7. Other reserves from profit	224.200.001	201.000.001	112
IV. FAIR VALUE RESERVE	44.605.435	51.819.054	86
1. Fair value reserve for tangible fixed assets	4.971	2.188	227
2. Fair value reserve for long-term investments	43.686.689	51.195.800	85
3. Fair value reserve for short-term investments	1.065.499	673.256	158
4. Other fair value reserve	-151.724	-52.190	291
V. NET PROFIT / LOSS CARRIED FORWARD	90.083.115	86.769.095	104
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	46.213.507	48.809.667	95
VII. NON-CONTROLLING INTEREST	6.222.580	6.699.937	93
VIII. CURRENCY TRANSLATION DIFFERENCES	-3.833.230	-3.179.181	121
B. SUBORDINATED LIABILITIES	28.244.484	37.025.550	76
C. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	1.826.231.310	1.887.920.781	97
1. Gross provisions for unearned premiums	258.066.669	268.424.573	96
2. Gross mathematical provisions	870.733.006	869.949.936	100
3. Gross claim provisions	674.436.244	723.176.114	93
4. Gross provisions for bonuses and discounts	15.399.739	17.153.835	90
5. Other gross technical provisions	7.595.652	9.216.323	82
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	435.201.724	417.338.984	104
E. PROVISIONS FOR OTHER RISKS AND CHARGES	27.620.112	30.195.225	91
1. Provisions for pensions	11.401.382	10.573.673	108
2. Other provisions	16.218.730	19.621.552	83
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	160.327.339	168.370.968	95
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	20.247.893	20.811.717	97
1. Liabilities to policy holders	12.285.427	12.851.059	96
2. Liabilities to agents and brokers	2.395.818	1.870.713	128
3. Other liabilities from direct insurance operations	5.540.389	6.053.381	92
4. Liabilities from direct insurance operations- associates and subsidiaries	26.259	36.564	72

in EUR			
	31 December 2013	31 December 2012	Index
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	35.338.592	36.744.115	96
1. Liabilities for co-insurance premiums	260.509	1.144.984	23
2. Liabilities for reinsurance premiums	15.645.104	15.061.005	104
3. Liabilities for co-insurers' share in claims	212.104	452.881	47
4. Liabilities for reinsurers' share in claims	9.373.769	10.070.231	93
5. Other liabilities from co-insurance and re-insurance	9.847.106	10.015.014	98
6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	0	0	
III. LOANS SECURED BY FIXED RATE SECURITIES	359.597	0	
IV. LIABILITIES TO BANKS	24.925.491	29.080.514	86
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	79.455.766	81.734.622	97
a.) Other long term liabilities	27.299.444	28.139.985	97
1. Long term liabilities from finance leases	7.350.411	6.733.167	109
2. Other long term liabilities	1.483.991	54.820	
3. Deferred tax liabilities	18.465.042	21.351.998	86
b.) Other short-term liabilities	52.156.322	53.594.637	97
1. Short-term liabilities to employees	13.298.990	14.412.755	92
2. Other short-term liabilities from insurance operations	9.366.659	10.382.563	90
3. Short-term liabilities from financing	2.155.499	3.566.885	60
4. Current income tax liabilities	739.048	594.275	124
5. Other short-term liabilities	26.596.126	24.638.159	108
H. ACCRUED EXPENSES AND DEFERRED INCOME	8.852.883	8.211.718	108
1. Accrued expenses	4.827.460	4.726.411	102
2. Other accruals and deferred income	4.025.423	3.485.307	115
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	92.035	181.410	51
J. OFF BALANCE SHEET ASSETS	148.751.903	167.454.744	89

1.2. Consolidated balance sheet for Non-life insurance as at 31 December 2013

in EUR			
	31 December 2013	31 December 2012	Index
ASSETS (od A do G)	1.620.911.606	1.688.668.271	96
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	69.543.998	64.357.610	108
1. Intangible assets	29.481.016	25.911.004	114
2. Goodwill	648.495	1.817.862	36
3. Deferred acquisition costs	35.564.051	36.450.944	98
4. Other long-term deferred items	3.850.436	177.800	
B. LAND, BUILDINGS AND FINANCIAL ASSETS	1.261.531.792	1.327.060.472	95
I. LAND AND BUILDINGS	184.453.127	192.799.631	96
a.) Directly used in insurance activities	89.757.976	95.801.539	94
1. Land directly used in insurance activities	14.392.758	14.581.948	99
2. Buildings directly used in insurance activities	74.521.412	80.238.285	93
3. Other land and buildings directly used in insurance activities	843.806	981.306	86
b.) Investment property	94.695.151	96.998.092	98
1. Land	40.340.479	43.752.859	92
2. Buildings	54.354.672	53.245.233	102
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	3.293.637	7.098.935	46
1. Shares in subsidiaries	0	0	
2. Debt securities and loans to subsidiaries	0	0	
3. Shares in associated companies	3.293.637	7.098.935	46
4. Debt securities and loans to associated companies	0	0	
5. Other financial investments in subsidiaries and associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	1.004.914.660	1.039.403.798	97
1. Long-term financial investments	889.058.769	933.941.442	95
1.1. Shares and other floating rate securities and fund coupons	85.398.721	99.458.920	86
1.2. Debt and other fixed return securities	722.369.497	747.676.390	97
1.3. Investment fund shares	1.023.708	1.669.433	61
1.4. Mortgage loans	4.246.630	5.923.327	72
1.5. Other loans	18.788.724	18.721.804	100
1.6. Deposits with banks	30.672.114	33.979.840	90
1.7. Other financial investments	26.559.375	26.511.728	100
2. Short-term financial investments	115.855.891	105.462.356	110
2.1. Shares available for sale	1.479.736	3.048.966	49
2.2. Securities available for sale and with maturity up to one year	65.754.796	37.435.369	176
2.3. Short-term loans	2.614.713	5.196.108	50
2.4. Short-term bank deposits	43.794.831	47.815.254	92
2.5. Other short-term financial investments	2.211.815	11.966.659	18
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	4.166.848	4.185.878	100
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	64.703.520	83.572.230	77
1. From unearned premium	15.147.591	16.382.042	92
- in reinsurance	15.131.080	16.367.862	92
- in co-insurance	16.511	14.180	116

in EUR			
	31 December 2013	31 December 2012	Index
2. From mathematical provision	0	0	
3. From outstanding claims	49.555.929	67.190.188	74
- in reinsurance	49.537.129	67.127.460	74
- in co-insurance	18.800	62.728	30
4. From bonuses and discounts	0	0	
5. From other technical provisions	0	0	
6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C. UNIT-LINKED INSURANCE CONTRACT INVESTMENTS	0	0	
D. RECEIVABLES	213.284.918	223.072.941	96
I. RECEIVABLES FROM DIRECT INSURANCE	95.870.206	103.307.981	93
1. Receivables from insurers	90.706.337	98.101.980	92
2. Receivables from insurance brokers	1.965.886	2.280.338	86
3. Other receivables from direct insurance operations	3.197.983	2.921.576	109
4. Receivables from direct insurance operations -associates and subsidiaries	0	4.087	0
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	43.320.382	42.940.705	101
1. Premium receivable from co-insurance	1.020.036	1.031.063	99
2. Premium receivable from reinsurance	30.658.255	30.559.008	100
3. Receivables from co-insurers' share in claims	147.521	653.821	23
4. Receivables from reinsurers' share in claims	8.897.884	8.013.099	111
5. Other receivables from co-insurance and reinsurance	2.596.686	2.683.714	97
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	74.094.330	76.824.255	96
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	11.687.403	12.117.318	96
3. Short term receivables from financing	5.148.597	1.480.135	348
4. Other short-term receivables	17.825.582	18.445.319	97
5. Long-term receivables	3.102.938	3.525.562	88
6. Current tax receivables	14.723.941	9.331.555	158
7. Deferred tax assets	21.595.869	31.914.285	68
8. Other short-term receivables - associates and subsidiaries	10.000	10.081	99
IV. CALLED UP SHARE CAPITAL UNPAID		0	
E. OTHER ASSETS	71.771.200	66.026.313	109
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	21.816.510	23.837.747	92
1. Equipment and small tools	20.972.735	23.011.974	91
2. Other tangible fixed assets	843.775	825.773	102
II. CASH AT BANK AND IN HAND	25.731.183	14.392.523	179
III. INVENTORIES AND OTHER ASSETS	24.223.507	27.796.043	87
1. Inventories	23.344.870	27.155.966	86
2. Other assets	878.637	640.077	137
F. SHORT-TERM DEFERRED ASSETS	2.656.349	5.813.318	46
1. Accrued interest and rent	36.420	24.645	148
2. Deferred short-term expenses of insurance contract acquisition	222.292	3.083.455	7
3. Other short-term deferred items	2.397.637	2.705.218	89
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	2.123.349	2.337.617	91
H. OFF BALANCE SHEET ASSETS	123.551.565	149.004.406	83

in EUR			
	31 December 2013	31 December 2012	Index
EQUITY AND LIABILITIES (A to I)	1.620.911.606	1.688.668.271	96
A. EQUITY	496.098.163	485.385.038	102
I. SUBSCRIBED (CALLED UP) CAPITAL	51.326.692	51.340.541	100
1. Share capital	51.326.692	51.340.541	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	43.798.287	43.642.806	100
III. RESERVES FROM PROFIT	237.385.760	221.144.944	107
1. Security reserves	376.299	376.299	100
2. Legal and statutory reserves	17.814.446	17.701.221	101
3. Reserves for own shares	452.881	364.681	124
4. Own shares (as deduction)	-452.880	-364.680	124
5. Equalisation provision for credit insurance	32.313.485	32.185.894	100
6. Catastrophe reserves	0	0	
7. Other reserves from profit	186.881.529	170.881.529	109
IV. FAIR VALUE RESERVE	40.484.458	46.645.576	87
1. Fair value reserve for tangible fixed assets	4.971	2.188	227
2. Fair value reserve for long-term investments	39.667.398	45.907.282	86
3. Fair value reserve for short-term investments	953.074	788.296	121
4. Other fair value reserve	-140.985	-52.190	270
V. NET PROFIT / LOSS CARRIED FORWARD	76.843.971	75.550.031	102
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	43.817.528	43.412.531	101
VII. NON-CONTROLLING INTEREST	5.026.922	5.551.241	91
VIII. CURRENCY TRANSLATION DIFFERENCES	-2.585.455	-1.902.632	136
B. SUBORDINATED LIABILITIES	16.261.802	23.348.281	70
C. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	934.883.162	997.124.740	94
1. Gross provisions for unearned premiums	257.615.712	268.008.937	96
2. Gross mathematical provisions	0	0	
3. Gross claim provisions	654.272.059	702.745.645	93
4. Gross provisions for bonuses and discounts	15.399.739	17.153.835	90
5. Other gross technical provisions	7.595.652	9.216.323	82
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
E. PROVISIONS FOR OTHER RISKS AND CHARGES	26.030.225	28.630.416	91
1. Provisions for pensions	9.890.135	9.136.500	108
2. Other provisions	16.140.090	19.493.916	83
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	139.263.419	146.232.651	95
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	14.292.413	13.733.416	104
1. Liabilities to policy holders	7.463.789	6.825.176	109
2. Liabilities to agents and brokers	2.180.262	1.788.645	122
3. Other liabilities from direct insurance operations	4.646.544	5.092.922	91
4. Liabilities from direct insurance operations- associates and subsidiaries	1.818	26.673	7

in EUR			
	31 December 2013	31 December 2012	Index
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	35.307.873	36.722.459	96
1. Liabilities for co-insurance premiums	260.509	1.144.984	23
2. Liabilities for reinsurance premiums	15.614.391	15.039.378	104
3. Liabilities for co-insurers' share in claims	212.104	452.881	47
4. Liabilities for reinsurers' share in claims	9.373.769	10.070.231	93
5. Other liabilities from co-insurance and re-insurance	9.847.100	10.014.985	98
6. Liabilities from co-insurance and re-insurance-associates and subsidiaries		0	
III. LOANS SECURED BY FIXED RATE SECURITIES	359.597	0	
IV. LIABILITIES TO BANKS	24.925.491	29.080.514	86
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	64.378.045	66.696.262	97
a.) Other long term liabilities	25.094.915	25.278.319	99
1. Long term liabilities from finance leases	7.350.411	6.733.167	109
2. Other long term liabilities	1.483.991	54.820	
3. Deferred tax liabilities	16.260.513	18.490.332	88
b.) Other short-term liabilities	39.283.130	41.417.943	95
1. Short-term liabilities to employees	13.291.044	14.406.910	92
2. Other short-term liabilities from insurance operations	-93.979	2.214.778	
3. Short-term liabilities from financing	2.155.491	2.674.287	81
4. Current income tax liabilities	712.643	538.671	132
5. Other short-term liabilities	23.217.931	21.583.297	108
H. ACCRUED EXPENSES AND DEFERRED INCOME	8.286.683	7.770.717	107
1. Accrued expenses	4.269.953	4.293.854	99
2. Other accruals and deferred income	4.016.730	3.476.863	116
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	88.152	176.428	50
J. OFF BALANCE SHEET ASSETS	123.551.565	149.004.406	83

1.3. Consolidated balance sheet for Life insurance as at 31 December 2013

in EUR			
	31 December 2013	31 December 2012	Index
ASSETS (od A do G)	1.456.195.738	1.435.140.122	101
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	2.180.245	2.520.676	86
1. Intangible assets	2.180.245	2.520.676	86
2. Goodwill	0	0	
3. Deferred acquisition costs	0	0	
4. Other long-term deferred items	0	0	
B. LAND, BUILDINGS AND FINANCIAL ASSETS	1.003.656.060	1.002.882.299	100
I. LAND AND BUILDINGS	11.306.759	12.186.508	93
a.) Directly used in insurance activities	8.756.526	8.997.737	97
1. Land directly used in insurance activities	635.773	638.057	100
2. Buildings directly used in insurance activities	8.120.753	8.359.680	97
3. Other land and buildings directly used in insurance activities	0	0	
b.) Investment property	2.550.233	3.188.771	80
1. Land	152.302	328.069	46
2. Buildings	2.397.931	2.860.702	84
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	6.911.037	7.285.249	95
1. Shares in subsidiaries	0	0	
2. Debt securities and loans to subsidiaries	0	0	
3. Shares in associated companies	6.911.037	7.285.249	95
4. Debt securities and loans to associated companies	0	0	
5. Other financial investments in subsidiaries and associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	985.434.256	983.407.060	100
1. Long-term financial investments	960.213.093	933.789.440	103
1.1. Shares and other floating rate securities and fund coupons	24.056.123	30.459.355	79
1.2. Debt and other fixed return securities	882.741.096	827.355.206	107
1.3. Investment fund shares	0	0	
1.4. Mortgage loans	0	134.000	
1.5. Other loans	27.953.732	31.218.408	90
1.6. Deposits with banks	24.773.987	41.352.102	60
1.7. Other financial investments	688.155	3.270.369	21
2. Short-term financial investments	25.221.163	49.617.620	51
2.1. Shares available for sale	1.350.204	2.168.235	62
2.2. Securities available for sale and with maturity up to one year	11.192.836	16.784.565	67
2.3. Short-term loans	136.008	6.939	
2.4. Short-term bank deposits	12.011.153	29.823.778	40
2.5. Other short-term financial investments	530.962	834.103	64
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	0	0	
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	4.008	3.482	115
1. From unearned premium	994	3.482	29
- in reinsurance	994	3.482	29
- in co-insurance	0	0	

in EUR			
	31 December 2013	31 December 2012	Index
2. From mathematical provision	0	0	
3. From outstanding claims	3.014	0	
- in reinsurance	3.014	0	
- in co-insurance	0	0	
4. From bonuses and discounts	0	0	
5. From other technical provisions	0	0	
6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C. UNIT-LINKED INSURANCE CONTRACT INVESTMENTS	437.667.615	418.881.916	104
D. RECEIVABLES	6.740.662	6.211.828	109
I. RECEIVABLES FROM DIRECT INSURANCE	1.413.159	1.363.471	104
1. Receivables from insurers	496.486	528.641	94
2. Receivables from insurance brokers	2.386	211	
3. Other receivables from direct insurance operations	914.287	834.619	110
4. Receivables from direct insurance operations -associates and subsidiaries	0	0	
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	2.157	2.079	104
1. Premium receivable from co-insurance	0	0	
2. Premium receivable from reinsurance	0	0	
3. Receivables from co-insurers' share in claims	0	0	
4. Receivables from reinsurers' share in claims	0	0	
5. Other receivables from co-insurance and reinsurance	2.157	2.079	104
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	5.325.346	4.846.278	110
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	67.146	99.004	68
3. Short term receivables from financing	601.165	211.307	284
4. Other short-term receivables	1.416.162	1.199.048	118
5. Long-term receivables	0	0	
6. Current tax receivables	154	154	100
7. Deferred tax assets	2.100.930	2.520.432	83
8. Other short-term receivables - associates and subsidiaries	1.139.789	816.333	140
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	5.857.444	4.576.360	128
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	2.519.872	1.713.459	147
1. Equipment and small tools	2.470.016	1.681.770	147
2. Other tangible fixed assets	49.856	31.689	157
II. CASH AT BANK AND IN HAND	3.337.375	2.858.897	117
III. INVENTORIES AND OTHER ASSETS	197	4.004	5
1. Inventories	180	3.860	5
2. Other assets	17	144	12
F. SHORT-TERM DEFERRED ASSETS	93.712	67.043	140
1. Accrued interest and rent	72.199	0	
2. Deferred short-term expenses of insurance contract acquisition	0	0	
3. Other short-term deferred items	21.513	67.043	32
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
H. OFF BALANCE SHEET ASSETS	25.200.338	18.450.338	137

in EUR			
	31 December 2013	31 December 2012	Index
EQUITY AND LIABILITIES (A to I)	1.456.195.738	1.435.140.122	101
A. EQUITY	94.439.294	89.178.719	106
I. SUBSCRIBED (CALLED UP) CAPITAL	22.374.700	22.360.851	100
1. Share capital	22.374.700	22.360.851	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	13.067.907	13.067.907	100
III. RESERVES FROM PROFIT	39.292.704	32.088.136	122
1. Security reserves	158.067	153.499	103
2. Legal and statutory reserves	1.816.165	1.816.165	100
3. Reserves for own shares	0	0	
4. Own shares (as deduction)	0	0	
5. Equalisation provision for credit insurance	0	0	
6. Catastrophe reserves	0	0	
7. Other reserves from profit	37.318.472	30.118.472	124
IV. FAIR VALUE RESERVE	4.120.977	5.173.478	80
1. Fair value reserve for tangible fixed assets	0	0	
2. Fair value reserve for long-term investments	4.019.291	5.288.518	76
3. Fair value reserve for short-term investments	112.425	-115.040	
4. Other fair value reserve	-10.739	0	
V. NET PROFIT / LOSS CARRIED FORWARD	13.239.144	11.219.064	118
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	2.395.979	5.397.136	44
VII. NON-CONTROLLING INTEREST	1.195.658	1.148.696	104
VIII. CURRENCY TRANSLATION DIFFERENCES	-1.247.775	-1.276.549	98
B. SUBORDINATED LIABILITIES	11.982.682	13.677.269	88
C. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	891.348.148	890.796.041	100
1. Gross provisions for unearned premiums	450.957	415.636	108
2. Gross mathematical provisions	870.733.006	869.949.936	100
3. Gross claim provisions	20.164.185	20.430.469	99
4. Gross provisions for bonuses and discounts	0	0	
5. Other gross technical provisions	0	0	
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	435.201.724	417.338.984	104
E. PROVISIONS FOR OTHER RISKS AND CHARGES	1.589.887	1.564.809	102
1. Provisions for pensions	1.511.247	1.437.173	105
2. Other provisions	78.640	127.636	62
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	21.063.920	22.138.317	95
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	5.955.480	7.078.301	84
1. Liabilities to policy holders	4.821.638	6.025.883	80
2. Liabilities to agents and brokers	215.556	82.068	263
3. Other liabilities from direct insurance operations	893.845	960.459	93
4. Liabilities from direct insurance operations-associates and subsidiaries	24.441	9.891	247

in EUR			
	31 December 2013	31 December 2012	Index
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	30.719	21.656	142
1. Liabilities for co-insurance premiums		0	
2. Liabilities for reinsurance premiums	30.713	21.627	142
3. Liabilities for co-insurers' share in claims		0	
4. Liabilities for reinsurers' share in claims		0	
5. Other liabilities from co-insurance and re-insurance	6	29	21
6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	0	0	
III. LOANS SECURED BY FIXED RATE SECURITIES	0	0	
IV. LIABILITIES TO BANKS	0	0	
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	15.077.721	15.038.360	100
a.) Other long term liabilities	2.204.529	2.861.666	77
1. Long term liabilities from finance leases	0	0	
2. Other long term liabilities	0	0	
3. Deferred tax liabilities	2.204.529	2.861.666	77
b.) Other short-term liabilities	12.873.192	12.176.694	106
1. Short-term liabilities to employees	7.946	5.845	136
2. Other short-term liabilities from insurance operations	9.460.638	8.167.785	116
3. Short-term liabilities from financing	8	892.598	0
4. Current income tax liabilities	26.405	55.604	47
5. Other short-term liabilities	3.378.195	3.054.862	111
H. ACCRUED EXPENSES AND DEFERRED INCOME	566.200	441.001	128
1. Accrued expenses	557.507	432.557	129
2. Other accruals and deferred income	8.693	8.444	103
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	3.883	4.982	78
J. OFF BALANCE SHEET ASSETS	25.200.338	18.450.338	137

2. CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDING AT 31 DECEMBER 2013

		in EUR		
		2013	2012	Index
A.	Tehnickal account for non-life insurance except health insurance business			
I.	Net premium earned	542.174.975	587.891.014	92
1.	Gross written premium	602.371.971	637.587.818	94
2.	Assumed co-insurance written premium (+)	2.843.147	2.344.103	121
3.	Ceded co-insurance written premium (-)	-830.065	-925.411	90
4.	Outward reinsurance premium (-)	-70.058.798	-74.035.762	95
5.	Change in gross provision for unearned premiums (+/-)	11.626.460	21.041.965	55
6.	Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	-3.777.740	1.878.301	
II.	Allocated investment return transferred from the non-tehnickal account (item D VIII)	26.725.143	28.426.839	94
III.	Other net income from insurance operations	5.519.828	6.152.328	90
IV.	Net claims incurred	312.366.103	336.266.693	93
1.	Gross claims settled	397.145.476	401.383.777	99
2.	Income from gross subrogated receivables (-)	-19.967.718	-21.511.562	93
3.	Co-insurers' share (+/-)	1.535.665	1.070.009	144
4.	Reinsurers' share (-)	-37.376.361	-23.585.994	158
5.	Changes in gross prvisions for claims outstanding (+/-)	-46.621.343	17.005.774	
6.	Changes in provisions for claims outstanding, reinsurers' and coinsurers' share (+/-)	17.650.384	-38.095.311	
V.	Change in other net tehnickal provisions (+/-)	-1.302.687	-2.484.155	52
VI.	Net expenses for bonuses and discounts	6.537.369	8.645.999	76
VII.	Net operating expenses	158.308.336	158.252.187	100
1.	Acquisition costs	107.460.697	107.309.258	100
2.	Change in deferred acquisition costs (+/-)	432.254	379.542	114
3.	Other operating expenses	52.636.982	50.820.003	104
3.1.	Depreciation of assets used in insurance business	3.869.325	3.869.570	100
3.2.	Labour costs	27.093.339	25.825.565	105
	- wages and salaries	19.145.970	18.944.512	101
	- social security and pension insurance costs	4.991.304	5.012.430	100
	- other labour costs	2.956.065	1.868.623	158
3.3.	Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	547.446	540.675	101
3.4.	Other operating expenses	21.126.872	20.584.193	103
4.	Income from reinsurance commissions and shares in the technical profit from reinsurance contracts (-)	-2.221.597	-256.616	866
VIII.	Other net insurance expenses	21.607.118	27.297.194	79
1.	Expenses of preventive activity	6.326.371	6.848.396	92
2.	Contributions for covering losses on uninsured and unknown vehicles	470.174	1.902.599	25
3.	Other net insurance expenses	14.810.573	18.546.199	80
IX.	Result of the tehnickal account for non-life insurance business, except health insurance business (I+II+III-IV+-V-VI-VII-VIII)	76.903.707	94.492.263	81
B.	Tehnickal account for life insurance business			
I.	Net premium earned	191.560.898	204.865.726	94
1.	Gross written premium	191.630.615	204.876.520	94
2.	Assumed co-insurance written premium (+)	0	0	
3.	Ceded co-insurance written premium (-)	0	0	
4.	Outward reinsurance premium (-)	-31.811	-22.072	144
5.	Change in gross provision for unearned premiums (+/-)	-35.419	11.448	
6.	Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	-2.487	-170	

	2013	2012	Index
II. Income from investments	72.813.602	69.517.265	105
1. Income from dividends	900.844	755.859	119
1.1. Group companies	0	0	
1.2. Associates	0	0	
1.3. Others	900.844	755.859	119
2. Income from other investments	59.442.435	55.190.747	108
2.1. Income from land and buildings	71.200	65.874	108
- in group companies	0	0	
- in associates	0	0	
- in others	71.200	65.874	108
2.2. Interest income	38.356.138	40.641.792	94
- in group companies	0	0	
- in associates	0	0	
- in others	38.356.138	40.641.792	94
2.3. Other investment income	21.015.097	14.483.081	145
2.3.1. Financial income from revaluation	20.973.425	13.430.207	156
- in group companies	0	0	
- in associates	0	0	
- in others	20.973.425	13.430.207	156
2.3.2. Other financial income	41.672	1.052.874	4
- in group companies	0	0	
- in associates	38.548	1.032.252	4
- in others	3.124	20.622	15
3. Income from asset value adjustments	0	80.303	
4. Profit on disposal of investments	12.470.323	13.490.356	92
III. Net unrealised gains on unit-linked life insurance assets	48.476.023	29.822.704	163
IV. Other net income from insurance operations	135.282	14.260.309	1
V. Net claims incurred	171.336.665	163.030.391	105
1. Gross claims settled	171.600.928	163.220.596	105
2. Income from gross subrogated receivables (-)	0	0	
3. Reinsurers' share (-)	0	0	
4. Changes in gross provisions for claims outstanding (+/-)	-261.218	-190.205	137
5. Changes in provisions for claims outstanding, reinsurers' share (+/-)	-3.045	0	
VI. Change in other net technical provisions (+/-)	21.960.510	53.807.856	41
1. Change of mathematical provisions (+/-)	21.875.422	53.797.731	41
1.1. Change in gross mathematical provision (+/-)	21.875.422	53.797.731	41
1.2. Change of reinsurers' share (+/-)	0	0	
2. Change of other net technical provisions (+/-)	85.088	10.125	840
2.1. Change of other gross technical provision(+/-)	85.088	0	
2.2. Change of reinsurers' share (+/-)	0	10.125	
VII. Net expenses for bonuses and discounts	1.826	1.772	103
VIII. Net operating expenses	31.536.750	33.078.933	95
1. Acquisition costs	18.683.293	19.066.816	98
2. Change of deferred acquisition costs (+/-)	0	0	
3. Other operating expenses	12.855.850	14.012.250	92
3.1. Depreciation of assets used in insurance business	881.231	730.202	121
3.2. Labour costs	6.519.911	6.907.634	94
- wages and salaries	4.714.745	5.303.579	89
- social security and pension insurance costs	1.083.318	1.117.974	97
- other labour costs	721.848	486.081	149
3.3. Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	102.847	120.743	85
3.4. Other operating expenses	5.351.861	6.253.671	86
4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-2.393	-133	

	2013	2012	Index
IX. Expenses from investments	42.415.606	43.308.176	98
1. Depreciation and amortization of assets not used in operations	73.611	69.489	106
2. Expenses arising from asset management, interest expenses and other financial expenses	2.729.573	2.443.461	112
3. Revaluation financial expenses	26.876.231	23.067.271	117
4. Loss on disposal of investments	12.736.191	17.727.955	72
X. Net unrealised losses on investments for insurance of which the policyholders bear the investment risk	33.789.102	675.813	
XI. Other net insurance expenses	1.102.654	14.982.024	7
1. Expenses of preventive activity	700.170	467.660	150
2. Other net insurance expenses	402.484	14.514.364	3
XII. Allocated investment return transferd to the non-tehnical account (-) (item d.v.)	-8.914.948	-7.193.795	124
XIII. Result of the tehcnical account for life insurance business (I+II+III+IV-V+/-VI-VII-VIII-IX-X-XI-XII)	19.757.640	16.774.834	118
C. Result of the tehcnical account for health insurance business			
I. Net premium earned	103.906.794	91.611.132	113
1. Gross written premium	104.046.847	91.454.582	114
2. Outward reinsurance premium (-)	0	0	
3. Change in gross provision for unearned premiums (+/-)	-140.053	156.550	
4. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	0	0	
II. Income from investments	1.172.220	647.941	181
1. Income from dividends	0	0	
1.1. Group companies	0	0	
1.2. Associates	0	0	
1.3. Others	0	0	
2. Income from other investments	939.786	647.941	145
2.1. Income from land and buildings	0	0	
- in group companies	0	0	
- in associates	0	0	
- in others	0	0	
2.2. Interest income	939.786	647.937	145
- in group companies	0	0	
- in associates	0	0	
- in others	939.786	647.937	145
2.3. Other investment income	0	4	
2.3.1. Financial income from revaluation	0	0	
- in group companies	0	0	
- in associates	0	0	
- in others	0	0	
2.3.2. Other financial income	0	4	
- in group companies	0	0	
- in associates	0	0	
- in others	0	4	
3. Income from asset value adjustments	0	0	
4. Profit on disposal of investments	232.434	0	
III. Other net income from insurance operations	31.451	33.571	94
IV. Net claims incurred	87.960.331	79.641.187	110
1. Gross claims settled	78.760.624	70.713.501	111
2. Income from gross subrogated receivables (-)	-30.976	-41.134	75
3. Reinsurers' share (-)	0	0	
4. Changes in gross prvisions for claims outstanding (+/-)	1.250.019	1.559.177	80
5. Changes in provisions for claims outstanding, reinsurers' share (+/-)	0	0	
6. Income from equalisation scheme (-)	0	0	
7. Expenses from equalisation scheme (+)	7.980.664	7.409.643	108

	2013	2012	Index
V. Change in other net technical provisions (+/-)	-100.153	112.260	
1. Change of mathematical provisions (+/-)	0	0	
1.1. Change in gross mathematical provision (+/-)	0	0	
1.2. Change of reinsurers' share (+/-)	0	0	
2. Change of other net technical provisions (+/-)	-100.153	112.260	
2.1. Change of other gross technical provision(+/-)	0	112.260	
2.2. Change of reinsurers' share (+/-)	-100.153	0	
VI. Net expenses for bonuses and discounts	0	0	
VII. Net operating expenses	7.293.024	6.890.096	106
1. Acquisition costs	1.456.534	1.205.074	121
2. Change of deferred acquisition costs (+/-)	0	0	
3. Other operating expenses	5.836.490	5.685.022	103
3.1. Depreciation of assets used in insurance business	322.283	349.993	92
3.2. Labour costs	2.523.991	2.647.061	95
- wages and salaries	1.924.171	1.890.308	102
- social security and pension insurance costs	320.824	344.581	93
- other labour costs	278.996	412.172	68
3.3. Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	116.906	47.606	246
3.4. Other operating expenses	2.873.310	2.640.362	109
4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	0	0	
VIII. Expenses from investments	195.202	38.234	511
1. Depreciation and amortization of assets not used in operations	0	0	
2. Expenses arising from asset management, interest expenses and other financial expenses	133.031	33.304	399
3. Revaluation financial expenses	4.228	4.930	86
4. Loss on disposal of investments	57.943	0	
IX. Other net insurance expenses	973.709	550.690	177
1. Expenses of preventive activity	0	0	
2. Other net insurance expenses	973.709	550.690	177
X. Allocated investment return transferd to the non-technical account (-) (item D.V.)	383.267	207.435	185
XI. Profit from health insurance (I+II+III-IV+/-V-VI-VII-VIII-IX-X) before allocation of half of the profit from supplementary health insurance	8.405.085	4.852.742	173
XII. Allocated half of the profit from supplementary health insurance (-)	0	0	
XIII. Result for the technical account for health insurance business (XI-XII)	8.405.085	4.852.742	173
D. Non-technical account			
I. Result of the tehcnical account for non-life insurance business, except health insurance business (A IX)	76.903.707	94.492.263	81
II. Result of tehcnical the account for life insurancebusiness (B XIII)	19.757.640	16.774.834	118
III. Result of tehcnical account for health insurance business (C XIII)	8.405.085	4.852.742	173

	2013	2012	Index
IV. Income from investment	64.629.991	76.621.232	84
1. Income from participations	1.956.143	2.364.505	83
1.1. Group companies	0	0	
1.2. Associates	0	0	
1.3. Others	1.956.143	2.364.505	83
2. Income from other investments	46.485.192	56.604.915	82
2.1. Income from land and buildings	2.328.092	2.891.721	81
- in group companies	0	0	
- in associates	0	0	
- in others	2.328.092	2.891.721	81
2.2. Interest income	36.846.939	41.212.982	89
- in group companies	0	0	
- in associates	0	0	
- in others	36.846.939	41.212.982	89
2.3. Other income from investments	7.310.161	12.500.212	58
2.3.1. Financial income from revaluation	5.546.918	6.910.676	80
- in group companies	0	0	
- in associates	0	0	
- in others	5.546.918	6.910.676	80
2.3.2. Other financial income	1.763.243	5.589.536	32
- in group companies	0	4.034.274	
- in associates	984	688.199	
- in others	1.762.259	867.063	203
3. Income from asset value adjustments	224.486	1.871.708	12
4. Profit on disposal of investments	15.964.170	15.780.104	101
V. Allocated investment return transferred from life insurance technical account (B XII)	-8.914.948	-7.193.795	124
VI. Allocated investment return transferred from the health insurance technical account (C X)	383.267	207.435	185
VII. Expenses from investments	43.177.894	60.031.530	72
1. Depreciation and amortization of assets not used in operations	1.356.705	1.833.017	74
2. Expenses arising from asset management, interest expenses and other financial expenses	9.860.203	10.293.056	96
3. Revaluation financial expenses	28.591.776	41.551.670	69
4. Loss on disposal of investments	3.369.210	6.353.787	53
VIII. Allocated investment return transferred to the technical account for non-life insurance business, except health insurance business (A II)	26.725.143	28.426.839	94
IX. Other income from insurance business	899.141	1.074.880	84
1. Other income from property insurance except for health insurance	765.461	897.421	85
2. Other income from life insurance	133.528	132.849	101
3. Other income from health insurance	152	44.610	
X. Other expenses	6.068.676	9.860.617	62
1. Other expenses from property insurance except for health insurance	5.176.118	8.159.893	63
2. Other expenses from life assurance	892.558	1.700.724	52
3. Other expenses from health insurance	0	0	
XI. Other income	73.315.691	72.007.425	102
1. Other income from property insurance except for health insurance	73.208.155	71.875.113	102
2. Other expenses from life assurance	81.986	105.804	77
3. Other expenses from health insurance	25.550	26.508	96
XII. Other expenses	75.766.800	70.846.618	107
1. Other income from property insurance except for health insurance	74.613.288	70.171.378	106
2. Other expenses from life assurance	79.578	192.352	41
3. Other income from health insurance	1.073.934	482.888	222

	2013	2012	Index
XIII. Profit/loss before tax			
(I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)	83.641.061	89.671.412	93
1. Net profit / -loss from property insurance, except health insurance	65.814.871	77.096.389	85
2. Net profit / -loss from life assurance	10.086.070	7.926.616	127
3. Net profit / -loss from health insurance	7.740.120	4.648.407	167
XIV. Corporate income tax	3.465.855	13.439.188	26
XV. Deferred taxes	10.324.203	3.051.161	338
XVI. Net profit / -loss for the accounting period (XIII-XIV-XV)	69.851.003	73.181.063	95
- Net profit / -loss from property insurance, except health insurance	52.911.311	63.128.133	84
- Net profit / -loss from life assurance	9.636.866	5.450.949	177
- Net profit / -loss from health insurance	7.302.826	4.601.981	159
Split of net profit / -loss	69.851.003	73.181.063	95
- Net profit attributable to equity holders	69.541.096	72.512.985	96
- Net profit attributable to non-controlling interests	309.906	668.078	46
E. Comprehensive income			
I. Net profit/loss for the accounting period after tax	69.851.003	73.181.063	95
II. Other comprehensive income after tax (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	-7.833.344	48.810.646	
1. Net profit / loss recognised in a fair value reserve relating to tangible assets	0	0	
2. Net profit / loss recognised in a fair value reserve relating to intangible assets	0	0	
3. Actuarial gains / loss for pension programs	-24.175	0	
4. Valuation gains / losses on available-for-sale financial assts	-8.554.334	61.494.760	
5. Net profit / loss from non-current assets held for sale	0	0	
6. Net profit / loss relating to cash flows hedges	0	0	
7. Share of other comprehensive income /loss of entities accounted for using the equity method	333.003	246.560	135
8. Other net profit / loss from other comprehensive income	0	0	
9. Currency translation differences	-663.640	-638.532	104
10. Tax on other comprehensive income	1.075.802	-12.292.142	
III. Comprehensive Income for the period after tax (I + II)	62.017.659	121.991.709	51
- attributable to the controlling company	61.699.594	120.972.431	51
- attributable to non-controlling interest holders	318.065	1.019.278	31

3. CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT AS AT 31 DECEMBER 2013

3.1 Consolidated assets and liabilities of technical account for life insurance, rent and supplementary pension insurance

in EUR			
	31 December 2013	31 December 2012	Index
ASSETS (from A to D)	762.884.518	761.212.970	100
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	754.501.175	752.979.736	100
I. INVESTMENT PROPERTY	1.509.997	2.076.146	73
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	0	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	752.958.907	750.893.973	100
Shares and other floating rate securities	18.550.748	19.775.919	94
2. Debt securities with fixed return	682.090.564	653.071.732	104
3. Investment fund coupons	783.900	491.204	160
4. Mortgage loans	0	134.000	0
5. Other loans	21.840.906	27.988.033	78
6. Bank deposits	28.654.356	48.074.859	60
7. Other financial investments	1.038.433	1.358.226	76
IV. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	32.271	9.617	336
1. From unearned premium	994	3.482	29
2. From mathematical provision	0	0	
3. From outstanding claims	31.277	6.135	510
4. From bonuses and discounts	0	0	
5. From technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	4.857.515	6.864.907	71
I. RECEIVABLES FROM DIRECT INSURANCE	413.050	1.932.595	21
1. Receivables from insurers	402.972	439.122	92
2. Receivables from insurance brokers	2.386	169	
3. Other receivables from direct insurance operations	7.692	1.493.304	1
II. RECEIVABLES FROM RE-INSURANCE	16.128	14.176	114
III. OTHER RECEIVABLES	4.428.337	4.918.136	90
C. OTHER ASSETS	2.342.885	1.170.847	200
I. Cash and cash equivalents	2.342.705	1.170.624	200
II. Other assets	180	223	81
D. SHORT-TERM DEFERRED ASSETS	1.182.943	197.480	599
1. Accrued interest and rent	988.952	0	
2. Deferred expenses for insurance contract acquisition	58.522	0	
3. Other deferred items	135.469	197.480	69
E. OFF BALANCE SHEET ITEMS	16.880.700	10.130.700	167

	31 December 2013	31 December 2012	
LIABILITIES (from A to F)	762.884.518	761.212.970	100
A. FAIR VALUE RESERVE	200.398	3.846.280	5
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	722.169.426	723.661.319	100
1. Gross provision for unearned premium	450.957	415.636	108
2. Gross mathematical provisions	701.401.632	702.665.714	100
3. Gross provisions for outstanding claims	20.164.185	20.430.469	99
4. Gross provisions for bonuses and discounts	152.652	149.500	102
5. Other gross provisions for bonuses and discounts	0	0	
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE- ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E. OTHER LIABILITIES	40.506.001	33.696.927	120
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	14.001.638	13.789.888	102
1. Liabilities towards policyholders	3.822.823	3.859.915	99
2. Liabilities towards intermediaries	485.780	291.938	166
3. Other liabilities from direct insurance operations	9.693.035	9.638.035	101
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	37.185	23.044	161
III. OTHER LIABILITIES	26.467.178	19.883.995	133
F. ACCRUED EXPENSES AND DEFERRED INCOME	8.693	8.444	103
J. OFF-BALANCE SHEET ITEMS	16.880.700	10.130.700	167

3.2 Consolidated assets and liabilities of technical account - supplementary voluntary pension insurance - PN - ZT - 01, 02, 03, 04

in EUR			
	31 December 2013	31 December 2012	Index
I. ASSETS (from A to E)	152.562.739	160.311.604	95
A. INVESTMENT PROPERTY AND OTHER PROPERTY RIGHTS	0	0	
1. Investment property	0	0	
2. Other property rights	0	0	
B. FINANCIAL INVESTMENTS	152.393.477	160.131.218	95
1. in loans and deposits	9.429.265	26.350.983	36
2. held to maturity:	0	0	
- debt securities	0	0	
3. available for sale:	47.670.621	85.640.625	56
- debt securities	46.563.758	82.511.357	56
- equity securities	1.106.863	3.129.268	35
4. measured at fair value:	95.293.590	48.139.611	198
- debt securities	94.164.360	48.139.611	196
- equity securities	1.129.230	0	
C. RECEIVABLES	2.520	13.693	18
1. Receivables to the managing company failing to achieve a guaranteed return	0	0	
2. Other receivables	2.520	13.693	18
D. CASH AND CASH EQUIVALENTS	166.742	166.693	100
E. OTHER ASSETS	0	0	
F. OFF BALANCE ASSETS	1.890.000	1.890.000	100
1. From derivative financial instruments	1.890.000	1.890.000	100
2. From guarantees given	0	0	
3. Other off balance assets	0	0	

in EUR			
	31 December 2013	31 December 2012	Index
II. LIABILITIES (from A to D)	152.562.739	160.311.604	95
A. TEHNICAL PROVISIONS	151.356.871	157.883.409	96
1. Mathematical provisions for payable net premium	138.211.859	143.788.061	96
2. Mathematical provisions for attributed return of assets covering mathematical	13.145.012	14.095.348	93
3. Technical provisions for insurance where the assets covering mathematical provisions are split to units (VEP)	0	0	
B. FINANCIAL LIABILITIES	0	0	
C. OPERATING LIABILITIES	1.195.347	2.427.370	49
Liabilities arising from the purchase of securities and other financial			
1. instruments	0	0	
Liabilities to the managing company of the assets covering mathematical			
2. provisions	228.006	256.189	89
Liabilities arising from redemption value to the members of the assets			
3. covering mathematical provisions	952.779	2.165.060	44
4. Other operating liabilities	14.561	6.121	238
D. OTHER LIABILITIES	10.521	825	
F. OFF BALANCE LIABILITIES	1.890.000	1.890.000	100

1.	From derivative financial instruments	1.890.000	1.890.000	100
2.	From guarantees given	0	0	
3.	Other off balance liabilities	0	0	

3.3 Consolidated assets and liabilities of technical account - supplementary voluntary pension insurance - guaranteed

in EUR			
	31 December 2013	31 December 2012	Index
I. ASSETS (from A to E)	733.505	194.334	377
A. INVESTMENT PROPERTY AND OTHER PROPERTY RIGHTS	0	0	
1. Investment property	0	0	
2. Other property rights	0	0	
B. FINANCIAL INVESTMENTS	715.455	181.511	394
1. in loans and deposits	70.407	42.056	167
2. held to maturity:	0	0	
- debt securities	0	0	
3. available for sale:	0	0	
- debt securities	0	0	
- equity securities	0	0	
4. measured at fair value:	645.048	139.455	463
- debt securities	645.048	139.455	463
- equity securities	0	0	
C. RECEIVABLES	1.500	0	
1. Receivables to the managing company failing to achieve a guaranteed return	0	0	
2. Other receivables	1.500	0	
D. CASH AND CASH EQUIVALENTS	16.550	12.823	129
E. OTHER ASSETS	0	0	
F. OFF BALANCE ASSETS	0	0	
1. From derivative financial instruments	0	0	
2. From guarantees given	0	0	
3. Other off balance assets	0	0	

in EUR			
	31 December 2013	31 December 2012	Index
II. LIABILITIES (from A to D)	733.505	194.334	377
A. TECHNICAL PROVISIONS	716.564	191.056	375
1. Mathematical provisions for payable net premium	681.682	185.124	368
2. Mathematical provisions for attributed return of assets covering mathematical p	34.882	5.932	588
3. Technical provisions for insurance where the assets covering mathematical provisions are split to units (VEP)	0	0	
B. FINANCIAL LIABILITIES	0	0	
C. OPERATING LIABILITIES	16.941	3.278	517
Liabilities arising from the purchase of securities and other financial instruments	0	0	
2. Liabilities to the managing company of the assets covering mathematical provisions	2.261	574	394
Liabilities arising from redemption value to the members of the assets covering mathematical provisions	11.614	0	
4. Other operating liabilities	3.066	2.704	113
D. OTHER LIABILITIES	0	0	
F. OFF BALANCE LIABILITIES	0	0	

1.	From derivative financial instruments	0	0
2.	From guarantees given	0	0
3.	Other off balance liabilities	0	0

3.4 Consolidated assets and liabilities of technical account - supplementary voluntary pension insurance at the time of payment of rent

in EUR			
	31 December 2013	31 December 2012	Index
ASSETS (from A to D)	18.044.045	9.805.681	184
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	17.948.776	9.691.418	185
I. INVESTMENT PROPERTY	0	0	
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	0	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	17.948.776	9.691.418	185
Shares and other floating rate securities	0	0	
2. Debt securities with fixed return	17.042.641	8.220.284	207
3. Investment fund coupons	0	0	
4. Mortgage loans	0	0	
5. Other loans	0	0	
6. Bank deposits	906.134	1.471.134	62
7. Other financial investments	0	0	
IV. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	0	0	
1. From unearned premium	0	0	
2. From mathematical provision	0	0	
3. From outstanding claims	0	0	
4. From bonuses and discounts	0	0	
5. From technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	33	0	
I. RECEIVABLES FROM DIRECT INSURANCE	33	0	
1. Receivables from insurers	0	0	
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	33	0	
II. RECEIVABLES FROM RE_INSURANCE	0	0	
III. OTHER RECEIVABLES	0	0	
C. OTHER ASSETS	95.235	114.263	83
I. Cash and cash equivalents	95.235	114.263	83
II. Other assets	0	0	
D. SHORT-TERM DEFERRED ASSETS	0	0	
1. Accrued interest and rent	0	0	
2. Deferred expenses for insurance contract acquisition	0	0	
3. Other deferred items	0	0	
E. OFF BALANCE SHEET ITEMS	0	0	

	31 December 2013	31 December 2012	
LIABILITIES (from A to F)	18.044.045	9.805.681	184
A. FAIR VALUE RESERVE	0	0	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	17.212.172	9.209.756	187
1. Gross provision for unearned premium	0	0	
2. Gross mathematical provisions	17.212.172	9.209.756	187
3. Gross provisions for outstanding claims	0	0	
4. Gross provisions for bonuses and discounts	0	0	
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-			
ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE			
REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E. OTHER LIABILITIES	831.873	595.925	140
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	609.657	554.154	110
1. Liabilities towards policyholders	232	855	27
2. Liabilities towards intermediaries	0	0	
3. Other liabilities from direct insurance operations	609.425	553.299	110
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III. OTHER LIABILITIES	222.216	41.772	532
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G. OFF-BALANCE SHEET ITEMS	0	0	

3.5 Consolidated assets and liabilities of technical account - unit-linked insurance

in EUR			
	31 December 2013	31 December 2012	Index
ASSETS (from A to D)	437.973.938	419.411.174	104
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	437.667.615	418.881.917	104
I. INVESTMENT PROPERTY	0	0	
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	0	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	437.667.615	418.881.917	104
Shares and other floating rate securities	359.474.434	344.509.806	104
2. Debt securities with fixed return	55.499.576	57.626.095	96
3. Investment fund coupons	14.233.498	11.799.781	121
4. Mortgage loans	0	0	
5. Other loans	0	0	
6. Bank deposits	8.029.894	4.514.340	178
7. Other financial investments	430.213	431.895	100
IV. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	0	0	
1. From unearned premium	0	0	
2. From mathematical provision	0	0	
3. From outstanding claims	0	0	
4. From bonuses and discounts	0	0	
5. From technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	8.861	17.828	50
I. RECEIVABLES FROM DIRECT INSURANCE	5.798	7.413	78
1. Receivables from insurers	0	0	
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	5.798	7.413	78
II. RECEIVABLES FROM RE_INSURANCE	0	58	
III. OTHER RECEIVABLES	3.063	10.357	30
C. OTHER ASSETS	297.462	511.429	58
I. Cash and cash equivalents	297.462	511.429	58
II. Other assets	0	0	
D. SHORT-TERM DEFERRED ASSETS	0	0	
1. Accrued interest and rent	0	0	
2. Deferred expenses for insurance contract acquisition	0	0	
3. Other deferred items	0	0	
E. OFF BALANCE SHEET ITEMS	6.429.638	6.429.638	100

in EUR			
	31 December 2013	31 December 2012	Index
LIABILITIES (from A to F)	437.973.938	419.411.174	104
A. FAIR VALUE RESERVE	15.533	19.929	78
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	0	0	
1. Gross provision for unearned premium	0	0	
2. Gross mathematical provisions	0	0	
3. Gross provisions for outstanding claims	0	0	
4. Gross provisions for bonuses and discounts	0	0	
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE- ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	435.201.724	417.338.986	104
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E. OTHER LIABILITIES	2.756.681	2.052.259	134
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	4.354	4.163	105
1. Liabilities towards policyholders	0	0	
2. Liabilities towards intermediaries	0	0	
3. Other liabilities from direct insurance operations	4.354	4.163	105
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III. OTHER LIABILITIES	2.752.327	2.048.096	134
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
J. OFF-BALANCE SHEET ITEMS	6.429.638	6.429.638	100

4. Consolidated income statements of technical account

4.1. Consolidated income statement for life insurance, rent and supplementary pension insurance

in EUR			
	2013	2012	Index
I. Premium earned	106.454.009	111.821.856	95
1. Gross premium earned	106.491.915	111.810.578	95
2. Change of unearned premium	-37.906	11.278	
II. Income from investments	44.345.132	49.938.124	89
1. Income from dividends	327.095	279.147	117
1.1. Dividends from subsidiaries	0	0	
1.2. Dividends from associated companies	0	0	
1.3. Dividends from others	327.095	279.147	117
Income from other investments	35.872.259	42.008.235	85
2.1. Income from land and buildings	23.997	29.405	82
2.2. Interest income	29.828.077	31.543.527	95
2.3. Other income from investments	6.020.185	10.435.303	58
2.3.1. Financial income from revaluation	4.429.380	8.801.617	50
2.3.2. Other financial income	1.590.805	1.633.686	97
3. Income from investment value adjustments	-2.586	-1.784	145
4. Gains from disposal of investments	8.148.364	7.652.526	106
III. Other income from insurance	126.394	626.995	20
IV. Expenses from claims	97.385.875	95.754.651	102
1. Claims expenses	97.672.267	95.947.310	102
2. Change in provisions from claims	-286.392	-192.659	149
V. Change in other technical provisions (+/-)	2.158.489	4.289.079	50
1. Change in mathematical provision (+/-)	2.158.489	4.278.954	50
1.1. Change in mathematical provisions without share in profit(+/-)	-3.641.373	-1.698.571	214
1.2. Change in mathematical provision from share in profit (+/-)	5.799.862	5.977.525	97
2. Change in other technical provisions(+/-)	0	10.125	
VI. Expenses for bonuses and discounts	1.826	1.772	103
VII. Expenses included in policies	18.715.577	18.649.660	100
1. Entry fees	3.719.375	3.311.596	112
2. Incasso, administrative expenses	14.996.202	15.338.064	98
3. Costs of claims settlement	0	0	
VII.a Net operating expenses	17.393.813	17.050.116	102
1. Cost of contract aquisition	11.238.071	9.782.593	115
2. Change in deferred costs of contract aquisition (+/-)	0	0	
3. Other operating expenses	6.461.564	7.299.443	89
3.1. Amortisation and depreciation of assets, needed for operations	415.738	344.907	121
3.2. Labour costs	3.205.503	3.484.046	92
- salaries	2.295.327	2.603.356	88
- costs of social and pension insurance	580.743	654.152	89
- other labour costs	329.433	226.538	145
3.3. Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	44.536	57.150	78
3.4. Other operating expenses	2.795.787	3.413.340	82
4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-305.822	-31.920	958

	2013	2012	Index
VIII. Investment expenses	8.474.320	22.658.556	37
1. Depreciation of assets, not necessary for operations	35.596	37.845	94
2. Expenses for asset management, interest expenses and other financial expenses	1.029.755	1.044.770	99
3. Financial expenses from revaluation	6.385.474	8.655.297	74
4. Losses from disposal of financial investments	1.023.495	12.920.644	8
IX. Other net insurance expenses	998.263	1.385.945	72
X. Profit / Loss from life assurance (I+II+III-IV-V-VI-VII-VIII-IX)	23.191.185	19.647.312	118
X.a Profit / Loss from life assurance (I+II+III-IV-V-VI-VIIa-VIII-IX)	24.512.949	21.246.856	115

4.2. Consolidated income statement for supplementary voluntary pension insurance -

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		in EUR		
		2013	2012	Index
I.	Payments or premiums	13.741.586	15.344.459	90
II.	Financial income	14.383.882	10.982.345	131
1.	Income from dividends	30.501	4.080	748
2.	Interest income	5.126.891	6.207.038	83
3.	Gains on disposals of financial investments	1.529.126	3.113.585	49
4.	Profit arising from a change in the fair value of a financial asset through profit and loss	7.694.255	1.657.641	464
5.	Other financial income	3.109	1	
III.	Investment property income	0	0	
1.	Income from rental of investment property	0	0	
2.	Gains on disposals of investment property	0	0	
3.	Profit arising from a change in the fair value of investment property through profit and loss	0	0	
IV.	Income from payment of management company due to failing to achieve guaranteed return	0	0	
V.	Expenses from repurchase	19.892.620	26.463.783	75
1.	Ordinary termination	0	0	
2.	Extraordinary termination	19.892.620	26.463.783	75
2.1.	Withdrawal from contract	19.686.609	26.258.819	75
2.2.	Cancellation of contract	0	0	
2.3.	Death of policyholder	206.011	204.964	101
VI.	Assets transfer from or on the other transactor (+/-)	-1.049.939	-1.454.976	72
1.	Assets transfer from the other transactor	75.576	100.862	75
2.	Assets transfer on the other transactor	1.125.515	1.555.838	72
VII.	Change of technical provisions (+/-)	-3.286.718	-8.479.012	39
1.	Change in mathematical provisions without the profit of the current year (+/-)	-3.286.718	-8.479.012	39
2.	Change of other technical provisions (+/-)	0	0	
3.	Change in provisions for insurance where assets covering mathematical provisions are splitted to units (VEP)	0	0	
VIII.	Costs of management company	2.537.887	2.788.268	91
1.	Entry fees	447.197	537.619	83
2.	Termination costs	208.330	279.795	74
3.	Management commission	1.882.360	1.970.854	96
IX.	Expenses in respect of custodian bank	0	0	
X.	Other expenses regarding management rules which directly charge assets covering mathematical provisions	0	0	
XI.	Financial expenses	8.303.999	4.463.793	186
1.	Interest expenses	0	0	
2.	Loss on disposal of financial investments	242.004	2.518.886	10
3.	Losses arising from a change in the fair value of financial assets through profit and loss	8.061.995	1.944.907	415
XII.	Investment property expenses	0	0	
1.	Expenses arising from management and rental of investment property	0	0	
2.	Losses arising from a change in the fair value of investment property through profit and loss	0	0	

XIII.	Net income of the current period (+/-)	(I.			
	+II. +III. +IV. -V. +VI. +VII. -VIII. -IX. -X. -XI. -XII.)		-372.259	-365.004	102

4.3. Consolidated income statement for supplementary voluntary pension insurance - guaranteed

		in EUR		
		2013	2012	Index
I.	Payments or premiums	288.187	40.666	709
II.	Financial income	76.309	5.450	
1.	Income from dividends	0	0	
2.	Interest income	14.758	1.362	
3.	Gains on disposals of financial investments	6.250	0	
4.	Profit arising from a change in the fair value of a financial asset through profit and loss	49.225	4.088	
5.	Other financial income	6.076	0	
III.	Investment property income	0	0	
1.	Income from rental of investment property	0	0	
2.	Gains on disposals of investment property	0	0	
3.	Profit arising from a change in the fair value of investment property through profit and loss	0	0	
IV.	Income from payment of management company due to failing to achieve guaranteed return	0	0	
V.	Expenses from repurchase	19.924	0	
1.	Ordinary termination	0	0	
2.	Extraordinary termination	19.924	0	
2.1.	Withdrawal from contract	19.853	0	
2.2.	Cancellation of contract	0	0	
2.3.	Death of policyholder	71	0	
VI.	Assets transfer from or on the other transactor (+/-)	209.425	145.788	144
1.	Assets transfer from the other transactor	209.425	145.788	144
2.	Assets transfer on the other transactor	0	0	
VII.	Change of technical provisions (+/-)	525.507	191.056	275
1.	Change in mathematical provisions without the profit of the current year (+/-)	525.507	191.056	275
2.	Change of other technical provisions (+/-)	0	0	
3.	Change in provisions for insurance where assets covering mathematical provisions are splitted to units (VEP)	0	0	
VIII.	Costs of manegement company	9.028	832	
1.	Entry fees	3.944	419	941
2.	Termination costs	201	0	
3.	Management commission	4.884	413	
IX.	Expenses in respect of custodian bank	0	0	
X.	Other expenses regarding management rules which directly charge assets covering mathematical provisions	0	0	
XI.	Financial expenses	32.498	16	
1.	Interest expenses	0	0	
2.	Loss on disposal of financial investments	16	0	
3.	Losses arising from a change in the fair value of financial assets through profit and loss	32.482	16	
XII.	Investment property expenses	0	0	
1.	Expenses arising from management and rental of investment property	0	0	
2.	Losses arising from a change in the fair value of investment property through profit and loss	0	0	

XIII.	Net income of the current period (+/-)	(I.		
	+II. +III. +IV. -V. +VI. +VII. -VIII. -IX. -X. -XI. -XII.)		-13.036	0

4.4. Consolidated income statement for supplementary voluntary pension insurance at the time of payment of rent

		in EUR		
		2013	2012	Index
I.	Transfer of funds from the pension plan for supplementary voluntary pension insurance	9.004.202	7.418.230	121
1.	These legal entities	3.068.790	1.962.226	156
2.	Other insurance	0	0	
3.	Other pension companies	5.935.412	5.456.004	109
4.	Mutual pension fund	0	0	
II.	Income from investments	559.678	205.738	272
1.	Income from dividends in companies	0	0	
1.1.	Group companies	0	0	
1.2.	Associated companies	0	0	
1.3.	Othe	0	0	
2.	Income from other investments	487.105	205.738	237
2.1.	Income from investment property	0	0	
2.2.	Interest income	487.105	205.726	237
2.3.	Other income from investments	0	13	
2.3.1.	Revaluation income	0	0	
2.3.2.	Other financial income	0	13	
3.	Income from revaluation of investments	0	0	
4.	Gains on disposals of investments	72.573	0	
III.	Expenses from claims	1.622.075	609.580	266
1.	Claims expenses	1.622.075	609.580	266
2.	Change in provisions from claims	0	0	
IV.	Change of other technical provisions(+/-)	7.640.673	6.886.180	111
1.	Change of mathematical provision (+/-)	7.640.673	6.886.180	111
2.	Change of other technical provisions (+/-)	0	0	
V.	Expenses included in policies	258.828	125.169	207
1.	Entry fees	36.091	33.524	108
2.	Incasso, administrative expenses	178.790	75.716	236
3.	Costs of claims settlement	43.946	15.929	276
V.a	Net operating expenses	164.584	127.560	129
1.	Cost of contract aquisition	109.183	108.349	101
2.	Change in deferred costs of contract aquisition (+/-)	0	0	
3.	Other operating expenses	55.401	19.211	288
3.1.	Amortisation and depreciation of assets, needed for operations	4.762	1.177	405
3.2.	Labour costs	31.533	11.018	286
-	salaries	23.838	8.620	277
-	costs of social and pension insurance	3.976	1.478	269
-	other labour costs	3.719	920	404
3.3.	Costs of services provided by outsourced netural persons other than Sole Traders together with pertaining taxes	525	209	251
3.4.	Other operating expenses	18.581	6.807	273
4.	Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	0	0	
VI.	Investment expenses	42.304	3.040	
1.	Depreciation of assets, not neccessary for operations	0	0	
2.	Expenses for asset management, interest expenses and other financial expenses	42.304	0	
3.	Financial expenses from revaluation	0	0	
4.	Losses from disposal of financial investments	0	3.040	
VII.	Profit / Loss of technical account (I+II-III+IV-V-VI)	0	0	
VII.a	Profit / Loss of technical account (I+II-III+IV-V.a-VI)	94.244	-2.391	

4.5. Consolidated income statement for unit-linked insurance

in EUR

	2013	2012	Index
I. Gross written premium	64.855.765	71.956.023	90
II. Income from investments	51.079.055	31.972.562	160
1. Income from dividends in companies	374.160	310.515	120
1.1. Group companies	0	0	
1.2. Associated companies	0	0	
1.3. Other	374.160	310.515	120
2. Income from other investments	49.213.830	30.454.091	162
2.1. Income from investment property	0	0	
2.2. Interest income	521.557	533.076	98
2.3. Other income from investments	48.692.273	29.921.015	163
2.3.1. Revaluation income	48.692.273	29.843.054	163
2.3.2. Other financial income	0	77.961	
3. Income from revaluation of investments	2.586	1.987	130
4. Gains on disposals of investments	1.488.479	1.205.969	123
III. Expenses from repayment of insurance amounts or repurchase	50.173.446	37.578.482	134
1. Ordinary termination	14.118.595	0	
2. Extraordinary termination	36.054.851	37.578.482	96
2.1. Withdrawal from contract	35.260.039	36.621.354	96
2.2. Cancellation of contract	0	0	
2.3. Death of policyholder	794.812	957.128	83
IV. Assets transfer on the other transactor			
V. Change of other technical provisions(+/-)	17.991.349	52.882.778	34
1. Change of mathematical provision (+/-)	17.906.261	52.882.778	34
2. Change of other technical provisions (+)	85.088	0	
VI. Costs and commissions	10.740.482	12.354.288	87
1. Entry fees	5.214.663	5.735.274	91
2. Termination costs	58.233	47.578	122
3. Management commission	5.467.586	6.571.436	83
VII. Investment expenses	37.073.067	1.142.316	
1. Depreciation of assets, not used in operations	0	0	
2. Expenses arising from asset management, interest expenses and other financial expenses	0	38	
3. Impairment expenses	33.789.897	675.813	
4. Loss on disposal of investments	3.283.170	466.465	704
VIII. Profit / Loss of technical account (I+II-III+/-IV+/-V-VI-VII)	-43.524	-29.279	149

5. INVESTMENT RETURN

5.1. Investment return - 2013

5.1.1. Allocated investment return transferred from the non-technical account – non-life insurance 2013

	in EUR		
	Income - non - life technical provisions	Income – non life own funds	Total income
Income from dividends	1.994.869	3.230.142	5.225.011
Income from land and buildings	1.331.237	461.049	1.792.286
Interest income	26.799.188	1.517.646	28.316.834
Financial income from revaluation	1.645.234	794.361	2.439.596
Other financial income	1.026	2.050	3.076
Income from investment value adjustments	0	24.200	24.200
Gains from disposal of investments	14.239.827	660	14.240.487
Total income	46.011.382	6.030.108	52.041.490
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	308.907	208.835	517.741
Expenses from asset management, interest expenses and other financial expenses	2.631.063	2.189.774	4.820.837
Financial expenses from revaluations	20.829.717	28.964.819	49.794.536
Loss on disposal of investments	1.499.752	426.810	1.926.562
Total	25.269.439	31.790.238	57.059.677
Investment income (income - expenses)	20.741.943	-25.760.129	-5.018.187

5.1.2. Allocated investment return transferred from the non-technical account – life insurance 2013

	in EUR		
	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	719.566	590.453	1.310.019
Income from land and buildings	23.997	46.017	70.014
Interest income	33.011.663	2.221.865	35.233.528
Financial income from revaluation	11.670.426	8.582.566	20.252.992
Other financial income	959	159	1.118
Income from investment value adjustments	0	0	0
Gains from disposal of investments	11.099.060	1.811.749	12.910.809
Net unrealised gains on unit-linked life insurance assets	47.380.445	0	47.380.445
Total	103.906.115	13.252.809	117.158.924
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	9.329	33.342	42.671
Expenses from asset management, interest expenses and other financial expenses	966.287	1.277.910	2.244.198
Financial expenses from revaluations	13.383.348	12.749.307	26.132.655
Loss on disposal of investments	4.291.104	8.255.957	12.547.061
Net unrealised losses on unit-linked life insurance assets	33.789.102	0	33.789.102
Total	52.439.170	22.316.516	74.755.686
Investment income (income - expenses)	51.466.945	-9.063.707	42.403.238

5.2. Consolidated allocated investment return in group for the year 2013

5.2.1. Consolidated allocated investment return transferred from the non-technical account – non-life insurance 2013

	in EUR		
	Income - non - life technical provisions	Income – non life own funds	Total income
Income from dividends	953.327	1.002.816	1.956.143
Income from land and buildings	1.600.219	727.873	2.328.092
Interest income	34.213.171	2.633.768	36.846.939
Financial income from revaluation	3.490.001	2.056.917	5.546.918
Other financial income	142.517	1.620.726	1.763.243
Other financial income	197.729	26.757	224.486
Gains from disposal of investments	15.993.107	-28.937	15.964.170
Total income	56.590.071	8.039.920	64.629.991
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	497.322	859.383	1.356.705
Expenses from asset management, interest expenses and other financial expense:	4.107.303	5.752.900	9.860.203
Financial expenses from revaluations	23.375.104	5.216.672	28.591.776
Loss on disposal of investments	1.885.199	1.484.011	3.369.210
Total	29.864.928	13.312.966	43.177.894
Investment income (income - expenses)	26.725.143	-5.273.046	21.452.097

5.2.2. Consolidated allocated investment return transferred from the non-technical account – life insurance 2013

	in EUR		
	Income - non - life technical provisions	Income – non life own funds	Total income
Income from dividends	310.391	590.453	900.844
Income from land and buildings	25.183	46.017	71.200
Interest income	35.978.388	2.377.750	38.356.138
Financial income from revaluation	12.389.113	8.584.312	20.973.425
Other financial income	41.395	277	41.672
Other financial income	0	0	0
Gains from disposal of investments	10.658.574	1.811.749	12.470.323
Total income	59.403.044	13.410.558	72.813.602
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	35.595	38.016	73.611
Expenses from asset management, interest expenses and other financial expense:	1.098.207	1.631.366	2.729.573
Financial expenses from revaluations	14.476.064	12.400.167	26.876.231
Loss on disposal of investments	4.480.234	8.255.957	12.736.191
Total	20.090.100	22.325.506	42.415.606

Investment income (income - expenses)	39.312.944	-8.914.948	30.397.996
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5.2.3. Consolidated allocated investment return transferred from the non-technical account – health insurance 2013

in EUR

	Income - non - life technical provisions	Income – non life own funds	Total income
Income from dividends	0	0	0
Income from land and buildings	0	0	0
Interest income	519.549	420.237	939.786
Financial income from revaluation	0	0	0
Other financial income	0	0	0
Other financial income	0	0	0
Gains from disposal of investments	146.577	85.857	232.434
Total income	666.126	506.094	1.172.220

	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	0	0	0
Expenses from asset management, interest expenses and other financial expense:	54.393	78.638	133.031
Financial expenses from revaluations	0	4.228	4.228
Loss on disposal of investments	17.982	39.961	57.943
Total	72.375	122.827	195.202

Investment income (income - expenses)	593.751	383.267	977.018
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